Akesobio

康方生物科技(開曼)有限公司
Akeso, Inc.

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)
Stock Code 股份代號 : 9926

年報 2021
ANNUAL REPORT

CONTENTS

COMPANY PROFILE

Akeso, Inc. is a biopharmaceutical company dedicated to the research, development, manufacturing and commercialization of innovative antibody drugs that are affordable to patients worldwide. Since the Company's inception, the Company has established an end-to-end comprehensive drug development platform (ACE Platform), encompassing fully integrated drug discovery and development functions, including target validation, antibody drug discovery and development, CMC production process development, and GMP compliant production. The Company has also successfully developed a bi-specific antibody drug development technology (Tetrabody technology), which helps us overcome three CMC challenges in the development and manufacture of bi-specific antibodies, including low expression levels, process development hurdles, and antibody stability and druggability. The Company currently has a pipeline of over 30 innovative drugs for the treatment of major diseases like cancers, autoimmune diseases, inflammation and metabolic diseases, 15 of which have entered clinical stage, including two first-in-class bi-specific antibody drugs (PD-1/CTLA-4 and PD-1/VEGF). The Company's vision is to become a global leading biopharmaceutical company through research and development of highly effective and innovative new drugs that are either first-in-class or best-in-class therapies.

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

"2021 Placing"	Issuance of an aggregate of 30,000,000 new shares at a price of HK$39.60 per share to not less than six Independent Third Parties pursuant to the share placing agreement dated January 7, 2021 on January 14, 2021
"2021 RSU Scheme"	the restricted share unit scheme approved and adopted by our Company on December 6, 2021 as amended from time to time
"ACE Platform"	Akeso Comprehensive Exploration platform
"AGO"	American Gastroenterological Organization
"Akeso Biopharma"	Akeso Biopharma Co., Ltd.* (中山康方生物醫藥有限公司), a limited liability company incorporated under the laws of the PRC on March 19, 2012, and one of the Company's subsidiaries
"ASCO"	American Society of Clinical Oncology
"ASCO GI"	American Society of Clinical Oncology Gastrointestinal Cancers Symposium
"Audit Committee"	the audit committee of the Board
"BLA"	Biologic License Application
"Board of Directors" or "Board"	the board of Directors
"BVI"	British Virgin Islands
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which, for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"CMC"	chemistry, manufacturing, and controls
"Company", "our Company" or "Akeso"	Akeso, Inc. (康方生物科技（開曼）有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 30, 2019
"CRO"	contract research organization
"CSCO"	China Society of Clinical Oncology

"CTTQ" or "Chia Tai Tianqing"	Chia Tai Tianqing Pharmaceutical Group Co., Ltd., the principal subsidiary of Sino Biopharmaceutical Limited (stock code: 1177), is a multinational pharmaceutical company based in the PRC. It is one of the shareholders in our subsidiary, CTTQ-Akeso
"CTTQ-Akeso"	CTTQ-Akeso (Shanghai) Biomed. Tech. Co., Ltd. (正大天晴康方（上海）生物醫藥科技有限公司), a limited liability company incorporated under the law of the PRC on August 30, 2019, one of our Group's subsidiaries
"Director(s)"	the director(s) of the Company
"dMMR"	mismatch repair deficient
"EMA"	European Medicines Agency
"ESMO"	European Society of Medical Oncology
"ESOP Trust"	a trust established by the Company by entering into a trust deed with Zedra Trust Company (Cayman) Limited, as trustee of the trust. Dr. XIA Yu as the enforcer of the trust is able to exercise voting rights attached to the Shares held by the ESOP Trust
"Exclusive Sales Agreement"	an agreement dated December 20, 2021 entered into between CTTQ-Akeso, Akeso Biopharma, LYG Tianqing and Chia Tai Tianqing in relation to the cooperation on the sales of Penpulimab Monoclonal Antibody
"FDA"	the Food and Drug Administration of the United States
"Global Offering"	the offer for subscription of an aggregate of 183,419,000 Shares (including Shares issued and allotted pursuant to the Over-allotment Option) (as defined in the Prospectus) at offer price of HK$16.18 under the Hong Kong public offering and the international offering of the Company
"GMP"	good manufacturing practice
"Group", "our Group", "our", "we" or "us"	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"HCC"	hepatocellular carcinoma
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hongtu Akeso"	Shenzhen Hongtu Akeso Investment Partnership (Limited Partnership)* (深圳市紅土康方投資合夥企業（有限合夥）), a limited liability partnership established in the PRC on January 15, 2019, and a Pre-IPO Investor of our Company

"Hongtu Ventures"	Guangdong Hongtu Entrepreneurship Investment Limited Company* (廣東紅土創業投資有限公司), a limited liability company established in the PRC on March 27, 2012, and a Pre-IPO Investor of our Company
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia
"Independent Third Party" or "Independent Third Parties"	a person or entity who is not a connected person of the Company under the Listing Rules
"IPO"	the initial public offering of the Shares on the Main Board of the Stock Exchange on April 24, 2020
"LI LLC"	Kampfire LLC, a limited liability company incorporated in the State of Nevada of the U.S. on June 4, 2019, with 100% of its voting shares held by Dr. LI Baiyong
"LI Trust"	The Sunny Beach Living Trust, a trust created under the laws of California of the U.S. on June 19, 2019, with its trustee being Dr. LI Baiyong and its beneficiaries being certain of Dr. LI Baiyong's family members
"Listing Date"	April 24, 2020, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"LYG Tianqing"	Lianyungang Chia Tai Tianqing Medicine Co., Ltd.
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"NDA"	new drug application
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局) (formerly known as the China National Drug Administration and the China Food and Drug Administration)
"Nomination Committee"	the nomination committee of the Board
"NSCLC"	non-small-cell lung cancer, any carcinoma (as an adenocarcinoma or squamous cell carcinoma) of the lungs that is not a small-cell lung carcinoma

"Phaeton Capital"	Phaeton Capital Management, L.P.* (中山市迅翔股權投資管理企業（有限合夥）), a private fund manager enterprise registered with Asset Management Association of China, which manages Zhongshan Xunxiang and Zhongshan Xunying
"Pre-IPO RSU Scheme"	the restricted share unit scheme approved and adopted by our Company on August 29, 2019 as amended from time to time, for the benefit of any director, employee, adviser or consultant of the Company or any of our subsidiaries
"Prospectus"	the prospectus of the Company dated April 14, 2020
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	for the year ended December 31, 2021
"R&D"	Research and Development
"RMB"	Renminbi, the lawful currency of the PRC
"RSU(s)"	restricted share unit(s)
"SCGC"	Shenzhen Capital Group Co., Ltd.* (深圳市創新投資集團有限公司), a limited liability company established in the PRC on August 25, 1990, and a Pre-IPO Investor of our Company
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Share(s)"	ordinary share(s) with nominal value of US$0.00001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SITC"	Society for Immunotherapy of Cancer
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TETRABODY"	a portmanteau of the phrase "tetravalent antibody", refers to our proprietary technology for the design and production of innovative tetravalent bi-specific antibodies (with four antigenbinding sites in each antibody molecule)
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"WANG LLC"	Blazing Rosewood LLC, a limited liability company incorporated in the State of Nevada of the U.S. on June 4, 2019, with 100% of its voting shares held by Dr. WANG Zhongmin Maxwell

"WANG Trust"	The Mahogany Living Trust, a trust created under the laws of California of the U.S. on June 19, 2019, with its trustee being Dr. WANG Zhongmin Maxwell and its beneficiaries being certain of Dr. WANG Zhongmin Maxwell's family members
"XIA LLC"	Golden Oaks LLC, a limited liability company incorporated in the State of Nevada of the U.S. on June 4, 2019, with 100% of its voting shares held by Dr. XIA Yu
"XIA Trust"	The Gemstone Living Trust, a trust created under the laws of California of the U.S. on June 11, 2019, with its trustee being Dr. XIA Yu and its beneficiaries being certain of Dr. XIA Yu's family members
"Zhongshan Xunxiang"	Zhongshan Xunxiang Kangfang Equity Investment Partnership (Limited Partnership)* (中山市迅翔康方股權投資企業（有限合夥）), a limited liability partnership established in the PRC on July 22, 2015, and a Pre-IPO Investor of our Company
"Zhongshan Xunying"	Zhongshan Xunying Equity Investment Partnership (Limited Partnership)* (中山市迅盈股權投資企業（有限合夥）), a limited liability partnership established in the PRC on December 20, 2017, and a Pre-IPO Investor of our Company
"%"	per cent

* *For identification purpose only*

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. XIA Yu *(Chairwoman, president, and chief executive officer)*
Dr. LI Baiyong
Dr. WANG Zhongmin Maxwell
Mr. XIA Yu (Ph.D.)

Non-executive Directors

Dr. ZHOU Yi
Mr. XIE Ronggang

Independent Non-executive Directors

Dr. ZENG Junwen
Dr. XU Yan
Mr. TAN Bo

AUDIT COMMITTEE

Mr. TAN Bo *(Chairman)*
Dr. ZENG Junwen
Dr. XU Yan

REMUNERATION COMMITTEE

Dr. ZENG Junwen *(Chairman)*
Dr. XIA Yu
Dr. XU Yan

NOMINATION COMMITTEE

Dr. XIA Yu *(Chairwoman)*
Dr. ZENG Junwen
Dr. XU Yan

JOINT COMPANY SECRETARIES

Mr. XI Xiaojie
Ms. SUEN Pui Chun Hannah

AUTHORIZED REPRESENTATIVES

Dr. XIA Yu
Ms. SUEN Pui Chun Hannah

AUDITOR

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

LEGAL ADVISER

As to Hong Kong and United States laws:
Davis Polk & Wardwell

As to Cayman Islands law:
Campbells

COMPLIANCE ADVISER

Somerley Capital Limited

PRINCIPAL BANKS

In Hong Kong:
CMB Wing Lung Bank Limited
Hongkong and Shanghai Banking Corporation Limited

In the PRC:
Industrial and Commercial Bank of China Limited, Zhongshan Branch
China Merchants Bank, Zhongshan Branch
China Merchants Bank, Guangzhou Branch
Shanghai Pudong Development Bank Corporation Limited, Guangzhou Branch

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

CORPORATE HEADQUARTERS

No. 6, Shennong Road
Torch Development Zone
Zhongshan City
Guangdong Province 528437
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

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

STOCK CODE

9926

COMPANY'S WEBSITE

www.akesobio.com

LISTING DATE

April 24, 2020

CHAIRWOMAN'S STATEMENT

Dear shareholders,

I would like to express my sincere gratitude for your continuous trust and support to Akeso on behalf of the Board of Directors.

2021 is a landmark year for Akeso. Despite the challenging macro-economic environment, Akeso has made fruitful and significant achievements in all areas including research and development, commercialization, manufacturing, and company operation, demonstrating our highly efficient execution and internal collaboration. We have built a solid foundation for our journey ahead.

We are pleased to share with you about our results in 2021 and outlook for 2022.

We've kept advancing our valuable assets rapidly, and achieved significant breakthroughs in 2021.

1. Commercialization of our 1st product

In August 2021, our first oncology immunotherapy product, Penpulimab (PD-1, AK105) injection for the treatment of relapsed or refractory classic Hodgkin's lymphoma obtained market entry approval by the NMPA in China. Product sales of RMB212 million was recorded for the year ended December 31, 2021, which demonstrates the great market potential of Penpulimab. In 2021, we also filed NDAs for NSCLC and NPC to China CDE and a BLA for NPC to FDA.

2. NDA filing of Cadonilimab, the global first-in-class bispecific antibody

In September 2021, we filed NDA for our core product Cadonilimab, PD-1/CTLA-4 bispecific antibody for the treatment of relapsed or metastatic cervical cancer (R/M CC) under priority review in China. Cadonilimab is expected to receive NMPA approval in 2022. This is also a strong validation of our research capability. We were invited to give an oral presentation of our superior clinical result in 2022 SGO. Currently, we are conducting phase III or late stage clinical trials for gastric cancer, liver cancer and cervical cancer for Cadonilimab.

3. Established a comprehensive clinical development plan for both oncology and non-oncology products

Our core bispecific antibody AK112 (PD-1/VEGF) initiated phase III clinical trial for the treatment of EGFR-TKI failed NSCLC in 2021, and has started multiple clinical trials for various sub-indications in lung cancer. AK117 (CD47) started various combination therapies for the treatment of advanced solid tumors, and the preliminary data showed promising results. In the therapeutic areas of immunology and metabolic diseases, AK102 (PCSK9) and AK101 (IL-12/IL-23) also entered pivotal/phase III clinical trials in 2021.

As of the end of 2021, Akeso has 15 clinical trials under pivotal/phase III trial. Over 20 data readouts were published at world leading scientific conferences, including ASCO, ESMO, SITC and CSCO.

4. Expedite the clinical progress of combination therapy using bispecific antibodies as a backbone

We use our bispecific antibodies, Cadonilimab and AK112, as backbone in combination with other drug candidates in our pipelines, including AK117 (CD47), AK119 (CD73), AK109 (VEGFR-2) and AK127 (TIGIT), and external drugs, such as Axitinib from Pfizer and Chiauranib from Chipscreen, to cover various cancer indications including lung cancer, liver cancer, gastric cancer, kidney cancer and etc. We are looking forward to leading the era of I/O 2.0 and developing superior therapeutic solutions compared with PD-1 based therapy.

Well established commercialization team and manufacturing facilities ready for the launch of new products including Cadonilimab

In 2021, we have developed a dedicated sales force of over 500 members with extensive experiences and track record of success in launching lots of oncology drugs, many of which became blockbuster drugs. Each of our team members developed thorough understanding of our products through various launch campaign, roadshow, education seminars and scientific conferences. We have built broad and deep commercial footprint throughout China, covering over 30 provinces, more than 200 cities, 400 KOLs, and 1,500 hospitals. We are collaborating with distribution channels and insurances including various pharmaceutical distributors, DTP pharmacies, commercial insurance and patient assistant programs to improve our product's accessibility and affordability. We are ready for and looking forward to a successful launch of Cadonilimab in 2022.

We have also developed world-class GMP facilities to support large-scale commercialization and R&D plans. Currently, we have 20,000L of production capacity in operation in Guangzhou. We are developing additional manufacturing base in both Guangzhou and Zhongshan with a total planned production capacity of over 160,000L.

As end of 2021, we have more than 1,800 talents, among which more than 750 are from our R&D and clinical team, which provide strong support for us moving forward our valuable assets rapidly.

OUR PROSPECTS

2022 is the 10th anniversary of Akeso and will be the beginning of a new chapter for our company. We have developed a comprehensive and solid functional platform to welcome the launch of new products and our strong R&D with clinical focus and efficient execution will ensure continuous success.

We expect that the NDAs for Cadonilimab for treating 2/3L R/M CC and Penpulimab for treating 1L sq-NSCLC and 3L NPC will be approved in 2022. We will also accelerate clinical programs of Cadonilimab, AK112 (PD-1/VEGF), AK117 (CD47), Penpulimab, AK119 (CD73), AK102 (PCSK9), AK120 (IL-4R), AK101 (IL-12/23), as well as progressing AK131 (PD-1/CD73), AK129 (PD-1/LAG-3), AK130 (TIGIT/TGFß) into clinical stage. We are committed to keeping up with the biotech frontier development, being innovative, and continuously optimizing our portfolio.

In order to accelerate the commercialization of our clinical products and maximize our assets' value, we will actively seek and establish value-added strategic partnerships for our products in both China and overseas.

In the next decade, we hope to join hands with you for a brighter future. We will focus on developing innovative drugs with unmet medical needs, and aiming to provide highly effective and affordable therapeutic solutions to patients. We are committed to developing Akeso to become a global innovative biopharmaceutical company, capturing the substantial potential of the rising innovative drug market both in China and globally, leading and promoting the development of Chinese biotech industry, and delivering tremendous value for our patients, employees, shareholders and society.

Dr. XIA Yu
Chairwoman, CEO, and president

FINANCIAL HIGHLIGHTS

- Total sales from products and licensing fee recognised by the Company were RMB340.2 million for the year ended December 31, 2021, as compared to nil for the year ended December 31, 2020. The growth in sales was attributable to (i) product sales of RMB211.6 million generated from our newly approved Anniko® (Penpulimab, PD-1) starting in late August 2021, which brought benefits to around 17,000 patients across the country; and (ii) licensing income of RMB128.6 million in connection with our out-licensed product AK107 to Merck Sharp & Dohme Corp ("**Merck**").

- Other income and gains, net was RMB116.3 million for the year ended December 31, 2021 as compared to RMB123.5 million for the year ended December 31, 2020. The slight decrease was primarily attributable to decrease in bank interest income which was in line with the decreased fixed deposit to better enhance financial flexibility, partially offset by the increase in government grants.

- Research and development expenses increased by RMB354.4 million from RMB768.6 million for the year ended December 31, 2020 to RMB1,123.0 million for the year ended December 31, 2021. The increase was primarily attributable to (i) the clinical trial advancements of our drug candidates, including two NDAs and one BLA filed for Anniko®, one NDA filed for Cadonilimab (AK104, PD-1/CTLA-4), the initiation of multiple phase III trials for Cadonilimab, AK112 (PD-1/VEGF), AK101 (IL-12/IL-23) and AK102 (PCSK9), and the advancements of other clinical programs such as AK117 (CD47), AK119 (CD73), AK109 (VEGFR2), AK120 (IL4R), and AK111 (IL17); (ii) the advancements of our pre-clinical programs into clinical stage including AK127 (TIGIT) and AK115 (NGF); and (iii) the increased salaries and benefits as a result of the increase in our R&D staff, which was in line with the development mentioned above.

- Selling and marketing expenses were RMB179.1 million for the year ended December 31, 2021. It was mainly attributed to (i) the selling expenses related to the sales of Anniko® on which CTTQ-Akeso, a joint-venture established by us and CTTQ, in which each party holds 50% equity interest, entered into an Exclusive Sales Agreement with LYG Tianqing and CTTQ, under which LYG Tianqing will be fully responsible for the sales and marketing of Anniko® and CTTQ-Akeso will bear the related costs incurred; and (ii) the staff costs and marketing expenses related to the preparation for the coming launch of Cadonilimab.

- Loss for the year narrowed by RMB62.5 million to RMB1,258.1 million for the year ended December 31, 2021 from RMB1,320.6 million for the year ended December 31, 2020, primarily driven by (i) the growth in product sales and licensing income; (ii) the increase in the research and development expenses; (iii) the increase in the selling and marketing expenses; and (iv) the elimination of fair value changes in convertible redeemable preferred shares.

BUSINESS HIGHLIGHTS

During the Reporting Period, we made significant progress in our product pipeline and business operations:

Commercialisation and Marketing Applications

On August 5, 2021, our first oncology immunotherapy product, Anniko® (Penpulimab, AK105, PD-1) injection for the treatment of relapsed or refractory classic Hodgkin's lymphoma indications was granted marketing approval by the NMPA in China. Product sales of RMB211.6 million was recorded for the year ended December 31, 2021.

In July 2021, we submitted an NDA of Anniko® in combination with chemotherapy for first-line treatment of locally advanced or metastatic squamous non-small cell lung cancer ("**sq-NSCLC**") in China. In August, we submitted another NDA for third-line treatment of patients with metastatic nasopharyngeal carcinoma ("**NPC**") in China. In September, 2021, we also submitted a BLA for third-line treatment of patients with metastatic NPC to the FDA through the Real-Time Oncology Review ("**RTOR**") Programme.

In September 2021, we submitted another NDA in China for Cadonilimab (AK104, PD-1/CTLA-4) for the treatment of relapsed or metastatic cervical cancer.

Clinical programmes

We have over 30 innovative programmes covering the areas of oncology, immunology and metabolic diseases including six bispecific antibodies and 15 drug candidates in the clinical trial stage (including three out-licensed products).

We obtained 37 IND approvals, one of the most in Chinese biotech companies. Besides the four marketing applications we submitted, our total number of pivotal or Phase III trials increased to 15, and two of our pre-clinical programs, AK127 (TIGIT) and AK115 (NGF), advanced into clinical stage.

In the oncology therapeutic area, Cadonilimab started three Phase III trials for indications including first-line treatment of advanced gastric adenocarcinoma or gastroesophageal junction cancer (GC/GEJ), first-line treatment of recurrent or metastatic cervical cancer and locally advanced cervical cancer. AK112 (PD-1/VEGF) started two Phase III trials for indications including first-line treatment of PD-L1(+) NSCLC, and advanced NSCLC previously treated with EGFR-mutant Tyrosine Kinase Inhibitor (TKI) treatment.

In non-oncology therapeutic area, AK101 (IL12/23) entered into Phase III clinical study for the treatment of moderate-to-severe plaque psoriasis. AK102 (PCSK9) started Phase III clinical study for hypercholesterolemia, and pivotal study for heterozygous familial hypercholesterolemia ("**HeFH**").

During the Reporting Period, a total of 20 publications covering 5 drug candidates including Cadonilimab, AK112 (PD-1/VEGF), and AK117 (CD47) were accepted by top academic conferences including ASCO, CSCO, ESMO, SITC, and ASCO GI.

Talent Development

As of December 31, 2021, the Company had 1,865 staff, including 243 pre-clinical development scientists, 496 clinical scientists, 398 members of manufacturing team and 512 members of commercial team.

GMP-compliant Manufacturing

As of December 31, 2021, we have production capacity of 23,500 Liters in operation, with more capacity under construction and in planning.

Business Collaboration

During the Reporting Period, the Company commenced collaboration with Pfizer Pharmaceuticals and AstraZeneca Pharmaceuticals on AK104 and AK112 respectively. In December 2021, we collaborated with the researcher from MD Anderson Medical Institute in the United States to commence an investigator-initiated phase II clinical study of Cadonilimab for the treatment of neuroendocrine carcinoma of the cervix ("**NECC**"). Along with the increasing production capacity and planned construction of new manufacturing facility, we entered into collaboration agreement with industry leading suppliers including Cytiva, Siemens, Sartorius, Thermo Fisher, and Duoning Biotech to further optimize our raw material supply, critical equipment supply and maintenance, and supply chain management.

We are a biopharmaceutical company committed to the research, development, manufacturing and commercialization of either first-in-class or best-in-class therapies. We are dedicated to addressing global unmet medical needs in cancers, autoimmune diseases, inflammation and metabolic diseases.

COMMERCIALIZATION

Our first oncology immunotherapy drug Anniko® was approved in August 2021, and we achieved product sales of RMB211.6 million and benefited around 17,000 patients during the Reporting Period. The successful commercialization of the first drug marks a giant leap for us towards the goal of becoming a leading biopharmaceutical company in China.

In July 2021, we submitted an NDA of Anniko® in combination with chemotherapy for first-line treatment of locally advanced or metastatic sq-NSCLC in China. In August, we submitted another NDA for third-line treatment of patients with metastatic NPC in China. In September, 2021, we also submitted BLA for third-line treatment of patients with metastatic NPC to the FDA through the RTOR programme.

In September 2021, we submitted another NDA in China for Cadonilimab for the treatment of relapsed or metastatic cervical cancer.

We have established a dedicated sales force with more than 500 people, and developed a broad and deep commercial footprint throughout China at the end of the Reporting Period. Our team has started to develop comprehensive marketing strategy, precisely target to the key opinion leaders ("**KOL**") & potential patients. We have established us as a leading bispecific antibody brand in China with strong KOL support and engagements. And our sales force has a thorough understanding of our products and is well prepared for a successful launch of Cadonilimab in 2022.

PRODUCT PORTFOLIO

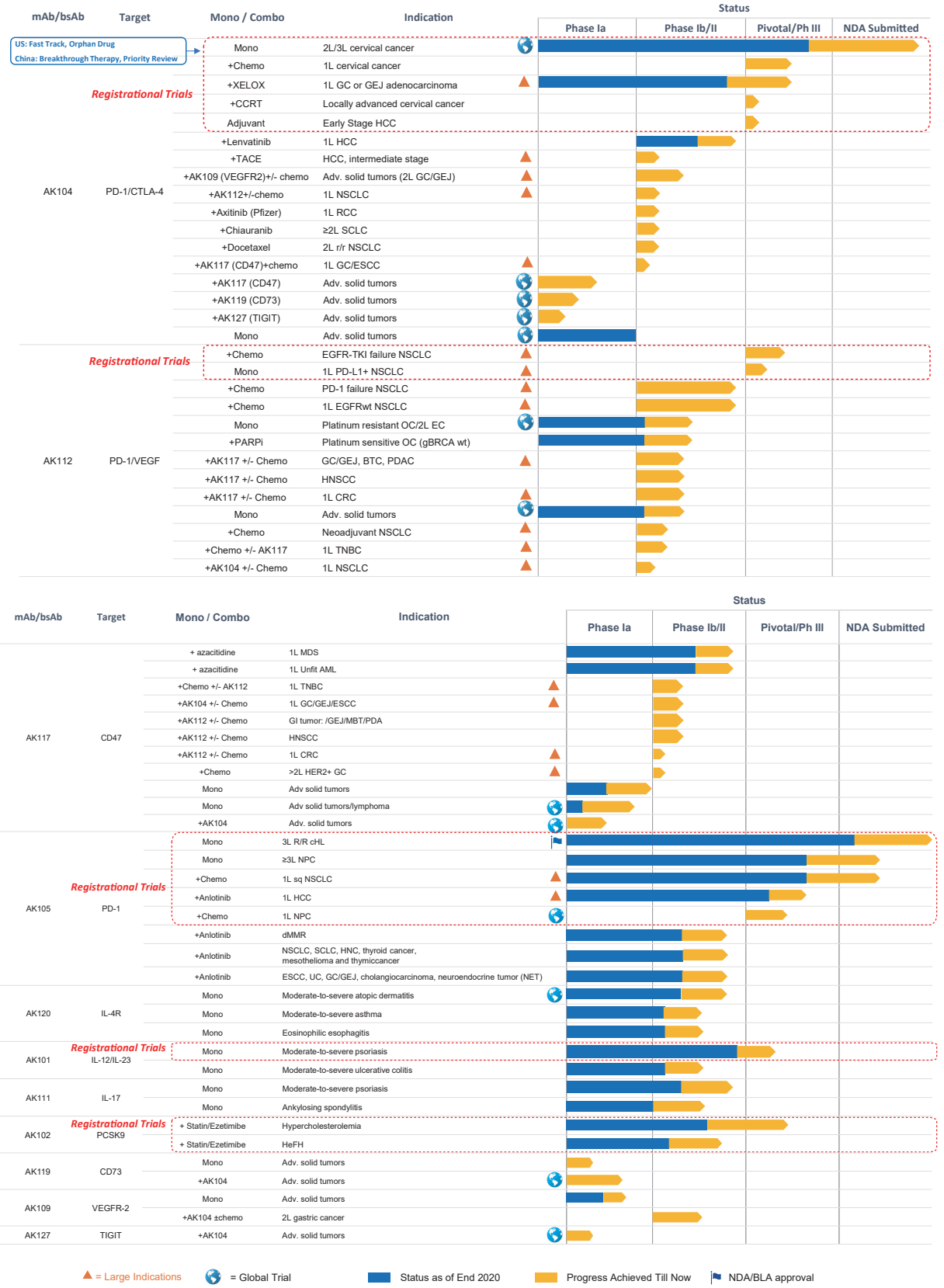
As of December 31, 2021, we have over 30 innovative programs covering the areas of oncology, immunology and metabolic diseases. These products include 6 bispecific antibodies and 15 of which are in the clinical trial stage (including three out-licensed products).

Oncology is one of our focused therapeutic areas. Our products in clinical trial includes Cadonilimab (AK104, PD-1/CTLA-4), Ivonescimab (AK112, PD-1/VEGF), Ligufalimub (AK117, CD47), Anniko® (Penpulimab, AK105, PD-1), Drebuxelimab (AK119, CD73), Pulocimab (AK109, VEGFR-2), AK127 (TIGIT), and AK115 (NGF). We believe that some of these drug candidates have the potential to be the first or best-in-class therapies, as well as either important components or backbone of combination therapies.

In the area of immunology, products in clinical trial include Manfidokimab (AK120, IL-4R), Ebdarokimab (AK101, IL-12/IL-23) and Gumokimab (AK111, IL-17).

In addition to oncology and immunology, we have several compounds targeting diseases in other therapeutic areas including Ebronucimab (AK102, PCSK9) in collaboration under a joint venture agreement with Dawnrays Pharmaceutical.

The following chart summarizes the development status of our internally-developed, clinical-stage drug candidates as of the date of this report:



ONCOLOGY

- **Cadonilimab (PD-1/CTLA-4 bi-specific antibody, AK104):**

  1. Significant Clinical Progress:

  — In January 2021, AK104 in combination with AK119 for treatment of advanced solid tumor completed dosing of first patient in Phase I clinical study.

  — In February 2021, AK104 obtained Orphan Drug designation from FDA of the United States for treating relapsed or metastatic cervical cancer.

  — In April 2021, AK104 obtained NMPA approval to initiate global Phase III clinical study for first-line treatment of advanced cervical cancer.

  — In July 2021, AK104 in combination with AK117 for treatment of advanced solid tumor completed patient enrollment of the first cohort in Phase I clinical study.

  — In July 2021, AK104 in combination with AK109 obtained NMPA approval to initiate Phase Ib/II clinical study for second line treatment of GC/GEJ.

  — In August 2021, AK104 initiated Phase III clinical study for first-line treatment of advanced GC/GEJ.

  — In August 2021, AK104 in combination with AK109 obtained NMPA approval to initiate Phase Ib/II clinical study for treatment of advanced solid tumors.

  — In August 2021, AK104 for relapsed or metastatic cervical cancer obtained approval from the CDE to submit NDA and was granted priority review designation.

  — In August 2021, we initiated collaboration with Pfizer Pharmaceuticals conducting Phase II clinical study of AK104 plus Axitinib for first-line treatment of advanced or metastatic clear cell renal cell carcinoma ("**ccRCC**").

  — In September 2021, NDA for AK104 for treatment of relapsed or metastatic cervical cancer accepted by NMPA.

  — In October 2021, AK104 in combination with AK127 for treatment of advanced or metastatic solid tumor completed dosing of first patient in Phase I clinical study in Australia.

  — In December 2021, an investigator-initiated Phase II clinical study of AK104 for treatment of NECC launched in the United States.

2. Data Readouts:

— In January 2021, results of clinical study of AK104 in combination with chemotherapy for first-line treatment of GC/GEJ was published at ASCO GI 2021.

— In June 2021, Phase II clinical study of AK104 in combination with Lenvatinib for first-line treatment of unresectable hepatocellular carcinoma (HCC) was published at ASCO 2021.

— In June 2021, Phase I clinical study of AK104 in combination with AK119 for treatment of advanced or metastatic solid tumor was published at ASCO 2021.

— In September 2021, Phase Ib/II clinical study of AK104 in combination with Anlotinib for treatment of advanced NSCLC which patients were PD-L1 positive or previously treated with PD-1/L1 with or without chemotherapy was published at ASCO 2021.

— In November 2021, Phase II clinical study of AK104 for treatment of NPC which patients previously treated with second-line or late-line chemotherapy treatment was published at SITC 2021.

— In November 2021, mechanism of Cadonilimab, an anti-PD-1/CTLA-4 bi-specific antibody (AK104) with Fc effector null backbone was published at SITC 2021.

RECENT DEVELOPMENT AFTER THE REPORTING PERIOD

1. Clinical Progress:

— In January 2022, AK104 combined with concurrent chemoradiotherapy (CCRT) obtained NMPA approval to initiate a Phase III clinical study for treatment of locally advanced cervical cancer.

— In January 2022, AK104 combined with AK112 combined with or without chemotherapy obtained NMPA approval to initiate a Phase Ib/II clinical study for treatment of advanced NSCLC.

— In March 2022, AK104 in combination with Docetaxel obtained NMPA approval to initiate a Phase II clinical study for treatment of advanced NSCLC.

— In March 2022, initiated clinical study of AK104 in combination with Chiauranib for treatment of extensive-stage small cell lung cancer (ES-SCLC) which patients previously treated with PD-(L)1 inhibitor.

2. Data Readout:

— In January 2022, results of Phase Ib/II clinical study of AK104 combined with chemotherapy as first-line therapy for advanced GC/GEJ was published at ASCO GI 2022.

— In March 2022, results of Phase II clinical study of AK104 for treatment of recurrent or metastatic cervical cancer was orally reported at SGO.

- ***Ivonescimab (PD-1/VEGF bi-specific antibody, AK112):***

  1. *Significant Clinical Progress:*

     — In May 2021, AK112 for first-line treatment of advanced NSCLC completed enrollment of first patient.

     — In May 2021, AK112 for treatment of recurrent or metastatic gynecological tumor completed enrollment of first patient.

     — In May 2021, AK112 in combination with chemotherapy initiated clinical study for treatment of advanced NSCLC (previously treated with first-line treatment of PD-1/L1 inhibitor or EGFR-TKI treatment).

     — In May 2021, AK112 in combination with polymerase inhibitors ("**PARPi**") initiated clinical study for treatment of wild-type breast cancer gene ("**BRCA**") platinum-sensitive recurrent ovarian cancer.

     — In May 2021, AK112 in combination with chemotherapy obtained NMPA approval to initiate a Phase III clinical study for treatment of extensive-stage small cell lung cancer (SCLC).

     — In October 2021, AK112 in combination with chemotherapy obtained NMPA approval to initiate a Phase II clinical study for treatment of advanced triple-negative breast cancer (TNBC).

     — In October 2021, AK112 in combination with AK117 obtained NMPA approval to initiate a Phase Ib/II clinical study for treatment of advanced malignant tumor.

     — In November 2021, AK112 in combination with or without chemotherapy obtained NMPA approval to initiate a Phase II clinical study for neoadjuvant/adjuvant treatment of resectable NSCLC.

2. *Data Readouts:*

   — In May 2021, latest updates on Phase I clinical study of efficacy and safety of AK112 for treatment of advanced solid tumor was published at ASCO 2021.

   — In September 2021, results of Phase II clinical study of AK112 for first-line treatment of NSCLC was published at CSCO 2021.

   — In September 2021, latest updates on Phase Ib/II clinical study of AK112 in combination with polymerase inhibitors (PARPi) Olaparib for treatment of platinum-sensitive wild-type breast cancer gene (BRCA) recurrent ovarian cancer was published at CSCO 2021.

   — In November 2021, results of Phase I clinical study of efficacy and safety of AK112 for treatment of recurrent platinum resistant epithelial ovarian cancer was published at SITC 2021.

   — In November 2021, latest updates on Phase Ib/II clinical study of AK112 in combination with polymerase inhibitors (PARPi) Olaparib for treatment of platinum-sensitive wild-type breast cancer gene (BRCA) recurrent ovarian cancer was published at SITC 2021.

RECENT DEVELOPMENT AFTER THE REPORTING PERIOD

Clinical Progress:

— In January 2022, Phase III clinical study of AK112 in combination with chemotherapy for treatment of nsq-NSCLC which patient previously treated with EGFR-TKI treatment completed dosing of fist patient.

- ***Penpulimab (PD-1 monoclonal antibody, AK105, Anniko®):***

  1. *Commercialization Status*

     — In August 2021, Anniko® obtained market entry approval by NMPA. As of December 31, 2021, the product sales were RMB211.6 million.

  2. *Significant Clinical Progress:*

     — In February 2021, interim analysis of the Phase III clinical study of Anniko® in combination with chemotherapy for first-line treatment of metastatic sq-NSCLC has reached primary end points.

     — In March 2021, Anniko® obtained Breakthrough Therapy designation from FDA for third-line treatment of metastatic NPC.

     — In May 2021, Anniko® is selected under the new policy of Real-Time Oncology Review (RTOR) of the FDA and BLA submitted in the United States for treatment of third-line NPC.

     — In July 2021, NDA for Anniko® for first-line treatment of sq-NSCLC was accepted by NMPA.

     — In August 2021, Anniko® obtained market entry approval for treatment of relapsed/refractory classic Hodgkin Lymphoma (R/R cHL) which patients previously treated with second-line treatment of chemotherapy.

     — In August 2021, NDA for Anniko® for third-line treatment of metastatic NPC was accepted by NMPA.

3. *Data Readouts:*

   — In January 2021, latest updates on Phase I clinical study of Anniko® in combination with Anlotinib for first-line treatment of advanced HCC was published at ASCO GI 2021.

   — In May 2021, clinical study of efficacy and safety of Anniko® in combination with Anlotinib for first-line treatment of non-squamous non-small cell lung cancer (nsq-NSCLC) was published at ASCO 2021.

   — In May 2021, Phase II clinical study of Anniko® for treatment of R/R cHL was published at ASCO 2021.

   — In May 2021, clinical study of Anniko® in combination with Anlotinib for treatment of SCLC which patients previously treated with platinum-based chemotherapy was published at ASCO 2021.

   — In August 2021, Anniko® a Fc receptor and complement mediated effector are completely removed by mutations of Fc region, it also has a slower antigen binding offrate compared with the PD-1 antibodies was orally reported at ESMO 2021.

   — In August 2021, latest updates on Phase II clinical study of Anniko® for treatment of metastatic NPC which patients previously treated with second-line or multi-line treatment of chemotherapy was published at ESMO 2021.

- ***Ligufalimab (CD47 monoclonal antibody, AK117):***

1. *Significant Clinical Progress:*

   — In May 2021, AK117 obtained NMPA approval to initiate a Phase I/II clinical study for treatment of Myelodysplastic syndromes (MDS).

   — In July 2021, AK117 combined with AK104 for treatment of advanced solid tumor completed patient enrollment of first cohort in Phase I clinical study.

   — In July 2021, AK117 completed Phase I clinical study for dose escalation, and AK117 in combination with azacytidine obtained NMPA approval to initiate a Phase Ib/II clinical study for treatment of acute myeloid leukemia (AML).

   — In October 2021, AK112 in combination with AK117 obtained NMPA approval to initiate a Phase Ib/II clinical study for treatment of malignant tumor.

2. *Data Readouts:*

   — In May 2021, latest updates on Phase I clinical study of AK117 for advanced or metastatic solid tumor was published at ASCO 2021.

   — In October 2021, mechanism of action of AK117, a CD47 blocking antibody with robust macrophage activation without red blood cell hemagglutination was published at SITC 2021.

RECENT DEVELOPMENT AFTER THE REPORTING PERIOD

Clinical Progress:

— In January 2022, AK117 in combination with AK112 with or without chemotherapy obtained NMPA approval to initiate a Phase Ib/II clinical study for treatment of advanced malignant tumor.

— In January 2022, AK117 in combination with AK112 with chemotherapy obtained NMPA approval to initiate a Phase II clinical study for first-line treatment of unresectable locally advanced or metastatic TNBC.

- ***Drebuxelimab (CD73 monoclonal antibody, AK119):***

  1. *Significant Clinical Progress:*

     — In January 2021, clinical study of AK119 in combination with AK104 for advanced solid tumor completed dosing of first patient.

  2. *Data Readouts:*

     — In June 2021, latest updates on Phase I clinical study of AK119 in combination with AK104 for advanced metastatic solid tumor was presented at ASCO 2021.

     — In October 2021, AK119, a CD73 targeting antibody with dual mechanism of action was published at SITC 2021.

- ***Pulocimab (VEGFR-2 monoclonal antibody, AK109):***

  Significant Clinical Progress:

  — In July 2021, AK109 in combination with AK104 with or without chemotherapy obtained NMPA approval to initiate a Phase Ib/II clinical study for treatment of GC/GEJ.

  — In August 2021, AK109 in combination with AK104 obtained NMPA approval to initiate a Phase Ib/II clinical study for treatment of advanced solid tumor.

- ***TIGIT monoclonal antibody, AK127:***

  Significant Clinical Progress:

  — In October 2021, clinical study of AK127 in combination with AK104 for treatment of solid tumor completed dosing of first patient.

- ***NGF monoclonal antibody, AK115:***

  AK115 is a humanized IgG1 subtype monoclonal antibody targeting NGF independently developed by the Company. It has good structural stability and can bind to the NGF in human body with high affinity, blocking its interaction with receptors, thereby blocking the signals sent by the nociceptors responsible for the perception of pain, to achieve the purpose of pain relief. At the same time, AK115 introduces amino acid point mutations in the Fc region that eliminate the binding of Fc receptors and complement C1q, which will help AK115 achieve a better safety profile.

RECENT DEVELOPMENT AFTER THE REPORTING PERIOD:

— In February 2022, AK115 obtained NMPA approval to initiate a clinical study for alleviating pain including cancer pain.

Immunology and Other Therapeutic Areas

- ***Manfidokimab (IL-4R monoclonal antibody, AK120):***

  Significant Clinical Progress:

  — In September 2021, AK120 obtained approval from FDA to initiate a Phase II clinical study for moderate to severe atopic dermatitis.

  — In October 2021, AK120 obtained NMPA approval to initiate a Phase II clinical study for moderate to severe asthma, and a Phase II clinical study of AK120 for treatment of moderate to severe atopic dermatitis completed dosing of first patient in the United States.

- ***Ebdarokimab (IL-12/IL-23 monoclonal antibody, AK101):***

  Significant Clinical Progress:

  — In November 2021, AK101 initiated a Phase III clinical study for treatment of moderate to severe psoriasis.

- ***Gumokimab (IL-17 monoclonal antibody, AK111):***

  Significant Clinical Progress:

  — In September 2021, Phase II clinical study of AK111 for treatment of moderate to severe plaque psoriasis completed patient enrollment.

  — In December 2021, Phase II clinical study of AK111 for treatment of ankylosing spondylitis completed patient enrollment.

- ***Ebronucimab (PCSK9 monoclonal antibody, AK102):***

  Significant Clinical Progress:

  — In September 2021, AK102 initiated a Phase III clinical study for treatment of hyperlipidemia.

Warning under Rule 18A.08(3) of the Listing Rules: There is no assurance that AK104, AK112, AK117, AK105, AK119, AK102, AK120, AK101, AK111, AK109, AK115, and AK127 will ultimately be successfully developed and marketed by the Company. As of the date of this report, no material adverse changes had occurred with respect to the regulatory approvals we had received in relation to our drug candidates.

Our Selected IND-enabling Drug Candidates

In addition to our clinical-stage drug candidates, as of December 31, 2021, we are also developing over three drug candidates in IND-enabling stage, including but not limited to:

Assets	Target(s)	Monotherapy/ Combo-therapy	Therapeutic Areas	Commercialization Rights
AK131	PD-1/CD73	Monotherapy	Oncology	Global
AK130	TIGIT/TGFbeta	Monotherapy	Oncology	Global
AK129	PD-1/LAG3	Monotherapy	Oncology	Global

DRUG CANDIDATES UNDER TESTING AND DISCOVERY

In addition to our clinical-stage and IND-enabling stage drug candidates, we are also developing discovery-stage drug candidates. Each of these candidates has been approved by our science committee, which reviews all proposals for research programs before they enter discovery and development. Our drug discovery platform has allowed us to maintain and expand a strong discovery-stage drug pipeline in potentially important areas, such as oncology (including I/O) and immunology/inflammation. These are mostly novel targets with few or no available clinical data for proof of concept. We anticipate advancing several of our discovery-stage candidates into IND-enabling stage each year.

HUMAN RESOURCES MANAGEMENT

As of December 31, 2021, we had a total of 1,865 employees with detailed breakdown as set out below, as compared to 746 employees as of December 31, 2020.

Function	Number of employees	% of total
Research and Development	243	13.0
Clinical	496	26.6
Manufacturing	398	21.3
Sourcing	13	0.7
Selling and Marketing	512	27.5
General and Administrative	203	10.9
Total	1,865	100

MANUFACTURING FACILITIES

Our GMP-compliant manufacturing facilities are designed and validated according to the FDA, the EMA, and the NMPA regulations, and support the entire drug development process, from drug discovery to process development, GMP-compliant pilots and commercial manufacturing. The existing production capacity in operation has reached 23,500 L, together with production capacity under construction and planning. Our manufacturing facilities are comprised of the following sites:

- **FDA/NMPA Compliant GMP Manufacturing Facility:** Our Zhongshan facility enables GMP-compliant manufacturing capacity of 3,500 L. The Zhongshan facility also features a 6,000 vial/hour (10 and 2 vials) fill/finish line.

- **Commercialization Manufacturing Base in Guangzhou:** The production capacity in operation has reached 20,000 L bioreactors and two fill/finish lines for vials and pre-filled syringes, respectively, with an anticipated annual production capacity of ten million dose units (vials and syringes). The production capacity under construction is up to 40,000 L and planned capacity is in place for future products. A development laboratory with pilot plant has been established, which enables late stage process development and full manufacturing support.

- **Commercialization Manufacturing Base in Cuiheng, Zhongshan:** Phase 1 and phase 2 of the project are under construction in Cuiheng, Zhongshan. It will provide a production capacity of up to 60,000 Liters. Phase III of the project is in planning at the moment, which will provide a production capacity of up to 40,000 Liter once completed.

BUSINESS COLLABORATION AND MARKET RECOGNITION

As of the date of this report, the Company commenced collaboration with Pfizer Pharmaceuticals, AstraZeneca Pharmaceuticals and Chipscreen Biosciences on AK104 and AK112 respectively. In December 2021, we collaborated with the researcher from MD Anderson Medical Institute in the United States to commence an investigator-initiated phase II clinical study of Cadonilimab for the treatment of NECC. Along with the increasing production capacity and planned construction of new manufacturing facility, we entered into collaboration agreement with industry leading suppliers including Cytiva, Siemens, Sartorius, Thermo Fisher, and Duoning Biotech to further optimize our raw material supply, critical equipment supply and maintenance, and supply chain management.

In 2021, we won the title of "Most Honored Company (最受尊崇公司)" in the "2021 All-Asia Executive Team" rankings by Institutional Investor. We also ranked in the "Top 20 Most Valuable Biotechs in Asia (亞洲最具價值生物醫藥企業TOP20)" ranking (ranked 5th), Best Biopharmaceutical Company of the Year (年度生物醫藥最佳企業) and Best Pharmaceutical and Medical Company (最佳醫藥及醫療公司等).

IMPACT OF COVID-19 AND RESPONSE

Global Outbreak of COVID-19

Akeso has developed defensive operation rules and fully prepared for company operation under outbreak of COVID-19. During the Reporting Period, we have experienced only minimal delay to our patient enrollment and clinical development due to business interruptions to hospitals and treatment centers. However, we have no material delay for NDA and BLA filing. For commercialization preparation for Cadonilimab, we have no material interruption under the pandemic. Based on information available as of the date of this report, we believe that the outbreak of COVID-19 will not cause material interruption to our business operation and will not have significant impact on our financial conditions and financial results.

The above conclusion is based on the information about COVID-19 available for the time being. The ultimate impact of the pandemic will depend on many factors beyond our control. We cannot be sure if the COVID-19 will not worsen and if our operation results will not be materially and adversely affected.

FUTURE DEVELOPMENT

We will speed up the submission of new drugs for regulatory assessment and approval, the preparation for production and commercialization of drugs and the global development of our business. We will continue to push forward the clinical test of the existing and proposed pipeline products in China and overseas (including the United States) and the preparation for the commercialization of the pipeline products. With the increasing number of clinical research projects, we will focus more on the research projects related to important indications of our core products (including AK104(PD-1/CTLA-4), AK112(PD-1/VEGF) and AK117(CD47)), in order to execute our clinical development plans more effectively and efficiently.

In addition, we expect that Cadonilimab will be approved for launch in 2022. We have built up a sales team with abundant experience, strong capability and sufficient knowledge of local markets by the end of 2021, which had a size exceeding 500 people. Moreover, we plan to expand the team size to approximately 800 people in 2022. At the same time, we are also actively expanding the indications of Cadonilimab in other important cancer types.

We expect the new drug applications for Anniko® for first-line treatment of squamous NSCLC, and for third-line treatment of NPC will be approved in 2022.

Further data readouts of other drugs in the pipeline, including Cadonilimab, AK112 (PD-1/VEGF), AK117 (CD47), AK105 (PD-1), AK119 (CD73), (AK102, PCSK9), AK120 (IL-4R), AK101 (IL-12/23) and AK111 (IL-17), are expected in the next twelve months as well.

Furthermore, we will push forward our pre-clinical test preparation to discover, verify and select targets through our ACE Platform to enrich our product offering, in particular the products for cancer immunology and immunotherapy. It is expected that one or two drug candidates will commence clinical test in 2022.

To speed up the commercialization process and to maximize the commercial value of drugs, we will identify strategic partners in China and overseas with high value-added potential to cooperate in the form of partnership, joint venture, or licensing agreement.

FINANCIAL REVIEW

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Product sales	**211,623**	–
Licensing fee income	**128,600**	–
Total sales from products and licensing fee	**340,223**	–
Less: distribution cost	**(114,597)**	–
Revenue	**225,626**	–
Cost of sales	**(31,259)**	–
Gross profit	**194,367**	–
Other income and gains, net	**116,273**	123,524
Research and development expenses	**(1,122,957)**	(768,589)
Selling and marketing expenses	**(179,149)**	–
Administrative expenses	**(243,517)**	(253,029)
Other expenses, net	**(12,791)**	(2,077)
Fair value changes on convertible redeemable preferred shares	**–**	(412,421)
Finance costs	**(10,352)**	(7,987)
Loss for the year	**(1,258,126)**	(1,320,579)
OTHER COMPREHENSIVE LOSS		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**43,534**	70,613
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	**(97,226)**	(302,550)
Other comprehensive loss for the year, net of tax	**(53,692)**	(231,937)
Total comprehensive loss for the year	**(1,311,818)**	(1,552,516)

1. Revenue

Total sales from products and licensing fee recognised by the Company were RMB340.2 million for the year ended December 31, 2021, as compared to nil for the year ended December 31, 2020. The growth in sales was attributable to (i) product sales of RMB211.6 million generated from our newly approved Anniko® starting in late August 2021, which brought benefits to around 17,000 patients across the country; and (ii) licensing income of RMB128.6 million in connection with our out-licensed product AK107 to Merck. As a result, we achieved revenue of RMB225.6 million for the year ended December 31, 2021, consisting of sales of RMB340.2 million from products and licensing fee, net of distribution cost of RMB114.6 million. The following table sets forth the components of the Group's revenue:

	2021 RMB'000	2020 RMB'000
Types of goods or services		
Product sales	**211,623**	–
Licensing fee income	**128,600**	–
Total sales from products and licensing fee	**340,223**	–
Less: distribution cost relevant to the product sales	**(114,597)**	–
Revenue	**225,626**	–

2. Cost of sales

The Group's cost of sales was related to Anniko® we sold, consisting of cost of raw material, direct labor, manufacturing cost and manufacturing overhead related to the production of the products sold. For the year ended 31 December 2021, the cost of sales was RMB31.3 million.

3. Other Income and Gains, net

The Group's other income and gains primarily consisted of government grants, bank interest income, investment income from financial products and foreign exchange differences. The government grants consist of (i) subsidies from local government for compensation on expenditure arising from research and development activities; and (ii) awards for new drug development and capital expenditure incurred on certain projects including construction of manufacturing facilities.

For the year ended December 31, 2021, the other income and gains, net of the Group was RMB116.3 million as compared to RMB123.5 million for the year ended December 31, 2020. The slight decrease was primarily attributable to decrease in bank interest income which was in line with the decreased fixed deposit to better enhance financial flexibility, partially offset by the increase in government grants.

4. Research and Development Expenses

The Group's research and development expenses primarily consisted of: (i) the costs of clinical trials for our drug candidates including third-party contracting costs with the engagement of CROs, clinical trial sites and other service providers in connection with clinical trials; (ii) employee salaries and related benefit costs in connection with our research and development activities; (iii) third-party contracting costs relating to testing expenses for pre-clinical programs; and (iv) costs associated with purchasing raw materials for research and development of our drug candidates.

For the year ended December 31, 2021, research and development expenses increased by RMB354.4 million from RMB768.6 million for the year ended December 31, 2020 to RMB1,123.0 million. The increase was primarily attributable to (i) the clinical trial advancements of our drug candidates, including two NDAs and one BLA filed for Anniko®, one NDA filed for Cadonilimab (AK104, PD-1/CTLA-4), the initiation of multiple phase III trials for Cadonilimab, AK112 (PD-1/VEGF), AK101 (IL-12/IL-23) and AK102 (PCSK9), and the advancements of other clinical programs such as AK117 (CD47), AK119 (CD73), AK109 (VEGFR2), AK120 (IL4R), and AK111 (IL17); (ii) the advancements of our pre-clinical programs into clinical stage including AK127 (TIGIT) and AK115 (NGF); and (iii) the increased salaries and benefits as a result of the increase in our R&D staff, which was in line with the development mentioned above.

The following table sets forth the components of the Group's research and development expenses for the years indicated:

	Year Ended December 31,	
	2021 RMB'000	2020 RMB'000
Clinical trial costs	**729,111**	580,438
Salaries and benefits	**270,009**	129,579
Testing expenses	**32,044**	24,050
Raw material costs	**7,253**	7,140
Depreciation and amortization	**34,207**	13,129
Others	**50,333**	14,253
	1,122,957	768,589

5. Selling and marketing expenses

For the year ended December 31, 2021, the selling and marketing expenses were RMB179.1 million as compared to nil for the year ended December 31, 2020. The increase was mainly attributed to (i) the selling expenses related to the sales of Anniko® on which CTTQ-Akeso, a joint-venture established by us and CTTQ, in which each party owns 50% equity interest, entered into an Exclusive Sales Agreement with LYG Tianqing and CTTQ, under which LYG Tianqing will be fully responsible for the sales and marketing of Anniko® and CTTQ-Akeso will bear the related cost incurred; and (ii) the staff costs and marketing expenses related to the preparation for the coming launch of Cadonilimab.

6. Administrative Expenses

Administrative expenses primarily consisted of (i) employee salaries and benefits; (ii) depreciation and amortization expenses; and (iii) professional fees. Other administrative expenses include travel expenditures and other expenses in connection with administration activities.

For the year ended December 31, 2021, the administrative expenses of the Group decreased slightly by RMB9.5 million to RMB243.5 million from RMB253.0 million for the year ended December 31, 2020, which was mainly caused by the decrease in listing expenses in connection with the IPO from RMB45.5 million to nil, partially offset by the increase in other employee salaries and related benefits.

7. Fair Value Changes on Convertible Redeemable Preferred Shares

For the year ended December 31, 2021, fair value changes on convertible redeemable preferred shares decreased to nil from RMB412.4 million for the year ended December 31, 2020, as all of the Company's preferred shares were converted to ordinary shares upon the Listing Date, and no such fair value changes incurred since then.

8. Finance Costs

Finance costs consisted of finance cost on lease liabilities and interest expense on bank and other borrowings net of capitalized interest related to construction in progress.

For the year ended December 31, 2021, the finance costs of the Group increased by RMB2.4 million to RMB10.4 million from RMB8.0 million for the year ended December 31, 2020, which was in line with the increase in bank and other borrowings.

9. Loss for the year

For the reasons discussed above, loss for the year of the Group decreased by RMB62.5 million from RMB1,320.6 million for the year ended December 31, 2020 to RMB1,258.1 million for the year ended December 31, 2021.

Selected Data from Consolidated Statement of Financial Position

	As at December 31, 2021 RMB'000	As at December 31, 2020 RMB'000
Total current assets	**3,152,256**	3,001,326
Total non-current assets	**1,653,533**	854,843
Total assets	**4,805,789**	3,856,169
Total current liabilities	**655,695**	169,971
Total non-current liabilities	**869,828**	235,759
Total liabilities	**1,525,523**	405,730
Net current assets	**2,496,561**	2,831,355

10. Liquidity and Source of Funding and Borrowing

As at December 31, 2021, the Group's cash and cash equivalents decreased by RMB42.9 million to RMB2,641.6 million from RMB2,684.5 million as at December 31, 2020. The decrease primarily resulted from the continued investment in R&D activities and construction of manufacturing facilities, partially offset by the sales revenue of Anniko®, the receipt of the milestone payment in connection with our out-licensed product AK107, the proceeds from 2021 Placing and capital raised from bank and other borrowings.

As at December 31, 2021, the current assets of the Group were RMB3,152.3 million, including cash and cash equivalents of RMB2,641.6 million. As at December 31, 2021, the current liabilities of the Group were RMB655.7 million, including trade payables of RMB206.3 million, other payables and accruals of RMB394.9 million, bank and other borrowings of RMB45.6 million and other current liabilities of RMB8.9 million.

As at December 31, 2021, the Group had available unutilized bank loan facilities of approximately RMB1,596.6 million.

As at December 31, 2021, the Group had short term loans of RMB45.6 million and long term loans of RMB803.7 million. Such borrowings bear interest at fixed annual interest rates ranging from 3.5% to 6.5%. There was no material influence of seasonality on the Group's borrowing needs.

Currently, the Group follows a set of funding and treasury policies to manage its capital resources and mitigate potential risks involved.

11. Pledge of Assets

As at December 31, 2021, the Group had a total of RMB192.5 million of buildings and land use rights pledged to secure its loans and banking facilities.

12. Key Financial Ratios

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

	As at December 31, 2021	As at December 31, 2020
Quick ratio[(1)]	**4.5**	17.3
Gearing ratio[(2)]	**Not meaningful[(2)]**	Not meaningful[(2)]

Notes:

(1) Quick ratio is calculated by dividing current assets less inventories as of a given date by current liabilities as of such date.

(2) Gearing ratio is calculated using interest-bearing bank and other borrowings less cash and cash equivalents divided by total equity and multiplied by 100%. Gearing ratio is not meaningful as our interest-bearing bank and other borrowings less cash and cash equivalents was negative.

13. Significant Investments

As at December 31, 2021, the Group did not hold any significant investments. Save as disclosed in this report, the Group did not have other plans for significant investments or capital assets as of the date of this report.

14. Material Acquisitions and Disposals

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

15. Contingent Liabilities

Save as disclosed in Note 29 to the consolidated financial statement, the Group did not have any material contingent liabilities as at December 31, 2021.

16. Capital Commitment

The capital commitments of the Group as at December 31, 2021 were RMB594.1 million, representing an increase of RMB115.2 million as compared with that of RMB478.9 million as at December 31, 2020, primarily attributable to the significant progress made in our capacity expansion by building world class manufacturing facilities.

17. Foreign Exchange Exposure

During the year ended December 31, 2021, the Group mainly operated in China and a majority of its transactions were settled in Renminbi, the functional currency of the Company's primary subsidiaries. As at December 31, 2021, a certain amount of the Group's cash and cash equivalents was denominated in Hong Kong dollars and United States dollars. Except for certain cash and cash equivalents, other receivables, trade payables and other payables and accruals denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations during the year ended December 31, 2021. Our Group currently does not have a foreign currency hedging policy, however, we manages foreign exchange risk by performing regular reviews of our net foreign exchange exposures and uses forward contracts to eliminate the foreign exchange exposures.

18. Employees and Remuneration

As at December 31, 2021, the Group had a total of 1,865 employees. The following table sets forth the total number of employees by function as of December 31, 2021:

Function	Number of employees	% of total
Research and Development	243	13.0
Clinical	496	26.6
Manufacturing	398	21.3
Sourcing	13	0.7
Selling and Marketing	512	27.5
General and Administrative	203	10.9
Total	1,865	100

The total employee remuneration cost incurred by the Group for the year ended December 31, 2021 was RMB536.7 million, as compared to RMB469.8 million for the year ended December 31, 2020. The increase of RMB66.9 million was primarily attributable to the increased employee salaries and benefits as a result of expansion in our staff headcount, partially offset by decrease in equity-settled share award expenses.

The remuneration of the employees of the Group comprises salaries, bonuses, employees provident fund and social security contributions, other welfare payments and equity-settled share award expenses. In accordance with applicable Chinese laws, the Group has made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for the Group's employees.

The Company has also adopted the Pre-IPO RSU Scheme on August 29, 2019 and the 2021 RSU Scheme on December 6, 2021. For details, please refer to the paragraph headed "D. Share Incentive Schemes — 1. Restricted Share Unit Scheme" in Appendix IV to the Prospectus and the announcement of the Company dated December 7, 2021, respectively.

USE OF NET PROCEEDS

(a) Use of Net Proceeds from Global Offerings

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the IPO and the exercise of Over-allotment Option (as defined in the Prospectus) of approximately HK$2,894.1 million (equivalent to approximately RMB2,647.2 million).

The following table sets forth the status of use of net proceeds from the IPO and over-allotment as at December 31, 2021:

	% of total proceeds	**Allocation of net proceeds from the global offering in the proportion disclosed in the Prospectus** *HK$' million*	**Proceeds utilized as at December 31, 2021** *HK$' million*	**Proceeds unutilized as at December 31, 2021** *HK$' million*
Research and development and commercialization of products	75%	2,170.6	803.1	1,367.5
Development of the manufacturing and research and development facilities in Guangzhou and Zhongshan, China	15%	434.1	213.3	220.8
General corporate and working capital purposes	10%	289.4	155.9	133.5
Total		2,894.1	1,172.3	1,721.8

The remaining balance of the unutilized net proceeds (approximately HK$1,721.8 million) have been deposited in banks. The Group expects that the remaining unutilized net proceeds shall be utilized gradually in accordance to the actual business needs and in the manner stated in the Prospectus, and they shall be fully utilized within the upcoming 18 months (by June 30, 2023). This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and may be subject to change based on current and future development of market conditions and actual business needs.

(b) Use of Net Proceeds from 2021 Placing

The Group received net proceeds from 2021 Placing of approximately HK$1,171.3 million (equivalent to approximately RMB978.1 million). Further details are set out in the section headed "Purchase, Sale or Redemption Of The Company's Listed Securities" on pages 62 to 63 of this annual report.

As at the date of this report, the Company has not used any of the proceeds arising from the 2021 Placing. The Company intends to apply such net proceeds in accordance with the purposes as set out in the announcement of the Company dated January, 7, 2021. The Group expects that the remaining net proceeds shall be utilized within the upcoming 30 months (by June 30, 2024). This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and remains subject to change based on current and future development of market conditions and actual business needs.

The Board consists of four executive Directors, two non-executive Directors and three independent non-executive Directors.

DIRECTORS

Executive Directors

Dr. XIA Yu (夏瑜), the key founder of our Group, aged 55, was appointed as the chairwoman, president and CEO of our Group since its inception on March 19, 2012, and she was re-designated as the executive Director and appointed as the chairwoman, president and CEO of our Company on November 16, 2019. In these roles, Dr. XIA has been mainly responsible for the overall strategic and operational management of the Company. Dr. XIA also holds the following positions with the other members of our Group and has been primarily responsible for these companies' decision- making:

- director, president, CEO and chairwoman of Akeso Biopharma (since March 2012);
- director of Akeso Tiancheng (since May 2016);
- director and general manager of Akeso R&D Institute (since July 2016);
- director and general manager of AD Pharma (since February 2017);
- director, general manager (since August 2017) and chairwoman (since November 2018) of Akeso Pharma;
- executive director and general manager of AD Pharma Guangzhou (since March 2018);
- chairwoman and general manager of Zhong Kang Tai He (since September 2018); and
- general manager of CTTQ-Akeso (since August 2019).

Dr. XIA has over 28 years of experience in the pharmaceutical industry and academic research. Prior to founding our Group, Dr. XIA held senior leadership roles (with a position as senior vice president) from April 2008 to March 2012 at Crown Bioscience Inc., where she played a decisive role in constructing Crown Bioscience's platform, building its team, setting and implementing its strategies, and forging its joint venture with Pfizer (the Pfizer-Crown Asian Cancer Research Centre). From July 2006 to March 2008, Dr. XIA served as a senior scientist and group leader at PDL BioPharma, Inc. (later acquired by AbbVie). From January 2006 to June 2006, Dr. XIA served as a senior process development scientist at Bayer Corporation in the U.S.. At both PDL BioPharma and Bayer, Dr. Xia oversaw CMC, process development and manufacturing of therapeutic protein and antibody drugs. Dr. XIA began her pharmaceutical career at Axys Pharmaceuticals, Inc. (later acquired by Celera Genomics), where she held both scientific and managerial roles in drug discovery programs from December 2000 to December 2005, overseeing a broad range of activities from target validation through IND-enabling studies.

Dr. XIA received her bachelor's degree in biochemistry from Sun Yat-sen University (中山大學) in the PRC in 1988. She earned her Ph.D. degree in molecular biology and microbiology from Newcastle University in the U.K. in 1994. Dr. XIA completed her postdoctoral research training at the University of Glasgow in the U.K. from 1993 to 1996, and she also conducted the cancer immune therapy research at the University of Louisville School of Medicine in the U.S from 1996 to 2000. Dr. XIA has published numerous articles in peer-reviewed journals. Dr. XIA is also the grantee of 16 issued patents and pending patent applications.

Over the years, Dr. XIA has served important roles in numerous influential organizations, including a member of the Special Committee for Monoclonal Antibody of the China Medicinal Biotech Association, a committee member of the Special Committee for Science and Technology Innovation of China Overseas Returnee Entrepreneur Investment Association, an advisory committee member of the Chinese Antibody Society, and a director of Tongxieyi Antibody Talent Club. Dr. XIA has also received numerous awards and recognitions for her contributions to both the pharmaceutical industry and commercial enterprises, such as "The Seventh National Overseas Returnee Contributions Award" in June 2018, and the Innovative and Entrepreneurial Talent awarded by the Ministry of Science and Technology of the PRC in March 2014. In July 2015, Dr. XIA and her team were awarded the "Top Chinese Overseas Returnee Star-up Company" by the Overseas Chinese Affairs Office of the State Council, and Dr. XIA was also recognized for her role as the team leader of selected innovation and entrepreneurial team winners of the Pearl River Talents Scheme of Guangdong Province in April 2018.

Mr. XIA Yu (Ph.D.) (夏羽) is the brother of Dr. XIA (夏瑜).

Dr. LI Baiyong (李百勇), a co-founder of our Group, aged 53, was appointed as the vice president and chief scientific officer of our Group since its inception in March 2012. Dr. Li was re-designated as an executive Director and was appointed as the senior vice president and chief scientific officer of our Company on November 16, 2019. Dr. Li has been the executive vice president and chief scientific office of our Company since 2021. Dr. Li has been mainly responsible for leading scientific direction, drug discovery and development, and participating in overall strategic planning and business direction. Dr. Li has over 22 years of experience in the therapeutics biologics industry. Dr. Li also holds the following positions with other members of our Group:

- director (since March 2012), vice president and the chief scientific officer (since April 2012) of Akeso Biopharma;
- director, the vice president and the chief scientific officer of AD Pharma (since February 2017);
- director and deputy general manager of Akeso Pharma (since November 2018); and
- director of Zhong Kang Tai He (since September 2018).

Prior to the establishment of our Group, Dr. Li worked at Pfizer Inc in the US from 1999 to late 2011, where he led drug discovery work on a series of cancer immune therapy new drug projects. His last position at Pfizer was associate director, focusing on oncology research and leading a series of key innovative immuno-oncology therapy projects.

Prior to joining Pfizer, Dr. Li was a post-doctoral research fellow with Dr. Richard Flavell, a world- renowned immunologist, the department head of the Immunology department at Yale University and a member of the US National Academy of Science, with the focus of his studies in the field of T cell immunology.

Dr. Li obtained his bachelor's degree in biochemistry from Nankai University (南開大學) in the PRC, in 1991. He subsequently obtained his Ph.D. degree in molecular and cell biology from the Pennsylvania State University in the U.S. in 1996.

Dr. Li was recognized as a Level 5 talent of the Shortage of High Level Talents of Zhongshan (中山市第五層次緊缺適用高層次人才) in December 2014, and was selected in the Pearl River Talents Scheme (珠江人才計劃) in April 2017. In May 2019, Dr. Li was an awardee in the Zhongshan Top Talents Programme (中山市拔尖人才).

Dr. WANG Zhongmin Maxwell (王忠民), a co-founder of our Group, aged 53, was appointed as the vice president of our Group since its inception in March 2012 and he was re-designated as an executive Director and was appointed as the senior vice president of our Company on November 16, 2019. Dr. Wang has been mainly responsible for clinical operations, sourcing and legal affairs. Dr. Wang has served as a director of Akeso Biopharma since March 2012, a vice president of AD Pharma since February 2017, and a director of Akeso Pharma since November 2018.

Prior to the establishment of our Group, Dr. Wang had extensive experience for over 21 years in the therapeutics biologics industry. He served as the senior research scientist from June 2002 and as a consultant starting from January 2006 at New Century Pharmaceuticals Inc. in the U.S., and was responsible for advising on structure determination and modelling of drug targets. Dr. Wang joined Trimeris Inc. as a senior consultant in February 2006 and later, he also served an executive consultant at Ardea Biosciences Inc. from February 2007 to October 2008, mainly responsible for structure based drug development with Kinases. After returning to China, he joined Crown Bioscience Inc. (中美冠科生物技術有限公司) in January 2009 as senior director, and was responsible for the management of the structural biology group and for the business development of protein science department. From January 2011 to May 2012, Dr. Wang served as the deputy general manager of Taicang CrownBio Analytical and Testing Company Limited (中美冠科生物技術（太倉）有限公司).

Dr. Wang obtained his bachelor's degree in physics from University of Science and Technology of China (中國科學技術大學), China in July 1991. He subsequently pursued his master's degree in physics at Northeastern University in the U.S. Dr. Wang obtained his Ph. D. degree in structural & computational biology and molecular biophysics from Baylor College of Medicine in the U.S., in May 1998. He had published eight scientific papers in international peer-reviewed journals and is the inventor of five patents during his stay in the U.S.

Dr. Wang was recipient of the Pearl River Talents Scheme (珠江人才計劃) in April 2017. He has also been recognized as a Level 3 talent of Shortage of High Level Talents of Zhongshan (中山市第三層次緊缺適用高層次人才) in December 2017. In May 2019, Dr. Wang was an awardee in the Zhongshan Top Talents Program (中山市拔尖人才).

Mr. XIA Yu (Ph.D.) (夏羽), aged 51, has been a Director since November 1, 2019. Mr. Xia (Ph. D.) was re-designated as an executive Director and was appointed as the senior vice president of our Company on November 16, 2019, and is mainly responsible for manufacturing, quality and regulatory affairs. Mr. Xia (Ph.D.) joined our Group in May 2017 where he served as the vice president, and the head of the quality department of both Akeso Biopharma and AD Pharma. He has also served as the deputy general manager and the head of the production team of Akeso Pharma since November 2018.

Prior to joining our Group, Mr. Xia (Ph.D.) primarily focused on the pharmaceutical and biopharmaceutical sector in Canada and U.S. Mr. Xia (Ph.D.) joined Cardiome Pharma Corp. in October 2005 as a manager and led its analytical development department, where he focused specifically in the development of drug substances and drug products, regulatory submissions and regulatory inspections. Since March 2011, Mr. Xia (Ph.D.) joined APOTEX Inc. as the associate director until December 2013, where he led the product development department. He was responsible for drug product development and worldwide drug marketing applications. From January 2014 to August 2016, Mr. Xia (Ph.D.) served as the global quality director at Albany Molecular Research Inc. and was responsible for its product development and quality system across multiple sites, as well as the handling of regulatory inspections from the FDA.

Mr. Xia (Ph.D.) obtained his bachelor's degree in applied chemistry from Peking University (北京大學) in July 1992, he subsequently obtained a Ph.D. degree in chemistry from the University of Wales in the United Kingdom, in January 2001.

Mr. Xia (Ph.D.) has published and contributed to four scientific publications. Mr. Xia (Ph.D.) is an awardee of the Pearl River Talents Scheme (珠江人才計劃) in April 2017, and has been recognized as a Level 3 talent of the Shortage of High Level Talents of Zhongshan (中山市第三層次緊缺適用高層次人才) in December 2017.

Dr. XIA (夏瑜) is the sister of Mr. XIA Yu (Ph.D.) (夏羽).

Non-executive Directors

Dr. ZHOU Yi (周伊), aged 41, has been a Director since November 1, 2019. Dr. Zhou was re- designated as a non-executive Director on November 16, 2019. Dr. Zhou joined our Group as a Director of Akeso Biopharma since July 2015 until November 2019.

Dr. Zhou was an analyst in pharmaceutical industry at Shenzhen Capital Group Co., Ltd from May 2012 to September 2017. Since October 2017, Dr. Zhou has served as the general manager of health industry fund in Shenzhen Capital Group Co., Ltd.

Dr. Zhou obtained a bachelor's degree in chemistry from Hengyang Normal University in June 2006, a master's degree in organic chemistry from Hunan Normal University in June 2007, and further received a Ph.D. degree in medicinal chemistry from Peking University in July 2011.

Mr. XIE Ronggang (謝榕剛), aged 37, was appointed as a non-executive Director from August 19, 2020. Mr. Xie has around 12 years of investment experience. He obtained a bachelor's degree and a master's degree in biomedical engineering from Southeast University, the PRC in 2008 and 2011, respectively. Mr. Xie worked at Oriza Holdings from April 2011 to October 2015 and has been the managing director of Loyal Valley Capital since 2018.

Independent Non-executive Directors

Dr. ZENG Junwen (曾駿文), aged 60, an independent non-executive Director, is responsible for supervising and providing independent advice and judgment to our Board.

Dr. Zeng has over 22 years' experience in ophthalmic industry. From September 1984 to June 1986, Dr. Zeng was a resident physician at the Zhongshan Ophthalmic Center (the "**Zhongshan Ophthalmic Center**") of the Sun Yat-sen University (中山大學). He was appointed as adjunct assistant professor of ophthalmology and visual sciences at the University of Louisville between July 1998 and June 2001. Dr. Zeng returned to Zhongshan Ophthalmic Center in March 1998 as the director of technology development and the assistant to the head of Zhongshan Ophthalmic Center, then served as the deputy head and deputy supervisor of Zhongshan Ophthalmic Center from January 1999 until February 2002. From March 2002 to February 2012, he was the head of the optometry center at the same institution. From February 2012 to November 2017, Dr. Zeng also served as the head of ophthalmology department and optometry department of the Zhongshan Ophthalmic Center. Since November 2017, Dr. Zeng has been working as the head of refractive department of the Zhongshan Ophthalmic Center.

Dr. Zeng obtained his bachelor's degree in clinical medicine in August 1984 from Sun Yat-sen University School of Medicine. He received his Ph.D. degree in Biochemistry in May 1993 from Meharry Medical College in Nashville, the U.S. Dr. Zeng is currently licensed to practice medicine in the PRC. Dr. Zeng has served as an independent director of Doctorglass Chain Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300622), since January 2018.

Dr. XU Yan (徐岩), aged 58, an independent non-executive Director, is responsible for providing independent advice and judgment to our Board. Dr. Xu's experience prior to joining our group is set forth below.

Between 1987 and 1992, Dr. Xu worked as a lecturer at the Department of Management in the Beijing University of Post and Telecommunications. From September 1997 to June 2004, he first worked as a visiting assistant professor, and beginning in September 1999, as an assistant professor of information and systems management in the Department of Information and Systems Management, School of Business and Management at the Hong Kong University of Science and Technology ("**HKUST**"). Dr. Xu served as an associate professor from July 2004, and from July 2019 onwards served as a professor in the Department of Information Systems, Business Statistics and Operations Management, School of Business and Management of HKUST. Since 2011, he has also served as the associate dean of the EMBA Program for Chinese executives, executive education and China strategy in the School of Business and Management at HKUST.

Dr. Xu obtained his bachelor's degree in radio communications engineering and master's degree in communications and electronic system from the Beijing University of Post and Telecommunications, PRC in July 1984 and July 1987 respectively. He further received his Ph.D. degree in telecommunications policy from University of Strathclyde, UK in July 1997.

Dr. Xu has served as the independent non-executive director of China Display Optoelectronics Technology Holdings Limited, a company listed on the Stock Exchange (stock code: 00334), since June 2015.

Mr. TAN Bo, aged 48, is an independent non-executive Director with effect from the Listing Date. He is responsible for supervising and providing independent advice and judgment to our Board.

Mr. Tan has extensive experience within the financial and pharmaceutical industries, and has worked in private equity, equity research and commercial sectors. He worked as a senior analyst at Macquarie Securities Asia in Hong Kong from October 2004 to February 2006. From March 2006 to March 2007, he served as a vice president in the equity research division of Lehman Brothers Asia Limited. From April 2007 to September 2008, he served as an executive director and a member of the investment committee of Bohai Industrial Investment Fund Management Company, a private equity fund in China. From 2009 to December 2019, Mr. Tan worked at 3SBio Inc., a company listed on the Stock Exchange (stock code: 1530), and served as its vice president, chief financial officer, and executive director.

Mr. Tan has served as an independent non-executive director of Globe Metals & Mining (a company listed on the Australian Securities Exchange with stock code of GBE) since October 9, 2013.

Mr. Tan has served as an independent non-executive director of Everest Medicines Limited, a company listed on the Stock Exchange (stock code: 1952) since September 2020.

Mr. Tan obtained a bachelor's degree in economics from Renmin University of China in July 1994, a master's degree in economics from the University of Connecticut in December 1996 and a master of International Management from American Graduate School of International Management in August 1998.

SENIOR MANAGEMENT

Dr. XIA Yu (夏瑜) is the president and chief executive officer of our Company. Please refer to the paragraph headed "— Directors — Executive Directors" above for her biographical details.

Dr. LI Baiyong (李百勇), is the executive vice president and chief scientific officer of our Company. Please refer to the paragraph headed "— Directors — Executive Directors" above for his biographical details.

Dr. WANG Zhongmin Maxwell (王忠民), is the senior vice president of our Company. Please refer to the paragraph headed "— Directors — Executive Directors" above for his biographical details.

Mr. XIA Yu (Ph.D.) (夏羽), the senior vice president of our Company. Please refer to the paragraph headed "— Directors — Executive Directors" above for his biographical details.

JOINT COMPANY SECRETARY

Mr. XI Xiaojie (席曉捷), aged 46, was appointed as a joint company secretary of our Company on November 16, 2019. Mr. Xi is also the chief financial officer of our Company. Mr. Xi is primarily responsible for overseeing the overall financial management, financial matters and strategic development of the Group. Mr. Xi has over 16 years of financial industry experience in the U.S. and China, including investment banking and private equity investment with many public and private companies.

Prior to joining us, he was a director at SIN Capital (HK) Limited, focusing on investments in healthcare industry in China, and was an investment banker at Credit Suisse, Morgan Stanley and CLSA securities executing high profile transactions, including IPOs, debt and equity financings and M&As for leading companies in China.

Mr. Xi earned his MBA degree with distinction from New York University, Stern School of Business in 2008. He obtained his Master of Science degree from Rutgers, The State University of New Jersey in 2002, with major in biochemistry and computer science, and his bachelor's degree in biochemistry from Wuhan University in 1997.

Ms. SUEN Pui Chun Hannah (孫佩真), was appointed as a joint company secretary of our Company on December 14, 2020. Ms. Suen is currently a Manager of Corporate Services of Vistra Corporate Services (HK) Limited. She has over 14 years of experience in providing company secretarial services to numerous private and listed companies.

Ms. Suen obtained a Master of Corporate Governance from The Open University of Hong Kong and a Bachelor of Arts (Hons) in Translation and Interpretation from The City University of Hong Kong. She has been an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and an associate member of The Chartered Governance Institute in United Kingdom since 2019.

CHANGES IN DIRECTORS' INFORMATION

Save as disclosed in this annual report and as at the date of this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

DIRECTORS

The Directors who held office during the year ended December 31, 2021 and up to the date of this annual report are:

Executive Directors:

Dr. XIA Yu (夏瑜) *(Chairwoman, president, and chief executive officer)*
Dr. LI Baiyong (李百勇)
Dr. WANG Zhongmin Maxwell (王忠民)
Mr. XIA Yu (Ph.D.) (夏羽)

Non-executive Directors:

Mr. XIE Ronggang (謝榕剛)
Dr. ZHOU Yi (周伊)

Independent Non-executive Directors:

Dr. ZENG Junwen (曾駿文)
Dr. XU Yan (徐岩)
Mr. TAN Bo

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 35 to 40 of this annual report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Company's subsidiaries were involved in research and development, production and commercialization of biopharmaceutical products.

The activities and particulars of the Company's subsidiaries are shown under Note 1 to the financial statements. An analysis of the Group's results for the year ended December 31, 2021 by principal activities of the Group is set out in the section headed "Management Discussion and Analysis" in this annual report.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this annual report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Important Events After The Reporting Period" in this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company is committed to operating its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable PRC laws and regulations.

Further details of the Company's environmental policies and performance are disclosed in the Environmental, Social and Governance report of the Company for the year ended December 31, 2021 in this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group, details of which could be referred to the section headed "Regulatory Overview" in the Prospectus. The Group has compliance policies and procedures in place and would seek professional legal advice from its legal advisers to ensure that transactions and business to be performed by the Group are in compliance with the applicable laws and regulations.. During the year ended December 31, 2021, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

HUMAN RESOURCES

As at December 31, 2021, the Group had a total of 1,865 (2020: 746) employees and the total staff costs for the Reporting Period (including directors' emoluments) were RMB536.7 million (2020: RMB469.8 million). Remuneration of our employees is determined with reference to market conditions and individual employees' performance, qualification and experience. In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and contributions to benefit plans (including pensions). During the Reporting Period, the relationship between the Group and our employees has been stable. We had not experienced any strikes or other labor disputes which materially affected our business activities. We provide training programs to employees, including new hire orientation and continuous on-the-job training in order to accelerate the learning progress and improve the knowledge and skill levels of our employees.

RETIREMENT BENEFITS SCHEME

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme. In addition, the Group has one employee who is required to participate in the Mandatory Provident Fund Scheme in Hong Kong.

Details of the pension obligations of the Company are set out in Note 2.4 and Note 6 to the financial statements in this annual report.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTION

Details of the related party transactions of the Group for the year ended December 31, 2021 are set out in Note 32 to the financial statements contained herein. For the year ended December 31, 2021, we have entered into the following continuing connected transactions which should be disclosed pursuant to Chapter 14A of the Listing Rules.

The Exclusive Sales Agreement

On December 20, 2021, the Company's subsidiaries, CTTQ-Akeso and Akeso Biopharma entered into an Exclusive Sales Agreement of Penpulimab Monoclonal Antibody Injection ("**MAb Products**") with Chia Tai Tianqing and LYG Tianqing to set forth details of the terms and conditions of the exclusive right to sell granted to Chia Tai Tianqing. Pursuant to the Exclusive Sales Agreement, (i) CTTQ-Akeso, a subsidiary of the Company, authorized LYG Tianqing as the sole sales unit of MAb Products in the PRC which is fully responsible for the sales activities of MAb Products. Chia Tai Tianqing will devote resources in the market development and product promotion and sales to assist LYG Tianqing in sales network construction. CCTQ-Akeso shall pay selling and marketing costs to Chia Tai Tianqing in accordance with the Exclusive Sales Agreement; and (ii) CTTQ-Akeso shall supply MAb Products to LYG Tianqing and its subsidiaries, which shall pay the purchase price to CTTQ-Akeso in accordance with the Exclusive Sales Agreement.

In light of the fact that (i) Chia Tai Tianqing holds 50% equity interest in CTTQ-Akeso, a non-wholly owned subsidiary of the Company; and (ii) LYG Tianqing is wholly-owned by Chia Tai Tianqing, each of Chia Tai Tianqing and LYG Tianqing is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules, and the Exclusive Sales Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. For details, please refer to the announcements of the Company dated December 20, 2021 and January 31, 2022.

The Directors consider that the Exclusive Sales Agreement and the transactions contemplated thereunder will be beneficial to the Group given that the Group can leverage on the established sales network and resources of Chia Tai Tianqing and the commercialization of MAb Products can be facilitated.

Pricing

Pursuant to the Exclusive Sales Agreement, CTTQ-Akeso shall supply MAb Products to LYG Tianqing and its subsidiaries, which shall pay the purchase price to CTTQ-Akeso in accordance with the Exclusive Sales Agreement. The purchase price is calculated based on the public selling price of MAb Products which will be published in the China Medical Tribune (中國醫學論壇報) or other public channels from time to time, less discounts and rebates set in accordance with the market practice in the industry. LYG Tianqing or its subsidiaries shall pay the purchase price to CTTQ-Akeso in two instalments (10% as prepayment and the remaining outstanding purchase price shall be paid 60 days after delivery of the products) according to the respective purchase agreement entered into with CTTQ-Akeso.

During the effective term of the Exclusive Sales Agreement, CTTQ-Akeso, as the marketing authorization holder of MAb Products, has authorized LYG Tianqing to be the sole sales unit of MAb Products in the PRC which is fully responsible for the sales activities of MAb Products in accordance with the terms and conditions of the Exclusive Sales Agreement. Chia Tai Tianqing will devote resources in the market development and product promotion and sales to assist LYG Tianqing in sales network construction. The selling and marketing costs shall be payable by CTTQ-Akeso to Chia Tai Tianqing within 60 days after the end of each month on a monthly basis. The selling and marketing costs are calculated by multiplying the net sales amount (i.e. sales amount after deducting discounts and rebates set in accordance with the market practice in the industry and relevant taxes) by a fixed rate for the selling costs under the Exclusive Sales Agreement. The fixed rate for the selling costs is determined with reference to the expected market development costs, sales channel maintenance fee and other selling and marketing costs (including but not limited to staff and supplies), which is not less than 35% across the term of the Exclusive Sales Agreement.

Annual caps

The annual caps for the transactions under the Exclusive Sales Agreement are set out below:

Proposed annual caps for the year ended	Selling and marketing service costs payable by CTTQ-Akeso to Chia Tai Tianqing (RMB million)	Sale of MAb Products to LYG Tianqing and its subsidiaries (RMB million)
December 31, 2021	200	300
December 31, 2022	2,000	4,000
December 31, 2023	2,500	5,000
December 31, 2024	3,000	6,000
December 31, 2025	3,500	7,000
December 31, 2026	3,500	7,000
December 31, 2027	3,500	7,000
December 31, 2028	3,500	7,000
December 31, 2029	3,500	7,000
December 31, 2030	3,500	7,000
December 31, 2031	3,500	7,000
December 31, 2032	3,500	7,000
December 31, 2033	3,500	7,000
December 31, 2034	3,500	7,000
December 31, 2035	3,500	7,000
December 31, 2036	3,500	7,000
December 31, 2037	3,500	7,000
December 31, 2038	3,500	7,000
December 31, 2039	3,500	7,000

During the Reporting Period, the selling and marketing service costs payable by CTTQ-Akeso to Chia Tai Tianqing and the amount of sale of MAb Products to LYG Tianqing and its subsidiaries under the Exclusive Sales Agreement were within the proposed annual cap for the year ended December 31, 2021.

Confirmation of the auditor

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued an unqualified letter containing the findings and conclusions in respect of the above mentioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The auditor of the Company had informed the Board and confirmed nothing has come to their attention that cause them to believe that the continuing connected transactions:

i. have not been approved by the Board;

ii. are not carried out in accordance with the pricing policies in all material respects;

iii. are not entered into in accordance with the related transaction agreement in any material respects; and

iv. exceed the relevant annual caps as disclosed in this annual report.

In respect of the above mentioned non-exempt continuing connected transactions, the Directors also confirmed that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules. All independent non-executive Directors had reviewed the non-exempt continuing connected transactions and confirmed that the non-exempt continuing connected transactions for the Reporting Period were: (i) in the ordinary and usual course of the Company's business; (ii) on normal commercial terms or better to the Company; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save as disclosed above, none of the related party transactions disclosed in Note 32 to the financial statements contained herein constitute any non-exempt connected transaction or any continuing connected transaction which should be disclosed pursuant to Chapter 14A of the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2021, the Group recognized revenue of RMB225.6 million, consisting of sales of RMB340.2 million from products and licensing fee, net of distribution cost of RMB114.6 million. During the Reporting Period, sales from the Group's five largest customers accounted for approximately 68.4% (2020: nil) of the Group's total sales amount. The Group's largest customer for the year ended December 31, 2021 accounted for approximately 57.0% of the Group's total sales amount for the same year (2020: Nil).

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

For the year ended December 31, 2021, purchases from the Group's five largest suppliers accounted for approximately 36.7% (2020: 33.5%) of the Group's total purchase amount. The Group's largest supplier for the year ended December 31, 2021 accounted for approximately 12.3% (2020: 11.6%) of the Group's total purchase amount for the same year.

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

During the year ended December 31, 2021, saved as disclosed in Note 29 to the financial statements, the Group did not experience any significant disputes with its customers or suppliers.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands the importance of maintaining a good relationship with its employees, suppliers, customers and other stakeholders to meet its immediate and long-term goals. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

PRINCIPAL RISKS AND UNCERTAINTIES

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

- We may need additional capital to meet our operating cash requirements;
- We may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates if our drug candidates fail to demonstrate safety and efficacy to the satisfaction to the regulatory authorities;
- We may not be able to identify, discover, develop new drug candidates;
- We may be unable to commercialize our drug candidates on a timely basis since clinical drug development involves a lengthy and expensive process with an uncertain outcome;
- We may not be able to protect our intellectual property rights throughout out the world or prevent unfair competition by third parties;
- We sometimes work with third parties to develop our drug candidates and have entered into collaborations and may form or seek collaborations or strategic alliances in the future, which is subject to risks.

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.

FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last four financial years, is set out on page 188 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 OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their respective holding of the Company's securities.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 1 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2021 are set out in Note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2021 are set out in Note 25 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

DONATION

During the year ended December 31, 2021, the Group made charitable donations of approximately RMB3.8 million (2020: RMB1.0 million).

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December 31, 2021 (2020: Nil).

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2021 (2020: Nil).

RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended December 31, 2021 are set out on pages 114 to 115 of this annual report.

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2021 (2020: Nil).

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director, Auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, Auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

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

RESERVES

As at 31 December 2021, the Company had distributable reserves for share premium of RMB4,007,049 (2020: RMB2,631,599). Details of the movements in the reserves of the Company during the year ended December 31, 2021 are set out in the consolidated statement of changes in equity of the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2021 are set out in this annual report and Note 23 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of 3 years with effect from the Listing Date.

Mr. XIE Ronggang, a non-executive Director, has signed a letter of appointment with the Company with effect from August 19, 2020 and the appointment shall continue for a period ending on the third anniversary from the Listing Date or the date of the third annual general meeting of the shareholders of the Company from the Listing Date (whichever is earlier).

Each of the other non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of 3 years with effect from the Listing Date.

None of the Directors proposed has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting has entered into any service agreement or letter of appointment 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) during or at the end of the year ended December 31, 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2021, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries. From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are not members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which these Directors may hold directorships from time to time.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended December 31, 2021 was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

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

As at December 31, 2021, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares and underlying Shares

Name of Director	Capacity/Nature of interest	Number of Shares held[1]	Approximate percentage of shares in issue[2]
Dr. XIA Yu	Interest in controlled corporation[3]	21,000,000 (L)	2.57%
	Trustee and settlor of a discretionary trust[4]	59,771,042 (L)	7.32%
	Enforcer[5]	28,473,829 (L)	3.48%
	Interest held though voting powers entrusted by other persons[6]	136,841,582 (L)	16.75%
Dr. LI Baiyong	Interest in controlled corporation[7]	10,934,640 (L)	1.34%
	Trustee and settlor of a discretionary trust[8]	43,738,554 (L)	5.35%
Dr. WANG Zhongmin Maxwell	Interest in controlled corporation[9]	31,492,881 (L)	3.85%
	Trustee and settlor of a discretionary trust[10]	15,746,442 (L)	1.93%

Notes:

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

(2) Based on a total of 817,057,176 shares in issue of the Company as at December 31, 2021.

(3) XIA LLC is a company incorporated in the United States, with all of its voting shares held by Dr. XIA Yu. Dr. XIA Yu is deemed to be interested in the Shares held by XIA LLC.

(4) Dr. XIA Yu is the settlor and trustee of XIA Trust, with certain of her family members as beneficiaries. She is therefore deemed to be interested in the Shares held by XIA Trust under the SFO.

(5) Aquae Hyperion Limited holds the Shares underlying the awards under the Pre-IPO RSU Scheme for the ESOP Trust. Dr. XIA Yu acts as the settlor and enforcer and is therefore deemed to be interested in the Shares held by Aquae Hyperion Limited. Zedra Trust Company (Cayman) Limited is the trustee of the ESOP Trust, which indirectly holds Shares as trust property through Aquae Hyperion Limited, and is therefore deemed to be interested in the Shares held by Aquae Hyperion Limited.

(6) Dr. LI Baiyong, Dr. WANG Zhongmin Maxwell, Dr. ZHANG Peng, and their controlled corporations entered into agreement with Dr. XIA Yu to entrust her with their voting rights in 136,841,582 Shares.

(7) LI LLC is a holding company incorporated in the United States, with all of its voting shares held by Dr. LI Baiyong. Dr. LI Baiyong is deemed to be interested in the Shares held by LI LLC.

(8) Dr. LI Baiyong is the settlor and trustee of LI Trust, with certain of his family members as beneficiaries. He is therefore deemed to be interested in the Shares held by LI Trust under the SFO.

(9) WANG LLC is a holding company incorporated in the United States, with all of its voting shares held by Dr. WANG Zhongmin Maxwell. Dr. WANG Zhongmin Maxwell is deemed to be interested in the Shares held by WANG LLC.

(10) Dr. WANG Zhongmin Maxwell is the settlor and trustee of WANG Trust, with certain of his family members as beneficiaries. He is therefore deemed to be interested in the Shares held by WANG Trust under the SFO.

Save as disclosed in this annual report and to the best knowledge of the Directors, as at December 31, 2021, none of the Directors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

So far as is known to any Director or chief executive of the Company, as at December 31, 2021, the following corporations/persons (other than the Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name of Director	Capacity/Nature of interest	Number of Shares held[1]	Approximate percentage of shares in issue[2]
SCGC	Interest in controlled corporation and parties acting in concert[4]	77,022,529 (L)	9.43%
鄭遜	Interest in controlled corporation[3]	58,380,000 (L)	7.14%
Phaeton Capital	Interest in controlled corporation[3]	58,380,000 (L)	7.14%
Zhongshan Xunxiang	Interest in controlled corporation[3]	58,380,000 (L)	7.14%
Cantrust (Far East) Limited	Trustee of a discretionary trust and interest in controlled corporation[5]	49,335,282 (L)	6.04%
HTKF Investments Limited	Beneficial owner[4]	45,960,000 (L)	5.63%
Hongtu Ventures	Interest in controlled corporation[4]	45,960,000 (L)	5.63%
Hongtu Akeso	Interest in controlled corporation[4]	45,960,000 (L)	5.63%

Notes:

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

(2) Based on a total of 817,057,176 shares in issue of the Company as at December 31, 2021.

(3) Zhongshan Xunxiang which is controlled by Phaeton Capital, holds 58,380,000 Shares. Phaeton Capital is controlled by 鄭遜. Phaeton Capital and 鄭遜 are therefore deemed to be interested in the Shares held by Zhongshan Xunxiang.

(4) HTKF Investments Limited which is controlled by Hongtu Akeso, holds 45,960,000 Shares. Hongtu Akeso is controlled by Hongtu Ventures which is in turn controlled by SCGC. Pursuant to a concert party agreement dated 5 July 2021 entered into between HTKF Investments Limited, Red Earth Innovation International Company Limited, GZKX Ventures Limited, SCGC Capital Holding Company Limited, FSJC Ventures Limited, GZTK Ventures Limited, GDHT Ventures Limited (collectively, the "**Voters**") and SCGC. According to a concert party agreement, the Voters will take the opinion of SCGC as the final decision in all general meetings of the Company, and will vote in accordance with the instructions of SCGC. Therefore, SCGC will be regarded as the controller of 31,062,529 Shares held by the Voters.

(5) Waterband Limited, which holds 34,929,065 Shares, is wholly-owned by Woodband Limited which in turn is beneficially owned by Woodband Trust, as established by Dr. ZHANG Peng as settlor with Cantrust (Far East) Limited as trustee. NineSuns Holding Limited, which holds 14,406,217 Shares, is wholly-owned by Fourxi Limited which is in turn beneficially owned by Fourxi Trust, as established by Mr. LUO Wenfeng as settlor and Cantrust (Far East) Limited as trustee.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2021, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

RESTRICTED SHARE UNIT SCHEMES

A. PRE-IPO RSU SCHEME

The Company adopted the Pre-IPO RSU Scheme on August 29, 2019, the principal terms of which are set out in the section headed "D. Share Incentive Schemes — 1. Restricted Share Unit Scheme" in Appendix IV to the Prospectus.

(a) Purpose and Principal Terms

The purpose of the Pre-IPO RSU Scheme is to recognize and motivate the contributions the grantees under the Pre-IPO RSU Scheme (the "**Grantee(s)**"), provide incentives for them to remain with our Company, and attract suitable personnel for our further development. The Pre-IPO RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by our Company to subscribe for new shares. The principal terms of the Pre-IPO RSU Scheme are as follows:

(i) **Award:** An award of RSU under the Pre-IPO RSU Scheme ("**Award(s)**") gives a Participant a conditional right upon the vesting of the Award to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the ESOP Department in its absolute discretion, less any tax, fees, levies, stamp duty and other applicable charges. An award may include, if so specified by the ESOP administration department (the "**ESOP Department**") in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests.

(ii) **Award Price:** Each Participant shall pay RMB1.00 as the Award price to accept the Awards granted to such Participant.

(iii) **Scheme Limit:** Number of shares that may be delivered under the Pre-IPO RSU Scheme are 45,270,499 Shares that are held by Aquae Hyperion Limited for the Pre-IPO RSU Scheme.

(iv) **Participants:** Participants of the Pre-IPO RSU Scheme (the "**Participants**") include the following:

(i) the Employees or officers (including executive, non-executive and independent non-executive directors of the Group);

(ii) any person or entity (including but not limited to consultants engaged by the company services to the Group) that provides research, development, consultancy and other technical or operational or administrative support to the Group; and

(iii) any other persons including former employees who, in the sole opinion of the ESOP Department, have contributed or will contribute to the Company or any of its Subsidiaries.

(v) **Term:** The Pre-IPO RSU Scheme shall be valid and effective for the period of ten years commencing on August 29, 2019 with a remaining life of approximately 8 years, after which period no further Awards will be granted. In spite of this, the Pre-IPO RSU Scheme 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.

(vi) **Administration:** The Pre-IPO RSU Scheme shall be subject to the administration of the ESOP Department set up and authorized by the Board of the Company. The ESOP Department has the right to (i) interpret and construe the provisions of the Pre-IPO RSU Scheme, (ii) determine the persons who will be granted Awards, the terms on which Awards are granted and the time when the RSU(s) so awarded may vest, (iii) make such appropriate and equitable adjustments to the terms of the Awards granted as it deems necessary, (iv) appoint independent third party professionals and contractors to assist in the administration of the Pre-IPO RSU Scheme, delegate such powers and/or functions, and make any other decisions or determination relating to the administration of the Pre-IPO RSU Scheme as the ESOP Department deems appropriate. All decisions made by the ESOP Department is final and binding on all parties.

(vii) **Trustee:** the ESOP Department may appoint independent trustee to assist in the administration and vesting of the Awards and has appointed Zedra Trust Company (Cayman) Limited, trustee service provider and an Independent Third Party, to administer the granting and vesting of the RSU(s).

(b) Restrictions on Grant

No Grant shall be made to, nor shall any Grant be capable of acceptance by, any Participant at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules (where applicable) or by any other applicable rules, regulations or law.

A Grant must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

(i) the date of the meeting of the Board of the Company (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Award may be granted.

Such period will cover any period of delay in the publication of a results announcement.

The ESOP Department may not grant any Awards to any Participants in any of the following circumstances:

(i) the requisite approvals for that Grant from any applicable regulatory authorities have not been obtained;

(ii) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the Awards or in respect the Pre-IPO RSU Scheme, unless the ESOP Department determines otherwise;

(iii) the Grant would result in a breach by the Company, the Subsidiaries or any of the directors of any applicable securities laws, rules or regulations; or

(iv) where such Grant would result in a breach of the limits of the Pre-IPO RSU Scheme.

(c) Grant to Directors

Where any Award is proposed to be granted to a director of any members of the Group, it shall not be granted on any day on which the financial results of the Company are published and during the period of:

(i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(d) Grant to Connected Persons

Any grant to any director, chief executive officer or substantial shareholder of any member of the Group, or any of their respective associates (as defined in the Listing Rules), shall be subject to the prior approval of the independent non-executive directors (excluding the independent non-executive director who is the proposed grantee of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. Notwithstanding the foregoing, any grant of an Award to a director pursuant to Rule 14A.73(6) of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the Award forms part of the relevant director's remuneration under his/her service contract.

(e) Grant to PRC resident

If the Grantee is a PRC resident, he or she shall not be entitled to exercise any Award until:

(i) to the extent applicable, any restriction or condition imposed by the relevant PRC laws, regulations and notices in relation to the subscription of or dealing in shares of overseas listed companies by PRC residents or any law, regulation or notice with similar effects have been abolished or removed or ceased to be applicable to the Participant or the Participant has obtained approval, exemption or waiver from the relevant PRC regulatory authorities for the subscription of and dealing in the Shares; and

(ii) he or she has given a representation to the Company to the effect that he or she has satisfied all the relevant laws, regulations and notices in exercising the Award.

(f) Rights attached to Awards

The RSU(s) do not carry any right of a Shareholder unless and until such Shares underlying the Award are actually transferred to the Grantee upon the vesting of the RSU(s). Unless otherwise specified by the ESOP Department in its entire discretion in the Notice of Grant, Grantees do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying an Award.

(g) Awards to be Personal to the Grantee

Unless otherwise approved by the Company in writing (to the extent permitted by law), an unvested RSU shall be personal to the Grantee and shall not be assignable or transferable by the Grantee provided that following the Grantee's death, unvested RSU(s) may be transferred by will or by the laws of testacy and distribution. The terms of the Scheme and the Notice of Grant shall be binding upon the executors, administrators, heirs, successors and assigns of the Grantee.

(h) Vesting

Subject to the terms of the Pre-IPO RSU Scheme and the specific terms and conditions applicable to each Award, the RSU(s) granted in an Award shall be subject to a vesting period (if any) and/or the satisfaction of performance and/or other conditions (if any) to be determined by the ESOP Department in its absolute discretion. If such conditions are not satisfied, the vesting date of the RSU(s) shall be postponed for one year. If the vesting terms and conditions of the postponed RSU(s) are not satisfied at the postponed vesting date, the RSU(s) shall automatically lapse.

Upon fulfillment or waiver of the vesting period and vesting criteria (if any) applicable to a Grantee, a vesting notice shall be sent to the Grantee by the ESOP Department, or by any other means the ESOP Department so determines in its sole discretion from time to time, confirming (a) the extent to which the vesting period and conditions 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.

The Grantee is required to execute, after receiving the vesting notice, certain documents set out in the vesting notice that the ESOP Department considers necessary (which may include, without limitation, a certification to the Group that he or she has complied with all the terms and conditions set out in the Pre-IPO RSU Scheme and the Notice of Grant).

For the purposes of vesting of the RSU(s), the ESOP Department may release the RSU(s) to the selected Participants by transferring the number of underlying Shares in respect of the RSU(s) to the selected Participants in such manner as determined by it from time to time. The ESOP Department shall inform the Trustee the number of underlying Shares in respect of the RSU(s) being transferred and released to the selected Participant in the manner as determined by the ESOP Department.

If the vesting conditions are not satisfied and no waiver of such condition is granted, the RSU(s) shall be cancelled according to conditions as determined by the ESOP Department in its absolute discretion.

In the event that the Grantee fails to execute the required documents within three months after receiving the Vesting Notice, the vested RSU(s) will lapse.

Notwithstanding the foregoing, if any relevant parties of the Pre-IPO RSU Scheme would or might be prohibited from dealing in the Shares by the Listing Rules or by any other applicable laws, regulations or rules within the period specified above, the date on which the relevant Shares shall be transferred (as the case may be) to the Grantee shall occur as soon as possible after the date when such dealing is permitted by the Listing Rules or by any other applicable laws, regulations or rules.

(i) Rights on a Takeover

In the event a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the vesting date of any RSU(s), the ESOP Department shall, prior to the offer becoming or being declared unconditional, determine at its absolute discretion whether such RSU shall vest and the period within which such RSU shall vest. If the ESOP Department determines that such RSU(s) shall vest, it shall notify the Grantee that the RSU(s) shall vest and the period within which such RSU(s) shall vest.

(j) Rights on a Scheme of Arrangement

In the event a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of shareholders at the requisite meetings prior to the vesting of any RSU(s), the ESOP Department shall, prior to such meetings, determine at its absolute discretion whether such RSU(s) shall vest and the period within such RSU(s) shall vest. If the ESOP Department determines that such RSU(s) shall vest, it shall notify the Grantee that the RSU(s) shall vest and the period within which such RSU(s) shall vest.

(k) Rights on a Voluntary Winding-up

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company prior to the vesting date of any RSU(s), the ESOP Department shall determine at its discretion whether such RSU(s) shall vest, and the period when such RSU(s) shall vest and in the latter case, the unvested RSU(s) must be vested and effected by no later than two Business Days before the day of the proposed shareholders' meeting. If the ESOP Department determines that such RSU(s) shall vest, it shall notify the Grantee that the RSU(s) shall vest and the period within which such RSU(s) shall vest.

(l) Rights on a Compromise or Arrangement

In the event of a compromise or arrangement, other than a scheme of arrangement contemplated above, between the Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the ESOP Department shall determine at its discretion whether such RSU(s) shall vest, and the period when such RSU(s) shall vest. If the ESOP Department determines that such RSU(s) shall vest, it shall notify the Grantee that the RSU(s) shall vest and the period within which such RSU(s) shall vest.

(m) Lapse and cancellation of RSU

An unvested RSU shall be lapsed and cancelled automatically upon the earliest of:

(i) the date of the termination of Grantee's employment or service by the Company or any of its Subsidiaries for cause;

(ii) the date of the termination of Grantee's employment or service with the Company or the Subsidiaries is terminated for any reason other than for cause (including by reason of resignation, retirement, death, disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for cause);

(iii) the date on which the offer (or, as the case may be, revised offer) made in connection with a general or voluntary offer closes;

(iv) the record date for determining entitlements under the scheme of arrangement referred above closes;

(v) the date of the commencement of the winding-up of the Company;

(vi) the date on which the Grantee commits a breach of paragraph (g) above; or

(vii) the date on which it is no longer possible to satisfy any outstanding conditions to vesting.

The ESOP Department shall have the right to determine what constitutes cause, whether the Grantee's employment has been terminated for cause, the effective date of such termination and whether someone is a Competitor, and such determination by the ESOP Department shall be final and conclusive.

Unless the ESOP Department determines otherwise in its absolute discretion, the Grantee or his/her legal personal representative is entitled to exercise vested RSU(s) by serving the application for exercising unvested RSU(s) within one month following the occurrence of the termination of Grantee's employment or service with the Company or the Subsidiaries which is terminated for any reason other than for cause (including by reason of resignation, retirement, death, Disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for cause).

Subject to the applicable laws, the vested RSU(s) prior to being exercised and the underlying shares or proceeds obtained by the Grantee from exercising the vested RSU(s) less the exercise price of the Grantee's RSU(s) shall be returned by the Grantee to the Company per the ESOP Department's request following the occurrence of one of more of the following events:

(i) the Grantee's employment is terminated by the Company or any of its Subsidiaries for Cause;

(ii) or the Grantee either: (a) becomes an officer, director, employee, consultant, adviser, partner of or stockholder or other proprietor owning more than 5% interest in any Competitor; or (b) knowingly performs any act that may confer a competitive benefit or advantage upon any Competitor,

at any time before or within 12 months after the Grantee's employment is terminated by the Company or any of its Subsidiaries for any reason.

(n) Further restrictions on RSU

The Grantee shall not be entitled to sell, transfer or deal with the Shares underlying the RSU(s) granted pursuant to the Pre-IPO RSU Scheme upon the occurrence of one or more of the following events:

(i) the Grantee's employment is terminated by the Company or any of its Subsidiaries for Cause; or

(ii) the Grantee either: (a) becomes an officer, director, employee, consultant, adviser, partner of or stockholder or other proprietor owning more than 5% interest in any Competitor; or (b) knowingly performs any act that may confer a competitive benefit or advantage upon any Competitor,

at any time before or within 12 months after the Grantee's employment is terminated by the Company or any of its Subsidiaries for any reason.

If the Grantee sells, transfers or deals with the Shares in breach of the above, the Grantee shall pay the Company the proceeds or consideration obtained (less the exercise price of the Grantee RSU(s)) as a result of such breach upon demand by the Company.

The ESOP Department may at any time cancel any unvested RSU granted to a Grantee subject to consent by the Grantee. Where the Company cancels unvested RSU(s) and makes a grant of new RSU(s) to the same Grantee, such Grant may only be made with available RSU(s) to the extent not yet granted (excluding the cancelled RSU(s)).

Notwithstanding the aforesaid in this paragraph, in each case, the ESOP Department may in its absolute discretion decide that any RSU(s) shall not be cancelled or determine subject to such conditions or limitations as the ESOP Department may decide.

(o) Reorganization of Capital Structure

In the event of an alteration in the capital structure of the Company, by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, reduction of the share capital, amongst others, of the Company, whilst any RSU(s) has not vested, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the RSU(s) so far as unvested as the Auditors or an approved independent financial adviser shall certify in writing, either generally or as regard any particular Grantee, to have in their opinion, fairly and reasonably satisfied the requirement that such adjustments give a Participant the same proportion (or rights in respect of the same proportion) of the share capital of the Company as that to which that Grantee was previously entitled, but that no such adjustments be made to the extent that a Share would be issued at less than its nominal value.

However, in the case of any capitalisation issue or share sub-division to be implemented by the Company as required for the purpose of the Global Offering, no such certification by the Auditors or a financial advisor shall be required.

(p) Amendment of the Pre-IPO RSU Scheme

Save for any material amendments to the Pre-IPO RSU Scheme, the Scheme may be altered in any respect by a resolution of the ESOP Department. The ESOP Department's determination as to whether any proposed alteration to the terms and conditions of the Pre-IPO RSU Scheme is material shall be conclusive, provided in each case that such decision is made in accordance with the Articles of the Company and any applicable laws.

(q) Termination of the Pre-IPO RSU Scheme

The Board of the Company or the ESOP Department may at any time terminate the operation of the Pre-IPO RSU Scheme and in such event no further RSU(s) will be offered but in all other respects the provisions of this Scheme shall remain in full force and effect in respect of RSU(s) which are granted during the life of this Scheme and which remain unvested immediately prior to the termination of the operation of the Pre-IPO RSU Scheme.

During the Reporting Period, under the Pre-IPO RSU Scheme, the Company granted to employees 155,000 RSUs at a consideration of HK$1.00, 259,000 RSUs at a consideration of HK$0.001, and 5,019,296 RSUs to a Director at a consideration of HK$0.001, respectively. The fair value of the RSUs granted during the Reporting Period amounted to HK$216,807,000 (equivalent to RMB179,958,000). The vesting periods of these RSUs ranged from 1 month to 4.5 years. 18,347,258 RSUs have been vested under the Pre-IPO RSU Scheme during the Reporting Period. As at December 31, 2021, the total number of RSUs which remain outstanding under the Pre-IPO RSU Scheme was 21,290,641. 16,796,670 RSUs have been exercised during the Reporting Period and no RSUs have been forfeited under the Pre-IPO RSU Scheme during the Reporting Period.

B. 2021 RSU SCHEME

The Company adopted the 2021 RSU Scheme on December 6, 2021, the principal terms of which are disclosed in the announcement of the Company dated December 7, 2021.

(a) Purpose and Principal Terms

The purpose of the 2021 RSU Scheme is to recognize the contributions by certain employee director or officer, or any advisor or consultant of any member of the Group ("**Eligible Participant(s)**") and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The 2021 RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by our Company to subscribe for new shares. The principal terms of the 2021 RSU Scheme are as follows:

(i) **Term:** The 2021 RSU Scheme shall be valid and effective for the period of ten years commencing on December 6, 2021 (subject to any early determination as determined by the Board) (the "**Trust Period**") with a remaining life of approximately 10 years, after which period no further awards will be granted under the 2021 RSU Scheme.

(ii) **Award:** An award of RSU under the 2021 RSU Scheme gives an Eligible Participant a conditional right upon the vesting of the Award under the 2021 RSU Scheme to obtain either Shares or an equivalent value in cash with reference to the market value of the awarded Shares on or about the date of vesting, as determined by the Board in its absolute discretion, less any tax, fees, levies, stamp duty and other applicable charges..

(iii) **Award Price:** The Board may decide the grant of number of RSUs to any Eligible Participants selected by the Board for participation in the 2021 RSU Scheme (the "**Selected Participant(s)**") at such consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion.

(iv) **Scheme Limit:** The maximum number of Shares underlying the RSUs awarded by the Board under the 2021 RSU Scheme shall not exceed 10% of the total issued share capital of the Company from time to time throughout the Trust Period and (ii) shall be subject to an annual limit of 3% of the total issued share capital of the Company at the relevant time.

(v) **Participants:** The Eligible Participants of the 2021 RSU Scheme include any employee director or officer, or any advisor or consultant of any member of the Group at any time during the Trust Period selected by the Board.

(vi) **Trustee:** Futu Trustee Limited has been appointed as the initial trustee on December 6, 2021 under the 2021 RSU Scheme (the "**Trustee**").

(vii) **Administration:** The 2021 RSU Scheme shall be subject to the administration of the Board and the Trustee in accordance with the rules of the 2021 RSU Scheme (the "**2021 RSU Scheme Rules**") and the relevant trust deed. The Board may by resolution delegate any or all of its powers in the administration of the 2021 RSU Scheme to the administration committee or any other committee or sub-committee or any person(s) as from time to time authorized by the Board for such purpose. On December 6, 2021, the Board has resolved to establish and delegate to an administration committee the power and authority to administer the 2021 RSU Scheme and deal with the trust and the Trustee of the 2021 RSU Scheme in all respects in accordance with the 2021 RSU Scheme Rules and the relevant trust deed. The decision of the Board with respect to any matter arising under the 2021 RSU Scheme (including the interpretation of any provision) shall be final and binding.

(b) Restrictions on Grant and Individual Grant Limit

No award shall be made by the Board and no instructions to acquire any Shares shall be given to the Trustee under the 2021 RSU Scheme:

(i) after an event involving inside information in relation to affairs or securities of the Company has occurred or a matter involving inside information in relation to the securities of the Company has been the subject of a decision, until such inside information has been publicly announced in accordance with the applicable laws and the Listing Rules;

(ii) during the period of 60 days immediately preceding the publication date of the annual results for any financial period of the Company or, if shorter, the period from the end of the relevant financial period up to the publication date of the results;

(iii) during the period of 30 days immediately preceding the publication date of the interim results for any financial period of the Company or, if shorter, the period from the end of the relevant half-year period of the financial period up to the publication date of the results; or

(iv) in any circumstance which is prohibited under the Listing Rules, the SFO or any other law or regulation or where any requisite approval from any governmental or regulatory authority has not been granted.

The maximum number of awarded Shares underlying the RSUs which may be awarded to a Selected Participant under the 2021 RSU Scheme shall not exceed 1% of the issued share capital of the Company in any 12-month period.

(c) Grant to Directors

Where any grant of award under the 2021 RSU Scheme is proposed to be made to any Selected Participant who is a Director (including an independent non-executive Director) or senior management of the Group, such grant must first be approved by all the members of the Remuneration Committee, or in the case where the grant is proposed to be made to any member of the Remuneration Committee, by all of the other members of the Remuneration Committee. Notwithstanding the foregoing, any grant of an award to a Director which is satisfied by on-market purchase of existing issued Shares will be exempted from reporting, announcement and independent Shareholders' approval requirements pursuant to Rules 14A.73(6) and 14A.95 of the Listing Rules if the award forms part of the relevant Director's remuneration under his/her service contract with the Company.

(d) Grant to Connected Persons

Where any grant of Award is proposed to be made to any person who is a connected person of the Company within the meaning of the Listing Rules, the Company shall comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement and/or shareholders' approval requirements, unless otherwise exempted under the Listing Rules. The allotment and issue of new Shares in satisfaction of awards granted to connected persons of the Company, which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, will be subject to independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(e) Rights attached to Awards

The RSUs, whether vested or not, do not carry any right to vote at general meetings of the Company. Notwithstanding that the Trustee is the legal registered holder of the Shares held upon trust pursuant to the relevant trust deed, the Trustee shall not exercise the voting rights attached to such Shares. Unless otherwise specified by the Board in its entire discretion, the Selected Participants do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any awarded Shares before such Shares are transferred to such Selected Participants.

(f) Awards to be Personal to the Grantee

Prior to the Vesting Date, any Award made under the Scheme Rules shall be personal to the Selected Participant to whom it is made and shall not be assignable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the RSUs referable to him pursuant to such Award, unless the Award or any interest thereof is transferred as a result of the Selected Participant's death in accordance with the terms of the Scheme.

(g) Vesting and Lapse

The Board is entitled to impose any conditions (including a period of continued service within the Group after the award), as it deems appropriate in its absolute discretion with respect to the vesting of the RSUs on the Selected Participant. Subject to applicable laws and regulations, the Board shall be at liberty to waive any vesting conditions. Shares underlying any RSUs granted under the 2021 RSU Scheme that lapse for any reason without having been exercised and Shares underlying the unexercised portion of any RSUs in case of partial exercise will, to the extent not prohibited by applicable laws and regulations, be available for subsequent award grants under the 2021 RSU Scheme.

Subject to the terms and condition of the 2021 RSU Scheme and the fulfillment of all vesting conditions to the vesting of the RSUs on such Selected Participant and all requirements applicable to such Selected Participant as specified in the Scheme and the relevant grant notice (unless waived by the Board), the respective RSUs granted to the Selected Participant pursuant to the provision of the 2021 RSU Scheme Rules shall vest in such Selected Participant in accordance with the vesting schedule as set out in the grant notice, and the Trustee shall cause the relevant awarded Shares to be transferred to such Selected Participant, or to be sold as soon as practicable from the date of vesting and the payment of the actual selling price in cash to the Selected Participant within a reasonable time period in satisfaction of the award.

The Board may at its discretion, with or without further conditions, grant additional Shares or cash award out representing all or part of the income or distributions (including but not limited to cash income or dividends, cash income or net proceeds of sale of non-cash and non-scrip distribution, bonus Shares and scrip dividends) declared by the Company or derived from such awarded Shares during the period from the date of award to the date of vesting to a Selected Participant upon the vesting of any RSUs. In the event that an award of RSUs becomes lapsed, the awarded Shares underlying the RSUs and/or the relevant income or distributions shall remain as part of the relevant trust fund.

(h) Amendment of the 2021 RSU Scheme

The Scheme may be amended in any respect by a resolution of the Board.

(i) Termination of the 2021 RSU Scheme

The 2021 RSU Scheme shall terminate on the earlier of (i) the tenth anniversary date from December 6, 2021; and (ii) such date of early termination as determined by the Board by a resolution of the Board, provided that such termination shall not affect any subsisting rights of any Selected Participant.

As of December 31, 2021, no RSUs have been granted to any Selected Participants pursuant to the 2021 RSU Scheme. The Board will determine at its absolute discretion such number of RSUs to be granted to the Selected Participants under the 2021 RSU Scheme with such vesting criteria and conditions as it may deem appropriate.

COMPENSATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST PAID

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in Note 8 and Note 9 to the financial statements.

For the year ended December 31, 2021, no emoluments were paid by the Group to or receivable by any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and no consideration was paid by the Group to any third parties for making available Directors' services. None of the Directors has waived or agreed to waive any emoluments for the year ended December 31, 2021.

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

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the controlling Shareholders during the year ended December 31, 2021 or subsisted at the end of the Reporting Year.

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 during the year ended December 31, 2021.

MATERIAL LEGAL PROCEEDINGS

Save as disclosed in Note 29 to the financial statements, the Group was not involved in any material legal proceeding during the year ended December 31, 2021.

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

On January 14, 2021, an aggregate of 30,000,000 new shares were issued at a price of HK$39.60 per share to not less than six professional, institutional or other investors that are Independent Third Parties pursuant to the share placing agreement (the "**Placing Agreement**") dated January 7, 2021, representing approximately 3.67% of the enlarged issued share capital of the Company immediately following the 2021 Placing.

The placing price of HK$39.60 per share represented (i) a discount of approximately 4.58% to the closing price of HK$41.50 per Share as quoted on the Stock Exchange on January 6, 2021, being the trading day immediately preceding the date of the Placing Agreement; and (ii) a discount of approximately 1.02% to the average closing price of HK$40.01 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the date of the Placing Agreement.

The net price per share for the subscription after deducting related costs and expenses was approximately HK$39.04 per share and the net proceeds raised from the 2021 Placing were HK$1,171.3 million (equivalent to RMB978.1 million). The 2021 Placing is being taken for the funding of the intended purposes as set out below.

As disclosed in the announcement of the Company dated January 7, 2021, the Company intended to apply such net proceeds to i) build the Group's commercialization team to prepare for the launch of AK104 (PD-1/CTLA-4) in 2022, and to continue to recruit and retain talents in both international and domestic markets; ii) build and develop new production facilities in Guangzhou and Zhongshan Cuiheng New District in the PRC for additional capacity to commensurate with the Group's growth; iii) fund increased international clinical trial needs for leading oncology programs including PD-1/CTLA-4, PD-1/VEGF, CD47, and non-oncology programs; iv) fund and expedite the development of other clinical programs including, among others, PCSK9, IL12/IL23; and for v) other general corporate purposes where appropriate.

The subscription of shares have a market value of approximately HK$1,257 million based on the closing price of HK$41.9 per share as at January 7, 2021 and an aggregate nominal value of US$300.

Further details of the 2021 Placing were set out in the announcements of the Company dated January 7, 2021 and January 14, 2021, respectively.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

AUDITOR

Since the Listing Date, the auditor of the Company has not changed. The consolidated financial statements for the year ended December 31, 2021 have been audited by Ernst & Young, Certified Public Accountants and Registered Public Interest Entity Auditor, who are proposed for reappointment at the forthcoming annual general meeting of the Company.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Company occurred since the Reporting Period and up to the date of this annual report.

On behalf of the Board
Akeso, Inc.

Dr. XIA Yu
Chairwoman and executive director

Hong Kong, March 30, 2022

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

CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted the code provisions as set out in the CG Code as contained in Appendix 14 to the Listing Rules as its own code to govern its corporate governance practices.

The Company has adopted and complied with all applicable code provisions contained in the CG Code throughout the Reporting Period with the exception of code provision A.2.1 (which has been re-numbered as C.2.1 since January 1, 2022).

Under the code provision A.2.1 of the CG Code (which has been re-numbered as C.2.1 since January 1, 2022), the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisation structure of the Company, Dr. XIA Yu is the chairwoman and chief executive officer of the Company. With her extensive experience in the industry, the Board believes that vesting the roles of both chairwoman and chief executive officer in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Dr. XIA Yu performs both the roles of chairwoman and chief executive officer, the division of responsibilities between the chairwoman and chief executive officer is clearly established. In general, the chairwoman is responsible for supervising the functions and performance of the Board, while the chief executive officer is responsible for the management of the business of the Group. The two roles are performed by Dr. XIA Yu distinctly. We also consider that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code throughout the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group throughout the Reporting Period.

BOARD OF DIRECTORS

The Company is headed by an effective Board that oversees the Group's businesses, strategic decisions and performance and makes decisions objectively in the Company's best interests. The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing such responsibilities.

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

As at the date of this annual report, the composition of the Board is as followings:

Executive Directors

Dr. XIA Yu (夏瑜) *(Chairwoman, president, and chief executive officer)*
Dr. LI Baiyong (李百勇)
Dr. WANG Zhongmin Maxwell (王忠民)
Mr. XIA Yu (Ph.D.) (夏羽)

Non-executive Directors

Dr. ZHOU Yi (周伊)
Mr. XIE Ronggang (謝榕剛)

Independent Non-executive Directors

Dr. ZENG Junwen (曾駿文)
Dr. XU Yan (徐岩)
Mr. TAN Bo

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 35 to 40 of this annual report.

Mr. XIA Yu (Ph.D.) is the brother of Dr. XIA Yu.

Dr. XIA Yu is the sister of Mr. XIA Yu (Ph.D.).

Except as disclosed above, there is no other relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

BOARD MEETINGS

Code provision A.1.1 (which has been re-numbered as C.5.1 since January 1, 2022) of the CG Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with the active participation of the majority of the Directors, either in person or through electronic means of communications. Code provision A.2.7 (which has been re-numbered as C.2.7 since January 1, 2022) of the CG Code requires that the Chairwoman should at least annually hold meetings with independent non-executive directors without the presence of other directors.

During the year ended December 31, 2021, 4 Board meetings were held and the Chairwoman held a meeting with independent non-executive directors without presence of other directors. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code, and to hold a meeting between the Chairwoman and the independent non-executive Directors without the presence of other Directors in accordance with code provision A.2.7 of the CG Code.

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

	Number of meeting(s) attended/number of meeting(s) held for the year ended December 31, 2021			
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors:				
Dr. XIA Yu	4/4	N/A	1/1	1/1
Dr. LI Baiyong	4/4	N/A	N/A	N/A
Dr. WANG Zhongmin Maxwell	4/4	N/A	N/A	N/A
Mr. XIA Yu (Ph.D.)	4/4	N/A	N/A	N/A
Non-executive Directors:				
Mr. XIE Ronggang	4/4	N/A	N/A	N/A
Dr. ZHOU Yi	4/4	N/A	N/A	N/A
Independent Non-executive Directors:				
Dr. ZENG Junwen	4/4	2/2	1/1	1/1
Dr. XU Yan	4/4	2/2	1/1	1/1
Mr. TAN Bo	4/4	2/2	N/A	N/A

GENERAL MEETING

During the year ended 31 December 2021, one general meeting was held.

A summary of the attendance record of the Directors at general meeting is set out in the following table:

Name of Director	Number of meeting(s) attended/number of meeting(s) held for the year ended December 31, 2021
Executive Directors:	
Dr. XIA Yu	1/1
Dr. LI Baiyong	1/1
Dr. WANG Zhongmin Maxwell	1/1
Mr. XIA Yu (Ph.D.)	1/1
Non-executive Directors:	
Mr. XIE Ronggang	1/1
Dr. ZHOU Yi	1/1
Independent Non-executive Directors:	
Dr. ZENG Junwen	1/1
Dr. XU Yan	1/1
Mr. TAN Bo	1/1

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

The Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of 3 years with effect from the Listing Date.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All the Directors are subject to retirement by rotation and re-election at an annual general meeting of the Company. Pursuant to the Articles of Association, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office and be eligible for re-election at each annual general meeting of the Company, provided that every Director is subject to retirement by rotation at least once every three years. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

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

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is the primary decision making body of the Company and is responsible for overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively to safeguard the interests of the Company and its shareholders. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. Before entering into any significant transactions or commitments on behalf of the Company, senior management should obtain prior approval and authorization from the Board.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations. All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"), for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. The terms of reference of each of these committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 (which has been re-numbered as A.2 since January 1, 2022) and paragraph C.3 (which has been re-numbered as D.3 since January 1, 2022) of the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee consists of three independent non-executive Directors being Dr. ZENG Junwen, Dr. XU Yan and Mr. TAN Bo. The chairman of the Audit Committee is Mr. TAN Bo. Mr. TAN Bo holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee had reviewed together with the management the accounting principles and policies adopted by the Group and discussed risk management, internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended December 31, 2021.

During the year ended December 31, 2021, the Audit Committee has convened 2 meetings. The attendance record of the Directors at meeting of the Audit Committee is set out in the table on page 67.

During the meetings, the audit committee reviewed the annual results for the year ended December 31, 2020 and interim results for the six months ended June 30, 2021 and the related reports of the Company and its subsidiaries and discuss matters with respect to the accounting policies and practises adopted by the Company.

During the year ended December 31, 2021, the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 (which has been re-numbered as E.1 since January 1, 2022) of the CG Code. The Remuneration Committee consists of one executive Director, being Dr. XIA Yu, and two independent non-executive Directors, being Dr. ZENG Junwen and Dr. Xu Yan. The Remuneration Committee is chaired by Dr. ZENG Junwen. The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) making recommendations to the Board on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During the year ended December 31, 2021, the Remuneration Committee has convened 1 meeting to (i) review the remuneration policy and structure of the Company; and (ii) review and consider the remuneration packages for the Directors and senior management of the Company. The attendance record of the Directors at meeting of the Remuneration Committee is set out in the table on page 67.

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the individual performance and comparable market statistics.

The remuneration of the members of senior management by band for the year ended December 31, 2021 is set out below:

Remuneration bands (HK$)	Number of persons
4,000,001–4,500,000	1
5,000,001–5,500,000	1
8,500,001–9,000,000	1
167,500,001–168,000,000	1
TOTAL	4

Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph A.5 (which has been re-numbered as B.3 since January 1, 2022) of the CG Code. The Nomination Committee consists of one executive Director, being Dr. XIA Yu, and two independent non-executive Directors, being Dr. ZENG Junwen and Dr. XU Yan. The Chairwoman of the Nomination Committee is Dr. XIA Yu. The primary functions of the Nomination Committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

During the year ended December 31, 2021, the Nomination Committee has convened 1 meeting to (i) review the structure, size and composition of the Board; (ii) make recommendation to the Board in respect of the re-appointment of Directors; (iii) assess the independence of the independent non-executive Directors; and (iv) review the Company's director nomination policy (the "**Nomination Policy**") and the Company's board diversity policy (the "**Diversity Policy**"), to ensure that it is in compliance with the Listing Rules and the CG Code. The attendance record of the Directors at meeting of the Nomination Committee is set out in the table on page 67. The Board considered that an appropriate balance of diversity perspectives of the Board was maintained for the year ended December 31, 2021.

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 Diversity Policy. 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 relevant criteria as set out in the Nomination Policy that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

Board Diversity Policy

The Company has adopted the Diversity Policy which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance.

Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, biotech, clinical research, life science, finance, investment, auditing and accounting. They obtained degrees in various areas including medicine, immunology, chemistry, chemical physics, chemical engineering, pharmaceutical analysis, economics and accounting. At present, the Board considered an appropriate balance of diversity perspectives of the Board is maintained and the Nomination Committee has set measurable objectives (in terms of professional experience, skills, knowledge, gender, age and length of service etc.) to implement the Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

The Board comprises nine members, including one female executive Director. Pursuant to th Board Diversity Policy, we aim to maintain at least 10% female representation in the Board and the composition of the Board satisfies this target gender ratio. We will implement policies to ensure gender diversity when recruiting staff to develop a pipeline of female senior management and potential successors to the Board. Furthermore, we will implement comprehensive programs aimed at identifying and training our female staff who display leadership and potential, with the goal of promoting them to the senior management or the Board.

During the year ended December 31, 2021, the Nomination Committee has reviewed the diversity of the Board and considered that the Group has achieved the measurable objectives of the Diversity Policy in terms of professional experience, skills, knowledge, gender, age and length of service etc.

We are also committed to adopting a similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to enhance the effectiveness of corporate governance of the Company as a whole.

The Nomination Committee is delegated by the Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. The Board reviews the Diversity Policy annually to ensure its continued implementation and effectiveness.

Measurable objectives

For the purpose of implementation of the Diversity Policy, the following measurable objectives were adopted:

(i) Independence: The Board should include a balanced composition of executive and non- executive Directors (including independent non-executive Directors) so that there is a strong element of independence in the Board. The independent non-executive Directors shall be of sufficient calibre and stature for their views to carry weight.

(ii) Skills and experience: The Board possesses a balance of skills appropriate for the requirements of the business of the Company. The Directors have a mix of finance, academic and management backgrounds that taken together provide the Company with considerable experience in a range of activities.

(iii) Gender equality: The Board consists of a female director.

Apart from the above objectives, the Diversity Policy has complied with the following objectives with the Listing Rules:

1. at least one third of the members of the Board shall be independent non-executive Directors;

2. at least three of the members of the Board shall be independent non-executive Directors; and

3. at least one of the members of the Board shall have obtained appropriate professional qualifications or accounting or related financial management expertise.

The Board has achieved the measurable objectives in the Diversity Policy.

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 do 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 Cayman 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.

Nomination Policy

The Board has adopted a Nomination Policy with regard to the nomination of Directors. The Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. The Nomination Committee will recommend to the Board for the appointment of a Director including an independent non-executive Director in accordance with the following selection criteria and nomination procedures:

(a) identify individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, having due regard to the Company's Board diversity policy, the requirements in the Company's constitution, the Listing Rules and applicable laws and regulations, and the relevant candidates' contributions to the Board in terms of qualifications, skills, experiences, independence and gender diversity;

(b) assess the independence of independent non-executive Directors to determine their eligibility with reference to the factors set out in Rule 3.13 of the Listing Rules and any other factors deemed appropriate by the Nomination and Corporate Governance Committee or the Board. If a proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, to assess his/her ability to devote sufficient time to the Board matters; and

(c) develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to evaluating the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepared a description of the role and capabilities required for a particular appointment. The Nomination Governance Committee will review the Nomination Policy, from time to time and as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE FUNCTION

The Board has delegated the functions set out in code provision D.3.1 (which has been re-numbered as A.2.1 since January 1, 2022) of the Corporate Governance Code to the Audit Committee.

During the year ended December 31, 2021, the Audit Committee has reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code and disclosure in its Corporate Governance Report.

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Pursuant to the code provision A.6.5 (which has been re-numbered as C.1.4 since January 1, 2022) of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Pursuant to the code provision A.6.1 (which has been re-numbered as C.1.1 since January 1, 2022) of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations.

During the year ended December 31, 2021 and up to the date of this annual report, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

During the year ended December 31, 2021, all Directors, namely Dr. XIA Yu, Dr. LI Baiyong, Dr. WANG Zhongmin Maxwell, Mr. XIA Yu (Ph. D.), Mr. XIE Ronggang, Dr. ZHOU Yi, Dr. ZENG Junwen, Dr. XU Yan and Mr. TAN Bo, have participated in training sessions conducted by the legal advisers of the Company, and have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. The Directors are asked to submit a signed training record to the Company on an annual basis. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

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, 2021. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 112 to 113 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, 2021 are set out in the table below:

Services rendered for the Company	**Fees paid and payable** RMB'000
Audit services	1,826
Non-audit services (note)	865
Total	2,691

Note: Non-audit services are related to interim review, ESG reporting consulting and tax advising.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk management

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures 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.

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

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

- The Audit Committee will oversee and manage the overall risks associated with the Company's business operations, including (i) reviewing and approving the Company's risk management policies 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 our risk management framework across the Group.

- The relevant departments, including but not limited to the business operations department, finance department and general administration department, are responsible for developing and implementing our risk management policy and carrying out our day-to-day risk management practice, such as assessing risks on key business operations, advising risk responses and optimizing risk management policies. In order to formalize risk management across our 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, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) continuously monitor the key risks relating to their operation or function; (iv) implement appropriate risk responses where necessary; and (v) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

The risk management and internal control systems of the Company are reviewed on an annual basis. Arrangements are in place to identify, evaluate and manage significant risks including facilitating employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. We consider that the Directors and members of the Company's senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control. The Board is of the view that the risk management and internal control systems in respect of the year ended December 31, 2021 are effective and adequate.

Internal control

The Board is responsible for establishing and ensuring effective internal controls to safeguard the Shareholder's investment at all times. The Company's internal control policies set out a framework to identify, assess, evaluate and monitor key risks associated with its strategic objectives on an ongoing basis. The Company has adopted various measures and procedures regarding each aspect of its business operation. The Company provides training about these measures and procedures to new employees. The Company also constantly monitors the implementation of those measures and procedures. The Company maintains strict anti-corruption policies on personnel with external communication functions.

The Company will also ensure that its commercialization team complies with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities. The Directors (who are responsible for monitoring the corporate governance of the Group), with help from the Company's legal advisors, will also periodically review its compliance status with all relevant laws and regulations.

The Audit Committee will (i) make recommendations to the Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of the Group.

The Company has engaged Somerley Capital Limited as its compliance advisor to provide advice to the Directors and management team regarding matters relating to the Listing Rules. The Company's compliance advisor is expected to ensure the Company's use of funding complies with the sections titled "Use of Proceeds" in the Prospectus, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion. During the year ended December 31, 2021, the Company has regularly reviewed and enhanced its risk management and internal control systems. We believe that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control. The Board has conducted a review of the effectiveness of the risk management and internal control systems and considers these systems effective and adequate.

The Company has established internal audit function and risk management and internal control systems with relevant policies and procedures that we believe are appropriate for our business operations.

The Company has established procedures for identifying, handling and disseminating inside information in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), including the issue of an inside information disclosure policy, the annual review and update (if necessary) of such inside information disclosure policy, preclearance on dealing in Company's securities by Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees have been implemented by the Company to guard against possible mishandling of inside information within the Group.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

Ms. Suen Pui Chun Hannah ("**Ms. Suen**") has been the joint company secretary of the Company since December 14, 2020. Ms. Suen is currently a manager of Corporate Services of Vistra Corporate Services (HK) Limited (a company secretarial service provider). Mr. XI Xiaojie is another joint company secretary of the Company, and is the primary contact of Ms. Suen at the Company.

In compliance with Rule 3.29 of the Listing Rules, Mr. XI Xiaojie and Ms. Suen have undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the year ended December 31, 2021.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings ("EGM") by Shareholders

Pursuant to the articles of association of the Company (the "**Articles**"), an EGM shall be called by notice in writing of not less than 14 days. Any two or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), 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 Company Secretary.

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 Company Secretary 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 within a further 21 days, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Articles, 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 under the Articles of Association or the Companies Act of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as a Director.

Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

For proposal of a person for election as Director, pursuant to Article 16.4 of the Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the company secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

Putting Forward Enquiries to the Board and Contact Details

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

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

Address:	No. 6, Shennong Road, Torch Development Zone, Zhongshan City, Guangdong Province 528437
Telephone:	0760-8987-3998
Fax:	0760-8987-3900
Email:	ir@akesobio.com

SHAREHOLDERS ENGAGEMENT

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies.

The Company has adopted Shareholders' communication policy (the "**Communication Policy**") on April 7, 2020 ensure that the Shareholders and in appropriate circumstances, the investment community at large (which include the Company's potential investors as well as analysts who report and analyze the Company's performance), are timely provided with information about the Company (including its financial performance, strategic goals and plans, material developments and corporate governance), in order to enable Shareholders to exercise their rights in an informed manner, and to enhance the communication between the Shareholders, the investment community and the Company.

The Communication Policy has set out means of communication by Shareholders and the investment community, for example, Shareholders and the investment community may at any time contact either the Company's investor relations department or the joint Company secretaries to enquire about the information published by the Company. Information uploaded by the Company to the HKEx News Website is also posted on the Company's website (https://www.akesobio.com/) immediately thereafter. Such information includes announcements, circulars and notices of general meetings and other documents. Shareholders are encouraged to participate in general meetings (including annual general meetings) and to attend Shareholders' activities organized by the Company, where information about the Company, including its latest strategic plan, products and services, etc. will be communicated. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries. These channels allow us to receive feedback from our Shareholders and the investment community.

The implementation and effectiveness of the Communication Policy has been reviewed and confirmed by the Board during the year ended December 31, 2021 having considered the communication channels in place to provide Shareholders and investment community with information about the latest development of the Group in a timely manner.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Company did not made any changes to its constitutional documents during the year ended December 31, 2021.

1. ABOUT THIS REPORT

Overview

This report is the second environmental, social and governance (ESG) report issued by Akeso, Inc. for the period covering January 1, 2021 to December 31, 2021. This report is issued on an annual basis.

Basis of Preparation

This report is prepared in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The contents of this report are determined according to a set of systematic procedures, which include identifying and ranking key stakeholders and prioritizing material ESG issues, setting the scope and boundary of the ESG report, collecting relevant information and data, preparing reports based on such information, and reviewing the data contained herein.

This report is prepared in line with the reporting principles of materiality, quantitative, balance and consistency. In this report, the Company illustrates how to identify and engage with our stakeholders, and determines the materiality matrix and key issues. On this basis, the Company has made quantitative disclosures on the key performance metrics and ensured that the report on its ESG performance is comprehensive and fair.

Reporting Scope

The disclosure scope in this report is consistent with the 2021 annual report of Akeso, Inc.

Explanation for Abbreviations

For better presentation and understanding, each of “Akeso, Inc.”, “the Company” and “we” or“us” refers to “Akeso, Inc.” in this report.

Source of Data and Reliability Assurance

The data and other information contained in this report are mainly extracted from the relevant documents, reports and statistic results of Akeso, Inc. Akeso, Inc. undertakes that this report contains no false information or misleading statements, and is responsible for the truthfulness, accuracy and completeness of its contents.

Confirmation and Approval

Upon the confirmation of the management, this report has been approved by the Board on March 30, 2022.

2. STATEMENT OF THE BOARD

The Board of Directors of the Company follows the requirements of the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange, attaches great importance to the management and supervision of ESG issues, continuously promotes the improvement of the Company's ESG governance system, and actively integrates ESG into the Company's major decisions and business practices.

As the highest governance unit of the Company, the Board of Directors is fully responsible for the ESG governance of Akeso, Inc. Through conducting annual risk assessment and regular stakeholders communication, the Board of Directors is deeply involved in the identification and assessment of ESG-related risks, clarifies the focus of the Company's ESG governance, and implements corresponding measures to manage the material issues in these operations. The Board has approved the materiality analysis results for the year.

The Board of Directors is responsible for formulating the Company's ESG strategies and management policies, setting ESG goals related to business operations, and regularly discussing and reviewing the implementation progress of such goals. The Board of Directors holds at least one meeting every year to listen to the report of the internal working group on ESG work and review the annual Environmental, Social and Governance Report.

3. ESG MANAGEMENT

3.1 Management Mechanism of ESG

As the highest governance unit of ESG matters, the Board of Directors is responsible for directing and monitoring the ESG matters of the Group, reviewing the Group's ESG performance regularly. Under it is the Environmental, Social and Governance Work Group (the "ESG Work Group") to coordinate with the administrative and facilities department, the environment, health and safety (EHS) department, the human resources department, the manufacturing department, the logistics and procurement department and the quality control department for organizing and initiating ESG tasks. The ESG Work Group is responsible for formulating ESG work plan, supervising the initiation of ESG matters through communicating with stakeholders smoothly using multiple communication channels to understand their demands. The ESG Work Group assess ESG risk, and monitor the assessment standards in line with the business condition of the Company and report to the Board regularly.

3.2 Communication with Stakeholders

The opinions of stakeholders are crucial to the ESG of an enterprise. Attaching great importance to the communication with its stakeholders, Akeso, Inc. is committed to understanding their points of views and demands and giving feedback in a timely manner. Our ESG management decisions and procedures are also enhanced in accordance with their opinions. We strive to build and maintain the communication channels with different stakeholders and collect their opinions through regular communication. As a result, we could improve our corporate management for a sustainable business development.

Table 1: List of stakeholder engagement of Akeso, Inc.

Stakeholders	Concerns	Communication and engagement channels
Shareholders	Compliance operation Corporate governance enhancement Transparent information disclosure International strategic cooperation	Implementation of relevant policies Strengthening of anti-corruption measures Efficient operational system Enhancement of corporate governance Convening of shareholders' general meetings Improvement of communication with shareholders Regular information disclosure Optimization of cooperation platform
Customers	Quality control Innovative research and development platform Customer services Protection of intellectual property rights International strategic cooperation	Establishment of a comprehensive quality control system Enhancement of productivity Improvement of research and development and innovation capacity Launch of customer satisfaction survey Stringent protection measures for intellectual property rights Optimization of cooperation platform
Employees	Caring of employee Occupational health and safety Employee ability training Employment policy Remuneration and benefits	Fostering of corporate culture Introduction of employee communication mechanism Enhancement of employee benefits Employee stock incentive plan Safeguarding of employees' health and safety Organization of training sessions for employees Fair recruitment Provision of reasonable remuneration packages Provision of reasonable promotion path

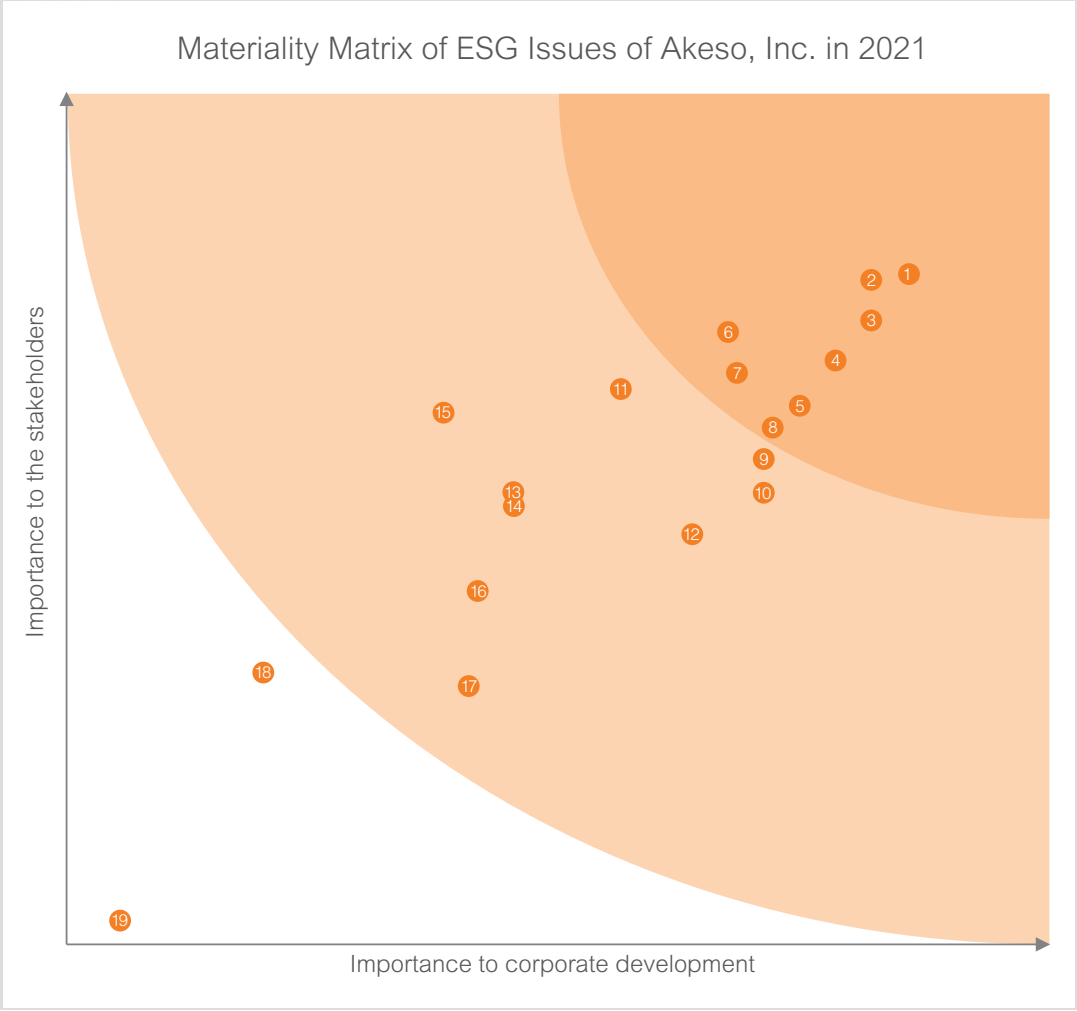
Table 1: List of stakeholder engagement of Akeso, Inc. (Continued)

Stakeholders	Concerns	Communication and engagement channels
Government	Operational compliance Transparent information disclosure Environmental protection Emission management Energy saving	Implementation of related policies Enhancement of corporate governance Strengthening of anti-corruption measures Regular information disclosure Compliance with the environmental protection laws Reduction of pollutant emission Resources saving
Suppliers	Procurement management Compliance operation	Strengthening of procurement management Implementation of related policies Strengthening of anti-corruption measures
Community and public	Promotion of local employment Charitable activities for the community Environmental protection Emission management Energy saving Use of materials/resources	School and enterprise cooperation Organization of charitable activities Compliance with the environmental protection laws Reduction of pollutant emission Enhancement of material and resource usage efficiency

3.3 Materiality Analysis

We identify and assess the material ESG issues of Akeso, Inc. in 2021 through the review of material ESG management issues of Akeso, Inc. in 2020 as well as the business development of the Company in 2021, together with the communication outcome from internal and external stakeholders.

Based on the materiality assessment result of the ESG issues of the Company from various stakeholders, we identified 19 ESG issues that have material effects on Akeso, Inc., including 8 highly important issues, 9 moderately important issues, and 2 general issues.



Highly important issues	Moderately important issues	General issues
1. Safety of clinical trials	9. Employment compliance	18. Water usage
2. Product quality and safety	10. Attracting and retaining talents	19. Community engagement
3. Protection of data and privacy	11. Corporate governance	
4. Protection of intellectual property rights	12. Employee development and training	
5. R&D innovation	13. Peer cooperation and development of the industry	
6. Compliance with business ethics	14. Emission management	
7. Occupational health and safety	15. Chemical management	
8. Adaptation to climate change and greenhouse gases management	16. Supply chain management	
	17. Material/resource usage	

Fig.1. Materiality Matrix of ESG Issues of Akeso, Inc. in 2021

4. PRODUCT RESPONSIBILITY

4.1 Quality Management

4.1.1 Drug Manufacturing

Akeso, Inc. strictly complies with the PRC Drug Administration Law (《中華人民共和國藥品管理法》), the Administrative Measures for Drug Registration (《藥品註冊管理辦法》), the Administrative Measures for the Supervision of Pharmaceutical Manufacturing (《藥品生產監督管理辦法》), Good Manufacturing Practice (《藥品生產質量管理規範》) (GMP) and other applicable laws and regulations and has enhanced quality management systems and procedures for drug discovery and development, non-clinical research, clinical trials and commercialization manufacturing continuously in accordance with the requirements of GMP and International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH) Q10 pharmaceutical quality system. Akeso, Inc. insists on manufacturing drugs in accordance with high standards and manufacturing new affordable antibody drugs with favorable safety profile and good efficacy for patients worldwide.

In 2021, the Quality management department of the Company has formulated management procedures including New Regulations Review Management Procedure (《法規查新管理程序》), Computerized System Management Procedure (《計算機化系統管理程序》), Data Integrity Strategy Management Procedure (《數據完整性策略管理程序》), Manufacture Material Supplier of the Group Management Procedure (《集團生產用物料供應商管理程序》) etc. as to strengthen the quality management in manufacturing. Meanwhile, we enhance Document Management Procedure (《文件管理程序》), Quality Risk Management Procedure (《質量風險管理程序》), Deviation Management Procedure (《偏差管理程序》), Change Management Procedure (《變更管理程序》), Confirmation and Verification Management Procedure (《確認與驗證管理程序》) continuously based on the implementation of procedures and in accordance with the updates of regulations, with the updates of internal management procedure and the initiation of the corresponding training to ensure the compliance of drug manufacturing and quality management activities.

We emphasize in identifying and managing product quality risks. We have standardized the identification, assessment and management in accordance with Quality Risk Management Procedure (《質量風險管理程序》) which covers the entire life cycle of products including research and development, manufacturing, sales and withdrawal. The quality management department analyzes risks by using failure mode and effect analysis (FMEA), hazard analysis and critical control points (HACCP), fishbone diagram, process capability analysis, and regression analysis. The department carries out hierarchical management based on the assessment results and formulates measures accordingly to control risks.

We have formulated product recall preparation plans. Necessary recall measures will be taken for product quality complaints, adverse reactions and other incidents based on the types and seriousness of the potential safety hazards. Products returned due to quality issues will be destroyed after the information recording. During the reporting period, Akeso, Inc. did not experience any product recall due to safety and health concerns, and there were no product-related complaints.

4.1.2 Product Research and Development

Adhering to the ethics of pharmaceutical research and development, Akeso, Inc. regards the rights and interests of patients as its top priority in conducting clinical and non-clinical trials. We follow the principles of the Declaration of Helsinki (《赫爾辛基宣言》), and in accordance with the Administrative Measures for Drug Registration (《藥品註冊管理辦法》) and Measures for the Ethical Review of Biomedical Research Involving Humans (《涉及人的生物醫學研究倫理審查辦法》) , strictly request declaration and trial according to the requirements of Good Clinical Practice (《臨床試驗質量管理規範》) (GCP) and The Medicinal Product Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》), patients are required to execute Informed Consent Form (《受試者知情同意書》) before participating in any clinical trial. The Informed Consent Form clarifies that the subjects shall have the right to know about the clinical trial and right of option and may refuse or drop out of the trial at any time if they so wish, and the rights for informed choice and the personal privacy of the clinical trial participants shall also be protected.

We have formulated 155 standard operating procedures (SOPs) related to clinical trial management which cover personnel training, file management, clinical operation, clinical medical research, pharmacovigilance, data collection and management, supplier management, and preparation and publication of clinical documents. We also organize training programs for personnel responsible for conducting clinical trial. In order to ensure the quality of clinical trial and the completeness of data, we conduct self-inspection and engage third parties to conduct inspection.

During the non-clinical research stage, we conduct trials and research in accordance with the Administrative Measures for Good Laboratories Practice of Non-clinical Laboratory (《非臨床研究質量管理規範》) (GLP) and conduct on-site audits on the outsourced researchers, in order to ensure that those researchers are in compliance with GLP, ISO 17025:2005 General Requirements For The Competence Of Testing And Calibration Laboratories and ISO 15189:2012 Medical Laboratories Requirements For Quality And Competence.

Abiding by the ethics of animal experiments and strictly following the applicable regulations on animal experiments of the PRC and the regions where it operates, the Company conducts animal experiments in accordance with international norms. In accordance with the Regulations for the Administration of Affairs Concerning Experimental Animals (《實驗動物管理條例》), the Regulations for the Administration of Affairs Concerning Experimental Animals of Guangdong (《廣東省實驗動物管理條例》), Code of Welfare and Ethics of Laboratory Animals (《實驗動物福利倫理工作規範》) and other guidelines, we have established a laboratory animal management committee and an ethics committee with written terms of reference. Measures and SOPs for biosafety management of animal house, emergency management of animal houses, animal operation management and animal experiments are in place to conduct pharmacological experiments promoting the development of innovative drugs while improving the management of laboratory animals. The Company is committed to protecting the welfare of laboratory animals and promoting the standardization of management of laboratory animal and the monitoring and supervision of animal ethics. In 2019, we passed the quinquennial assessment of expert on-site review and obtained the Certificate for Use of Laboratory Animals (《實驗動物使用許可證》) from Guangdong Provincial Department of Science and Technology again.

4.2 Pharmacovigilance

In accordance with The Medicinal Product Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》) and The Specifications for Pharmacovigilance Quality Management (《藥物警戒質量管理規範》) and other relevant laws and regulations and relevant policies, Akeso, Inc. strictly conducts pharmacovigilance throughout the life cycle of drugs in accordance with the requirements of internal pharmacovigilance system (Pharmacovigy, PV) SOP and other systems and process documents, comprehensively carries out drug safety monitoring work, monitoring and controls adverse drug reactions and other drug-related harmful reactions. The Company has established the Drug safety Committee, which is responsible for the research and judgment of major risks, the handling of major or emergency drug events, risk control decisions and other major issues related to pharmacovigilance, including but not limited to the writing and maintenance of pharmacovigilance plans, collection and reporting of adverse drug reactions and serious adverse drug reactions occurred overseas, literature retrieval, aggregation signals, concentrated events of adverse drug reactions and drug risk signals monitoring, identification, evaluation and control, etc., and regularly updates the safety reports and annual reports.

A clinical safety and pharmacovigilance department has been established , with six sub-departments including safety operation, safety monitoring, standard quality and training, project management, safety communication, science and epidemic to monitor, collect, report and analyze the safety information of clinical trials conducted before marketing and medical products sold after marketing across the world and monitor the signal of drugs and manage related risks. In addition, the clinical safety and the pharmacovigilance department reviews the compliance of the Company in accordance with administrative measures and identifies and assesses risks. The department also continuously updates the SOPs for pharmacovigilance system, formulates and updates pharmacovigilance quality control indicators to determine whether the reports on adverse reaction of drugs are in compliance with regulations, whether the signals are being detected and assessed in a timely manner, and whether key pharmacovigilance documents are updated in a timely manner. The department also reviews the formulation and implementation of pharmacovigilance plan and the training and assessment of pharmacovigilance. At the same time, the departments establish multiple channels to collect adverse dug reactions information for writing safety report to ensure the compliance and effectiveness of the drugs.

5. COMPLIANCE OPERATIONS

5.1 Business ethics

We strictly abide by The Company Law of the People's Republic of China (《中華人民共和國公司法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and other relevant laws and regulations. We have formulated internal systems such as the Anti-fraud Management Measures (《反舞弊管理辦法》) and the Anti-Unfair Competition Management Measures (《反不正當競爭管理辦法》) to explicitly prohibit corruption such as bribery, extortion, fraud and money laundering. We carry out internal training and publicity activities, advocate employees to abide by business ethics, and create an atmosphere of integrity and governance. Employees are required to sign the Anti-commercial Bribery Undertaking Letter (《反商業賄賂承諾書》) when they join the Company. Undertaking eliminates corruption and non-compliance during the employment period, and adheres to integrity and self-discipline in accordance with the ethical standards in the Employee Handbook (《員工手冊》).

- Anti-fraud Management Measures (《反舞弊管理辦法》): Applicable to the Company and its wholly-owned subsidiaries, it is stipulated that the Board of the Company shall coordinate the construction of the internal control system, and audit committee shall act as the main responsible body to guide and supervise the implementation of anti-fraud work. The management is responsible for the occurrence of fraud and strictly controls the compliance risk of ordinary course of business by establishing a risk assessment mechanism.

- Anti-Unfair Competition Management Measures (《反不正當競爭管理辦法》): The Company's directors, management and employees are required to abide by business ethics, abide by the principle of fair competition, and are prohibited from offering, soliciting or accepting any form of bribes or kickbacks, or using their positions to solicit or illegally accept the property of the Company's existing/potential suppliers and customers.

We accept real-name or anonymous reports on misconduct from employees and partners, and set up the President's Office as the executive body for anti-fraud work, which reports to the management or the Board of Directors of the Company and conducts investigation on the reported clues. Once the report is verified, we will punish the employees involved according to the Reward and Punishment System (《獎懲制度》), and those who violate the law will be transferred to the judicial authority. At the same time, we strictly prohibit the disclosure of personal information of the whistle-blower to protect the rights and interests of the whistle-blower. The Participant or his/her close relatives who are interested in the case shall abstain from the case.

During the reporting period, there were no reported or concluded legal cases regarding corrupt practices litigation.

5.2 Supply chain Management

The Company follows the principle of merit-based, batch-based and competitive principles in the Procurement activities, which fully considers the environmental pollution or adverse impact of the products provided by suppliers in the corresponding procurement process of the supply chain and gives priority to green and environmentally friendly materials. We formulated the Procurement Management Procedures for Production Materials (《生產物料採購管理程序》), the Supplier Management Procedures (《供應商管理程序》) and the Supplier Management Procedures for GMP Production Materials of the Group (《集團GMP生產用物料供應商管理程序》) to standardize the management of GMP production materials suppliers of the Group and each factory, and clarify the procurement process for production materials and the process of supplier evaluation, audit and approval to ensure the excellent supply quality and services. During the Reporting Period, we have cumulatively performed occasional environmental and social performance reviews on 51 suppliers.

In terms of production materials, we classify suppliers into three categories according to the importance of the materials provided to the products, namely I / II / III, and set different supplier audit requirements by category. The Quality Assurance Department issues the Supplier System Check List (《供應商體系調查表》) to or conduct onsite examination of selected suppliers based on the annual examination. The on-site audit personnel conduct a truthful evaluation of the review of production process and process quality control, quality management and quality inspection, public utility system and material system, and issue on-site audit reports by visiting the work site, verifying the documentation system and production records.

Table 2: Supplier classification and audit requirements

Category I suppliers	Suppliers who provide category I materials. Category I materials are also known as critical materials that affect the inherent quality of products, which mainly include raw materials, auxiliary materials and packaging materials that have direct contact with the products.	Qualification audit On-site audit Inspection, testing and process verification
Category II suppliers	Suppliers who provide category II materials. Category II materials have a certain impact on the inherent quality of the product, including materials with a large amount of use involved in microbial growth reactions, trace elements used in the production of the product, and materials that have an impact on product quality in the extraction and purification process; Consumables used in the production process, such as bio-reaction bags, liquid storage bags, screening procedures, electrodes and other direct contact products; Antibiotic bottles are made of aluminum-plastic caps and packaging materials with no direct contact with the products.	Qualification audit Determining whether to conduct on-site audit after risk assessment Inspection, testing and process verification
Category III suppliers	Suppliers who provide category III materials. Category III materials have no impact on product quality. Non-printing characters have no direct contact with product packaging materials, consumables used in production, testing reagents used in laboratories, culture media. Distributors are managed in accordance with category III.	Qualification audit Utilisation confirmation Inspection when necessary

Due to the pandemic, we conducted material audits on some foreign suppliers through questionnaires or self-inspection reports. Other suppliers have completed on-site and data audits and approved as qualified suppliers.

In order to ensure the stability of Supply chain, we evaluate and control the risks of suppliers in terms of supply cycle, quality management, logistics and transportation, after-sales service, company background and intellectual property, and reserve 1–2 qualified backup suppliers for all important materials in accordance with the requirements of the Supplier Management Procedures (《供應商管理程序》) to deal with the supply, product quality or policy changes of major suppliers. In order to reduce Supply chain quality management risks, all suppliers are required to sign the Quality Assurance Agreement (《質量保證協議》) to ensure the sustainable provision of products and services that meet quality standards. For changes in suppliers of production materials, we have implemented the Change Control Procedures (《變更控制程序》). By filling in and submitting the Change Demand of Suppliers (《供應商變更需求》), we have clarified the new items, materials, departments for use and suppliers that may be involved, and conduct access review and evaluation on the proposed changed suppliers according to the Company's supplier list and on-site audit. The change can only be initiated after being reviewed and approved by the Quality Assurance Department to ensure that the Company's product quality is not affected. During the Reporting Period, we completed the approval of the relevant material suppliers for the research and development of AK104 and AK105 projects, and all materials involved in both projects were approved for use.

We attach great importance to the integrity of Supply chain. All Procurement personnel have signed the Anti-commercial Bribery Undertaking Letter (《反商業賄賂承諾書》 and strictly follow the principle of "fairness, justice and openness". Commercial bribery is strictly prohibited in the execution of business activities or cooperation, and no gifts of any kind are accepted, and no unreasonable business opportunities or benefits are obtained for others through any improper means or means.

Table 3: Distribution of suppliers of Akeso, Inc. in 2021

The geographical location of the supplier	Unit	Quantity
China (including Hong Kong, Macau, and Taiwan)	Number	239
Outside China	Number	32

5.3 Intellectual Property Protection

Intellectual property protection is essential to the operation of the Company. We abide by the Patent Law of the PRC (《中華人民共和國專利法》), the Trademark Law of the PRC (《中華人民共和國商標法》) and other laws and regulations. We enter into Confidentiality Clause (《保密條款》) and Confidentiality and Non-competition Agreement (《保密與競業禁止協議書》) with our employees which stipulate the ownership of intellectual property and confidentiality clauses and specify the obligations and responsibilities of employees for protecting the intellectual property of the Company. A management system that meets the national standard GBT 29490-2013 Enterprise Intellectual Property Management has been established, committed to improve the company's intellectual property management and protection capabilities.

We have established a special intellectual property department to review and revise documents of intellectual property management system and documents related to intellectual property on a regular basis. The decision made by the department shall be considered and approved by persons in charge at different levels. Personnel responsible for searching and analyzing patent information tracks and analyzes domestic and foreign patent information in a timely manner, and collects and tracks the application of intellectual property, the scope of protection and the number and type of patents of our competitors. Such personnel also cooperate with legal personnel and research and development personnel to compare and analyze intellectual property information to prevent the Company from being infringed by others or infringing others' intellectual property. The contracts and orders that we execute with our suppliers also stipulate intellectual property protection and confidentiality clauses, so as to mitigate related risks.

During the Reporting Period, we had 286 pending patent applications and 41 issued patents and 310 pending trademark application and 207 issued trademarks in 20 countries and regions (including Australia, China, the U.S., the European Union and Japan). We are not involved with any dispute or litigation over intellectual property.

Table 4: Intellectual Property obtained by Akeso, Inc. in 2021

Total number of patent applications	Total number of trademark applications
418 patents	490 trademarks
Total number of issued patents	**Total number of issued trademarks**
84 patents	214 trademarks

6 EMPLOYMENT RESPONSIBILITY

In order to secure our employees' legal interests and to form a well-coordinated team of talents establishing a safe and healthy working environment to foster the development of the Company and its employees. Akeso, Inc. strictly complies with the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), the Employment Promotion Law of the PRC (《中華人民共和國就業促進法》), the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Employment Ordinance of the Hong Kong Special Administrative Region (Chapter 57 of the Laws of Hong Kong) and other applicable laws and regulations.

6.1 Employment and Retaining Talents

We follow the principle of "openness, fairness, competitiveness and meritocracy" to ensure everyone enjoys employment equality. The employees will be matched strictly with the qualities required for their positions and would not be discriminated due to the differences of their social identity such as cultural background, race, religion, gender, age, marital status, sexual orientation for the compliance of equality in employment.

The Company strictly complies with the Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》) and other applicable laws and regulations, pursuant to which child labor is prohibited. As stipulated in our Employee Handbook (《員工手冊》), the employment of any person under the age of 18 shall be prohibited during the recruitment process to ensure its compliance to the laws and regulations. In order to ensure the authenticity of employees' identity and the compliance with labor regulations, the human resources department shall carry out the initial assessment of the basic personal information, including education background, identity documents and health certification, provided by the candidates during employment process.

The Company prohibits forced labor in any operation unit and implements standard working hour system (標準工時工作制), consolidated working hour system (綜合計算工時工作制) and irregular working hour system (不定時工作制) for different positions. Female employees who are expecting or nursing mothers shall be exempt from working overtime and shall avoid business trip when possible according to our Overtime Management Regulations (《加班管理規定》).

During the reporting period, the Company did not recruit child labor or forced labor.

In accordance with the Company's salary and performance management system, we have established a salary system of "fixed salary + performance-based bonus + floating revenue" to give full play to the incentive role of salary and performance and mobilize the work enthusiasm of employees. We also make appropriate adjustments to the revenue level of employee salary every year based on the market salary level and the Company's operating performance, and continue to improve the salary and welfare system.

We care about the well-being of employees, establish and improve the employee welfare system, ensure the statutory holidays enjoyed by employees, and pay social insurance and housing provident fund for employees. At the same time, we provide a number of practical employee benefits such as wedding cash gifts, maternity cash gifts and annual physical examinations in accordance with the relevant provisions of the Welfare Handbook (《福利手冊》). According to the Employee Attendance and Leave Management System(《員工考勤與休假管理制度》), employees are entitled to annual leave ranging from 5 to 15 days per year, and other holidays such as sick leave, maternity leave, paternity leave, marriage leave and funeral leave depending on the actual situation.

The Company fully respect the personal career development plan of our employees. We establish two-way vertical and horizontal (including working for different departments and associated companies) development channels to encourage employees to incorporate business development needs and their own advantages to plan their career path. We have provided open and transparent development opportunities and diversified training system, explore the leadership potential of employees and improve personal business ability.

The dismissal of employee shall be subject to several internal management systems, including the Management System for Employment and Dismissal of Employees (《員工入、離職管理制度》) and the Disciplinary Procedures for Misconduct of Employees (《員工違反制度懲戒管理規程》). For the dismissal of an employee in key position, the Confidentiality Agreement of Employee (《員工保密協議書》), in which the employee undertakes to protect the commercial secrets of the Company, shall be signed by both of the employee and the Company before dismissal.

As of the end of the Reporting Period, Akeso, Inc. had 1,865 full-time employees, 5 part-time employees and 55 interns. The classification of employees by gender, age and geographical location is as follows. During the Reporting Period, the staff turnover rate[1] of 13%. The classification of employees by gender, age and geographical location is as follows.

Table 5: Employee Turnover Rate of Akeso, Inc.

Types of employees		Unit	Turnover rate
Total staff turnover rate		%	15.4
Classified by gender	Male staff	%	58.7
	Female staff	%	9.5
Classified by age	Staff under 30 years old	%	52.8
	Staff 30-50 years old	%	8.1
	Staff 50 years old or above	%	11.8
Classified by geographical location	Staff in China (including Hong Kong, Macau, and Taiwan)	%	15.3
	Staff outside China	%	33.3

1 "Staff turnover rate" includes regular employees who leave their employment voluntarily or due to dismissal, retirement, or death, excluding interns. Calculation method of employee turnover rate: the number of employees of the Group lost in the Year/(the number of the group at the end of the period + the number of employees of the Group lost in the year).

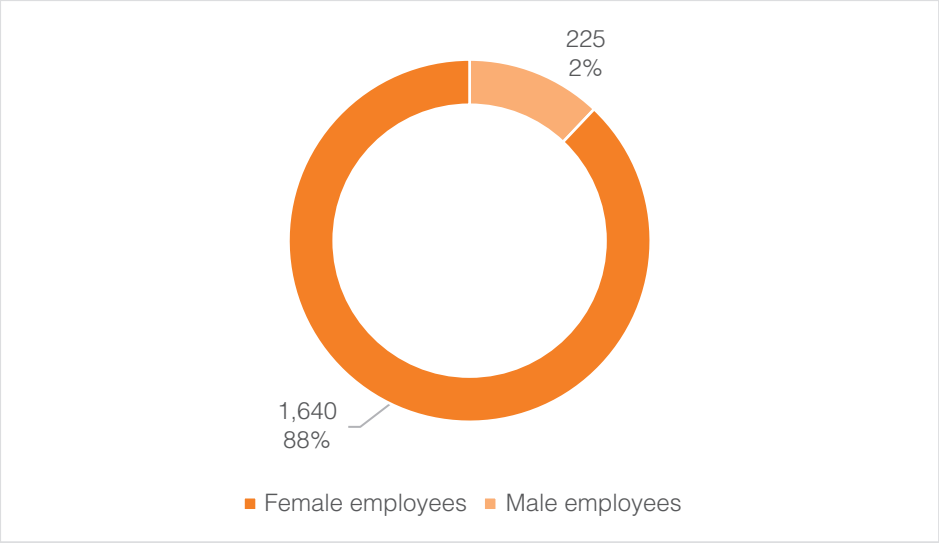


Fig. 2: Total number of employees of Akeso, Inc. in 2021 classified by gender

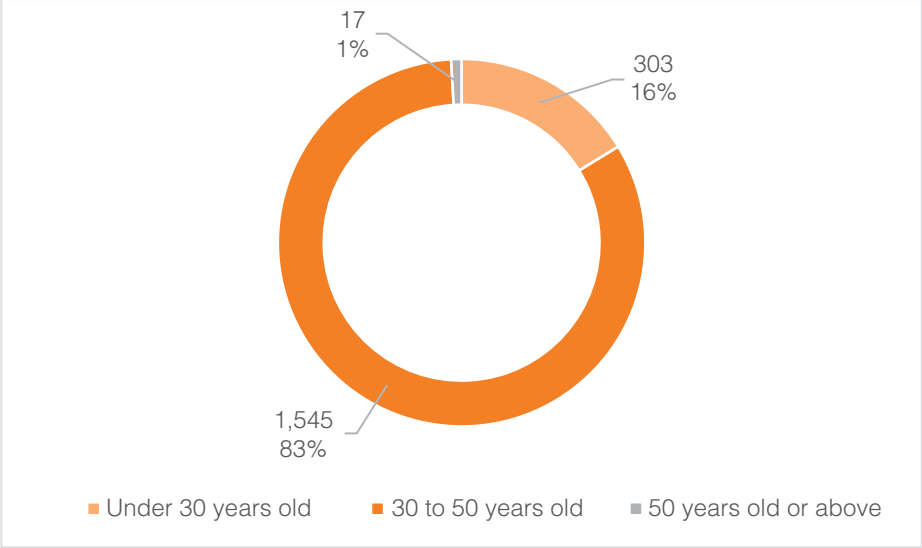


Fig. 3: Total number of employees of Akeso, Inc. in 2021 classified by age

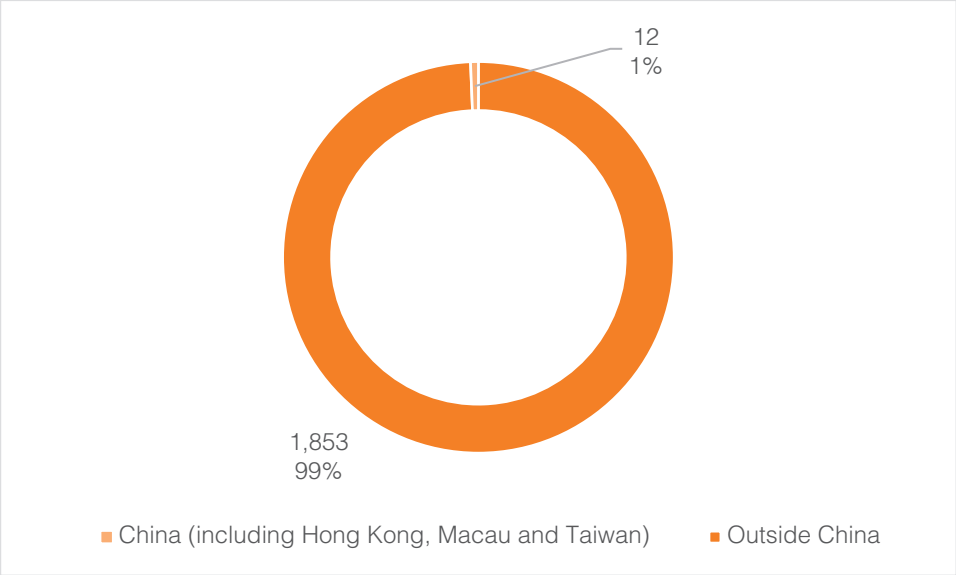


Fig. 4: Total number of employees of Akeso, Inc. in 2021 classified by geographical location

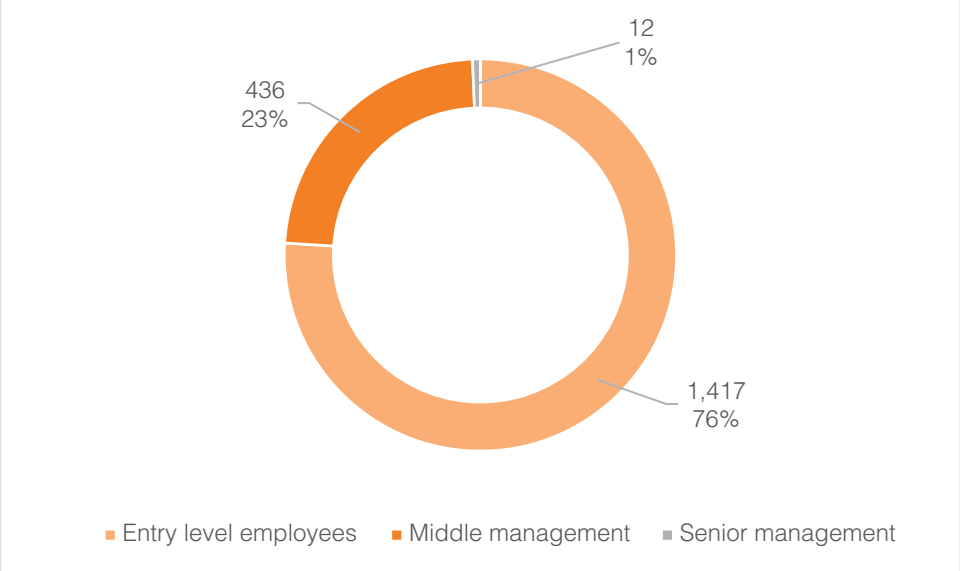


Fig. 5: Total number of employees of Akeso, Inc. in 2021 classified by position

6.2 Development and Training

Akeso, Inc. has formulated the Management Procedures of Employee Training (《員工培訓管理規程》) and established an employee training system to facilitate the launch of various training activities for employees to obtain knowledge and skills in line with the development of the Company. We endeavour to provide training for all of our employees. The training is classified into five different types, including enrollment training, special operation training, marketing training, self-training and other training. Employees are encouraged to participate in training programs in the forms of correspondence courses and self-study, and to acquire professional qualifications by participating in general skill training programs.

Details of the three training stages for new staff are as follows:

- Corporate-level training is organized by the human resources department for the introduction of basic knowledge including corporate overview, labor law and disciplines and the Good Manufacturing Practice (GMP);

- Department-level training is organized by the technological research and production quality management department for the training of safe production, laboratory management mechanism and occupational health and safety, while the training of department rules is organized by the management department;

- Position-level training for equipment operation, equipment management and safe production is organized by the specific team employees involved in.

We organize and adjust the number of training programs in accordance with the production and operation needs for human resources in each year. The human resources department is responsible for arranging the annual training plans, organizing training programs and allocating training resources, filing and tracking employee training records and providing them with feedback. We invited internal and external expertise as instructors for our training programs to enhance our employee's professional knowledge and skills. Training mode included lectures and self-learning.

During the Reporting Period, 1,865 employees of the Company received training, representing 100% of the total number of employees.

Table 6: Training Overview of Akeso, Inc. in 2021

Types of employees		Total number of employees participated in training	Percentage of employee trained
By gender	Male employees	225	100%
	Female employees	1,640	100%
By position	Senior management	12	100%
	Middle management	436	100%
	Entry level employee	1,417	100%

* The average training time for employees was 16 hours

6.3 Health and Safety

6.3.1 Safe Production

We attach importance to the safety of our employees during operation and experiment, and comply with the Production Safety Law of the PRC (《中華人民共和國安全生產法》) and the Fire Protection Law of the PRC (《中華人民共和國消防法》). We have formulated several guidelines to regulate the grading standards of safety issues and the responsibility of safety management to ensure safe production, including the Management Guideline of Safety Targets and Responsibilities (《安全目標與責任管理制度》), the Management Guideline of Fire Safety (《消防安全管理制度》), the Management Procedures of Workshop Biological Safety (《車間生物安全管理規範》), the Troubleshooting and Management Guideline of Potential Risks (《隱患排查與治理制度》) and the Management Guideline of Warning, Signs and Safety (《警示標示和安全防護管理制》).

In order to strengthen the accountability and the management of safe production, we have set up the Safe Production Committee. The Safe Production Committee formulates a safety target of each department every year according to the number of incidents from the previous years, the number of employees under each department, the number of equipment and the difficulty of the process. To achieve "zero incident", safety targets clarified the responsibilities for each level, including the Safe Production Committee, departments, teams and groups as well as employees , which they are required to sign the "Safe Production Declaration" (《安全生產責任書》) as to ensure the execution of safe production.

For the supervision of safety system, we have designated full-time and part-time safety managers to perform regular safety check and potential safety risk troubleshooting at laboratories, factories and offices, including the qualification and operation procedures of the laboratory personnel, the distribution of protection gears, the environment of the laboratory and the operation of equipment. In addition, we perform ad hoc inspection and spot check at places with higher risk of serious incidents, such as hazardous chemical processing sites and special equipment. For potential safety risks, each responsible department, team and construction project modify measures to rectify potential risks and submit relevant work reports to reduce and prevent the occurrence of safety incident.

The Company has complied the Contingency Proposal for Safety Production Incident《安全生產事故應急預案》and the Contingency Proposal for Barrier Environment of Laboratory《屏障環境實驗室應急預案管理制度》. Training programs and drills have been carried out for relevant personnel in which the contingency proposal has been upgraded according to the drills. Meanwhile, we attach great importance to safety promotion and training and have conducted qualification training for special operation personnel in accordance with the Management Provision for Special Operation Personnel《特種作業人員管理細則》to ensure that all workers are qualified. We have also formulated the Training System for Safety Production《安全生產培訓制度》, pursuant to which practical training materials are designed to enhance safety awareness of employees of different levels and types through safety training and education.

During the Reporting Period, Akeso, Inc. had no material safety production incidents and no work-related deaths or injuries. Lost hours due to work injury was zero.

Table 7: Number of work-related deaths of Akeso, Inc. in the past three years

	2021	2020	2019
Work-related deaths	**0**	0	0

6.3.2 Occupational Health

The Company strictly abides by national laws and regulations such as the Prevention and Treatment of Occupational Diseases Law of the PRC (《中華人民共和國職業病防治法》) , Provisions on the Administration of Occupational Health at Workplaces (《工作場所職業衛生監督管理規定》), Measures for the Supervision and Administration of Employers' Occupational Health Surveillance (《用人單位職業健康監護監督管理辦法》) and has formulated the Occupational Disease Prevention and Control Responsibility System (《職業病防治工作責任制度》), Occupational Disease Publicity and Prevention Education and Training System (《職業病宣傳防治教育培訓制度》), Occupational Disease Hazard Accident Handling and Reporting System (《職業病危害事故處置與報告制度》), Labor Occupational Health Monitoring and File Management System (《勞動者職業健康監護及檔案管理制度》), Occupational Hygiene in Construction Projects "Three Simultaneous" Management System (《建設項目職業衛生「三同時」管理制度》) the Standard Operation Procedures of Health Management of Employees (《工作人員健康管理標準操作規程》) and other internal mechanisms on the occupational health of employees. The Company establishes an occupational health management structure to further strengthen the monitoring of occupational disease prevention so as to provide its employees with a healthy and safe workplace.

In order to ensure the health and safety of employees, we entrust a qualified third-party agency to evaluate the current situation of occupational disease hazards, and arrange employees in positions exposed to occupational disease hazards to undergo occupational health body checks based on the evaluation results. In order to ensure sufficient personal protection of employees, we provide medicines for all employees for emergency use and require them to properly wear safety helmets, respirator, antifreeze gloves, acid and alkali resistant gloves and protective apron , carry out labor protection equipment training for relevant personnel, and regularly organize special inspections of employee protection equipment so as to avoid the occupational diseases. In accordance with the Standard Operation Procedures of Health Management of Employees (《工作人員健康管理標準操作規程》), we require personnel who are responsible for feeding and managing laboratory animals and conducting animal experiments to receive medical check-up in qualified medical centers on an annual basis in an effort to protect their health. The medical record of employees shall be kept by the human resources department.

6.3.3 Chemical Management

We have continuously optimize the Hazardous Chemical Safety Management System (《危險化學品安全管理制度》) and other internal mechanisms which set out the strict requirements on the procurement, storage, use and management of chemicals. In 2021, we amended the Management of Precursor and Explosive Chemicals (《易制毒、易制爆化學品管理》) to add new work regulations, implement the limited procurement requirements for precursor chemicals and explosive chemicals, strictly prohibit the storage of related chemicals in laboratories, and require laboratory personnel to It needs to be used and make a registration record for the use.

Through maintaining inventory record, we manage the procurement, storage, use and disposal of chemicals under strict standards. A chemical warehouse has been established to store chemicals, including precursor and explosive chemicals for the safety storage of chemicals, to be disposed and discarded by a third-party qualification agency. Personnel who work with chemicals shall obtain the Chemical Processing Certificate (《化學品操作》) and pass the relevant training and assessment before taking up their positions. In addition, we remind our employees of safe chemical management by posting material safety data sheets (SDS), notification cards and management practices in the storage area. Employees are also encouraged to receive regular medical check-up at government departments. We also provide relevant personnel with sufficient personal protective equipment.

7 ENVIRONMENTAL RESPONSIBILITY

Akeso, Inc. understand the importance of environmental protection. We strive for a sustainable operation in business operation and operating facilities in strict compliance with applicable laws and regulations on environmental protection, the compliance requirements in order to ensure the environmental impact is within compliance. We have established a comprehensive environment management system to quantify and monitor our emissions and usage of resources actively. Special plans are in place to further improve our environmental performance.

7.1 Emission Management

Akeso, Inc. strictly complies with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》), the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》) and other relevant laws and regulations. We have formulated the Environmental Management Ledger Record System (《環境管理台賬制度》), Administrative Measure for Waste Effluent, Gas Emission and Waste Residue Treatment (《生產廢液、廢氣及廢渣處理管理制度》), Emergency Response Plan for Environmental Emergencies (《突發環境事件應急處置預案》) and other internal management practices and actively established an improved environmental management system of the Company to identify, assess and manage potential impacts on environment arisen from wastewater, gas, waste, noise and other factors. Such internal management practices also strictly regulate the use and treatment of hazardous substances in laboratory and waste management, in order to reduce emission level and avoid the pollution to the environment caused by our emissions. In order to utilize the value of our professionals and provide guidance on the procedures and operations of emission treatment, we have personnel specifically responsible for environmental protection management.

7.1.1 Gas Emission

We strictly comply with the Emission Standard of Air Pollutants for Pharmaceutical Industry (《製藥工業大氣污染物排放標準》) (GB37823-2019), Emission Standards for Odor Pollutants (《惡臭污染物排放標準》) (GB14554-93), Emission Limits of Air Pollutants (《大氣污染物排放限制》) (DB44/27-2001) and other laws and regulations and emission standards for different types of gas emission. A small amount of sulfuric acid mist, hydrogen chloride, volatile organic compounds, non-methane hydrocarbons and odor pollutants generated during the research and development of drugs is emitted after treatment in gas collection facilities.

In order to maintain good air tightness of equipment, we actively maintain and manage our gas collection system, as well as inspect and repair pipelines and valves on a regular basis. We also closely supervise our laboratory technicians to ensure that they perform their duties strictly in accordance with standards and procedures. We improve the gas collection rate to ensure zero odor pollution.

Table 8: Air pollutant emission of Akeso, Inc. in 2021

Type of air pollutant	Unit	Emission
Sulfuric acid mist	kilogram	2.922
Hydrogen chloride	kilogram	22.734
Volatile organic compounds	kilogram	31.464
Non-methane hydrocarbons	kilogram	12

7.1.2 Waste Effluent

Sewage generated by Akeso, Inc. mainly includes domestic sewage, cleaning sewage and production sewage during its manufacturing and operation. We adopt corresponding treatment methods based on the type of sewage to enable the indicators to meet the corresponding emission standards, and minimize the adverse effects of sewage pollution on the ecological environment and the health of people. In 2021, Akeso, Inc. generated 70 tonnes of industrial waste effluent in total.

Production sewage mainly includes culture solution and sewage generated from cleaning equipment and floor. Sewage is discharged into our sewage collection tank after being sterilized with high-pressure steam. We regularly engage qualified third-party sewage treatment companies for treatment offsite. Domestic sewage mainly includes sewage generated from daily activities of employees. Cleaning sewage mainly includes reverse osmosis reject water, water drained from cooling towers, pure steam and condensed water. After being treated in septic tanks in the plant, cleaning sewage and domestic sewage are discharged into municipal sewage pipelines and purified and treated by municipal government authorities.

In 2021, the Group strengthened the inspection of drainage pipes and water collection facilities to ensure that no waste effluent leakages occur, reduce the risk of accidents, and avoid adverse impact on the surrounding ecological environment.

7.1.3 Waste

For waste, in strict compliance with the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Company has formulated the Waste Management Practices (《廢棄物管理規範》), Administrative Measures for Prevention and Control of Environmental Pollution of Hazardous Wastes (《危險廢棄物污染環境防治管理制度》) and other internal practices, which set out the requirement of classifying wastes produced from research and development, production and daily office activities as hazardous waste and non-hazardous waste and the requirement on the storage and disposal of such waste. The internal practices also specify the duties of all departments to take measures to reduce waste generation, whereby minimizing the environmental damage caused by the Group's waste.

Hazardous waste

- Hazardous waste (medical waste, pharmaceutical waste, laboratory waste effluent, other hazardous wastes)
  - Treatment: Qualified third-party hazardous waste treatment companies are engaged to treat hazardous waste offsite

Non-hazardous waste

- Recyclable waste (paper, wooden products, metals, plastics, waste glass)
  - Treatment: Collected by recycling companies
- Construction or renovation waste
  - Treatment: Handled by renovation companies
- Non-recyclable waste (office and domestic waste and kitchen waste)
  - Treatment: Collected by sanitation companies

For hazardous waste, the occupational safety department formulates management plan for hazardous waste at the beginning of every year which sets out the waste production of each production and operation segment and suggests the plan and practicable measures for waste reduction. The department also submits the management plan for hazardous waste on Guangdong Solid Waste Environmental Supervision Information Platform (廣東省固體廢物環境監管信息平台) as required.

Table 9: Waste produced by Akeso, Inc. in 2021

	Unit	Volume
Hazardous waste production	tonne	11.09
Non-hazardous waste production	tonne	17.20
Average hazardous waste production per person	kilogram/person	5.95
Average non-hazardous waste production per person	kilogram/person	9.22

7.2 Use of Resources

Akeso, Inc. strictly complies with the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), the Administrative Regulations on Urban Water Conservation (《城市節約用水管理規定》) and other laws and regulations, and has gradually improved a resource management system to improve the efficiency of energy use and support the promotion of energy conservation. Adopting energy-saving management measures, Akeso, Inc. is committed to achieving win-win situation for ecology, economy and society through recycling.

For resource and energy management, Akeso, Inc. actively promotes energy conservation and improves energy efficiency in each production and operation segment. We conduct daily inspections of our plants to avoid energy wastage. Meanwhile, we are vigorously promoting clean production and striving to achieve overall improvement in energy and resource efficiency through management optimization and technological innovation.

7.2.1 Energy

The main energy sources of the Company are electricity and outsourcing thermal power used for its daily operation. Placing great emphasis on energy conservation and consumption reduction, we include relevant management requirements in the administrative measures, set up energy management goals, regularly record energy consumption and conduct analysis of energy consumption in line with the actual business development, with a view to effectively monitoring the use of energy and control energy consumption. In addition, we take active energy management measures to respond to national and provincial policies on production and electricity restrictions, and accelerate the construction of digital and intelligent pharmaceutical production plants to achieve energy conservation and increased efficiency.

We actively promote the practice of green office and urge employees to uphold the philosophy of energy conservation and emission reduction in their daily life by issuing the proposals on "Energy Conservation and Consumption Reduction" and "Clear Your Plate Campaign" to all employees. We advocate turning off lights and computers after working hour to reduce unnecessary energy consumption. We also advocate using air-conditioner moderately and have formulated and implemented the air conditioner management rules. We have assigned personnel to oversee the usage of air-conditioner and switch off air-conditioner half an hour before leaving office. We also remind employees to switch off air-conditioner in laboratory once they leave. After the employees leave work, we arrange security guards to be responsible for inspection to ensure safety while making sure that the windows are closed, the lights are turned off and the air conditioners are turned off to avoid energy wastage.

Table 10: Energy Consumption of Akeso, Inc. in 2021

	Unit	Consumption
Gasoline consumption	liter	7,844
Diesel consumption	liter	1,635
Steam consumption	tonne	5,907
Outsourcing thermal power consumption	kWh	4,725,728
Natural gas consumption	m^3	6,073
Average gasoline consumption per person	liter/person	4.21
Average diesel consumption per person	liter/person	0.88
Average steam consumption per person	tonne/person	3.17
Average outsourcing thermal power consumption per person	kWh/person	2,533.90
Average natural gas consumption per person	m^3/person	3.26

7.2.2 Resources

Water resources currently used by Akeso, Inc. are from the municipal pipe network and there is no difficulty in the supply and purchase of water resources. Placing great emphasis on the water resources management, the Company includes water resources management in the scope of security inspection and requires the facilities commissioners to carry out daily inspections and timely maintenance of pure water machines, faucets and other facilities. The department in charge is required to check the operation of pure water machine on daily basis and strictly monitor the water usage in canteen, office area and washrooms. Washrooms are equipped with sensory faucet for the purpose of water conservation from the beginning and enhancement of the publicity and education towards water conservation awareness among employees. We conduct regular checking and random inspection. No incident of water wastage, such as water leakage, has been detected during our inspection throughout 2021.

The packaging materials that we use are mainly for external paper packaging of finished products. We continuously refine our packaging design to reduce unnecessary packages from the beginning and prefer to purchase environmentally friendly green materials.

Table 11: Resource consumption of Akeso, Inc. in 2021

	Unit	Consumption
Municipal water consumption	tonne	13,638
External paper packaging consumption	kilogram	1,500
Average municipal water consumption per person	tonne/person	7.31
Average external paper packaging consumption per person	kilogram/person	0.80

7.3 Environment and Natural Resources

For contingency management of environment incidents, we regularly monitored and evaluated environmental risk. We have identified the potential cause of environmental risk and formulated the Contingency Proposal for Environmental Emergency. We have established an emergency operation unit which is equipped with emergency rescue facilities. It regularly carries out emergency drills in order to be prepared to the response to environmental emergencies.

In 2021, we have established commercialization manufacturing bases in Guangzhou and Zhongshan. During the construction, we have strictly complied with laws and regulations, including the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) and the Water and Soil Conservation Law of the PRC (《中華人民共和國水土保持法》), and regularly monitored and evaluated environmental risk to perform our environmental protection responsibility and minimize the environmental impact of wastewater, waste gas, hazardous waste and noise that may be caused during the course of construction and operation in order to protect the natural ecological environment.

7.4 Coping with Climate Change

Our greenhouse gas emission mainly comprises indirect emission generated from electricity and outsourcing thermal power consumed by the equipment and lighting system in office and projects under construction. In the course of our operation, we are proactive in practicing the philosophy of low-carbon and green life style. We aim to reduce greenhouse gas generated during the business trip of employees by holding video conference and telephone conference in replacement of business trip.

Table 12: Greenhouse Gas Emission of Akeso, Inc. in 2021[2]

	Unit	Emission
Greenhouse gas emission (Scope 1)	tonnes CO_2 equivalent	35.23
Greenhouse gas emission (Scope 2)	tonnes CO_2 equivalent	4,495.65
Total greenhouse gas emission (Scope 1 and Scope 2)	tonnes CO_2 equivalent	4,530.88
Greenhouse gas emission per person	tonnes CO_2 equivalent/person	2.43

[2] The carbon emission factors for outsourcing thermal power calculated in 2021 greenhouse gas emissions performance data adopting the grid emission factors for calculating outsourcing thermal power in 2021 in the "Enterprise Greenhouse Gas Emissions Accounting Methodology and Reporting Guide for Power Generation Facilities (2022 Revision) (《企業溫室氣體排放核算方法與報告指南發電設施 (2022年修訂版)》)" issued by the Ministry of Ecology and Environment the People's Republic of China in 2022: 0.5810 tonnes CO_2/MWh.

We recognize that climate change brings a variety of risks and opportunities to our business. We actively identify physical risks, transformational risks and potential opportunities that could have a significant impact on our business and daily operations, and consider relevant factors in our strategic decisions. The Company has set up contingency measures to deal with acute physical risks such as typhoons and rainstorms that have a greater impact on the Company, and has formulated a special plan "Typhoon Emergency Command Plan" (《防颱風應急指揮預案》) for potential typhoon weather with a greater impact. The Company is concerned about China's carbon peak and carbon neutral targets, the "Carbon Peak Action Plan by 2030 (《2030年前碳達峰行動方案》)" and related policy requirements and plans to continue to track the changes in global diseases in the future and adjust its drug development and deployment plans in a timely manner.

8 RESPONSIBILITY FOR COMMUNITY

In response to the call of "Opinions on Strengthening the Modernization of the Primary Governance System and Governance Capability" (《關於加強基層治理體系和治理能力現代化建設的意見》), Akeso, Inc. has always been committed to improving public health with its own industrial advantages. We actively participated in the Charity Walk of the Zhongshan Social Welfare and donated RMB200,000 to the Zhongshan Red Cross during the Reporting Period. In August 2021, we started a one-year project called "Peace of Mind Youni" ("安心有尼") with Beijing Health Alliance Charitable Foundation. During the reporting period, we have donated around 3.6 million yuen for drug implementation, management, warehousing and transportation to enhance the accessibility of medication for patients. Internally, we have set up a mutual fund to support our employees and their families in need.

Case: Patient Assistance Project

On August 23, 2021, under co-operation with the Beijing Health Alliance Charitable Foundation, Akeso, Inc. launched a patient assistance project in various regions of China. The purpose of it was to maximize the quality of life of patients, enlighten the hope of life for those who have diagnosed with malignant tumor by helping more of them to complete standardized treatment and lightening the burden of their families.

9 APPENDIX: CONTENT INDEX OF STOCK EXCHANGE ESG REPORTING GUIDE

This report is prepared in accordance with the ESG Reporting Guide of the Hong Kong Stock Exchange. The table below sets forth the response index to the general disclosure and key performance indicators.

Subject Areas, General Disclosures and Key Performance Indicators of ESG			Section
A. Environmental			
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	7.1 Emission management
	A1.1	The types of emissions and respective emissions data.	7.1 Emission management
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.4 Coping with Climate Change
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.1. Emission management
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.1. Emission management
	A1.5	Description of emission target(s) set and steps taken to achieve them.	7.1. Emission management
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	7.1. Emission management

Subject Areas, General Disclosures and Key Performance Indicators of ESG			Section
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7.2 Use of Resources
	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).	7.2 Use of Resources
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7.2 Use of Resources
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	7.2 Use of Resources
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	7.2 Use of Resources
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	7.2 Use of Resources
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	7.3 Environment and Natural Resources
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7.3 Environment and Natural Resources
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.	7.4 Coping with Climate Change
	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.	7.4 Coping with Climate Change

Subject Areas, General Disclosures and Key Performance Indicators of ESG			Section
B. Social			
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.	6 Employment Responsibilities
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	6.1 Employment and Retention
	B1.2	Employee turnover rate by gender, age group and geographical region.	6.1 Employment and Retention
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.	6.3. Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	6.3. Health and Safety
	B2.2	Lost days due to work injury.	6.3. Health and Safety
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6.3. Health and Safety
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.2 Development and Training
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	6.2 Development and Training
	B3.2	The average training hours completed per employee by gender and employee category.	6.2 Development and Training
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.	6.1 Employment and Retention
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	6.1 Employment and Retention
	B4.2	Description of steps taken to eliminate such practices when discovered.	6.3 Health and Safety

Subject Areas, General Disclosures and Key Performance Indicators of ESG			Section
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.2 Supply Chain Management
	B5.1	Number of suppliers by geographical region.	5.2 Supply Chain Management
	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.	5.2 Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.2 Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.2 Supply Chain Management
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.	4.1 Quality Management
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	4.1 Quality Management
	B6.2	Number of products and service related complaints received and how they are dealt with.	4.1 Quality Management
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.3 Intellectual Property Protection
	B6.4	Description of quality assurance process and recall procedures.	4.1 Quality Management
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	During the reporting period, the Company does not collect any consumer data and privacy and all sale activities are conducted by our partner. This indicator is not applicable.

Subject Areas, General Disclosures and Key Performance Indicators of ESG			Section
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.	5.1 Business Ethics
	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.	5.1 Business Ethics
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	5.1 Business Ethics
	B7.3	Description of anti-corruption training provided to directors and staff.	5.1 Business Ethics
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.	8 Responsibility for Community
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	8 Responsibility for Community
	B8.2	Resources contributed (e.g. money or time) to the focus area.	8 Responsibility for Community

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report
To the shareholders of Akeso, Inc. 康方生物科技(開曼)有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Akeso, Inc. 康方生物科技(開曼)有限公司 (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 114 to 187, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the 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 ("**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
Cut-off of research and development expenses	
The Group incurred significant research and development ("**R&D**") expenses of RMB1,123 million as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021, which mainly consisted of staff costs, clinical trial expenses and service fees paid to outsourced service providers. The research and development activities with these service providers are documented in detailed agreements and typically performed over an extended period. Allocation of these R&D expenses to the appropriate reporting period based on the progress of the research and develop projects involves judgement. The Group's disclosure about R&D expenses is included in note 2.4 *Summary of significant accounting policies*.	We obtained an understanding of and evaluated the key controls over the R&D expenses process; We inquired management about the reasons for periodical fluctuations in R&D expenses and assessed the reasonableness of those fluctuations; We reviewed the key terms set out in agreements with outsourced service providers. We evaluated the progress of the R&D projects based on the inspection of supporting documents on a sample basis; We reviewed the R&D expense payments and other supporting documents in both current and subsequent periods in order to determine completeness and cut-off of the 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.

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.

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

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

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

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

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

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

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 Hui Kin Fai, Stephen.

Ernst & Young
Certified Public Accountants

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

30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Product sales	4	**211,623**	–
Licensing fee income	4	**128,600**	–
Total sales from products and licensing fee		**340,223**	–
Less: Distribution cost	4	**(114,597)**	–
Revenue	4	**225,626**	–
Cost of sales		**(31,259)**	–
Gross profit		**194,367**	–
Other income and gains, net	5	**116,273**	123,524
Research and development expenses		**(1,122,957)**	(768,589)
Selling and marketing expenses		**(179,149)**	–
Administrative expenses		**(243,517)**	(253,029)
Other expenses, net		**(12,791)**	(2,077)
Fair value changes on convertible redeemable preferred shares	6	**–**	(412,421)
Finance costs	7	**(10,352)**	(7,987)
LOSS BEFORE TAX	6	**(1,258,126)**	(1,320,579)
Income tax expense	10	**–**	–
LOSS FOR THE YEAR		**(1,258,126)**	(1,320,579)
OTHER COMPREHENSIVE LOSS			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**43,534**	70,613
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		**(97,226)**	(302,550)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(53,692)**	(231,937)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,311,818)**	(1,552,516)

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Loss attributable to:			
Owners of the parent		**(1,074,933)**	(1,177,051)
Non-controlling interests		**(183,193)**	(143,528)
		(1,258,126)	(1,320,579)
Total comprehensive loss attributable to:			
Owners of the parent		**(1,128,625)**	(1,408,988)
Non-controlling interests		**(183,193)**	(143,528)
		(1,311,818)	(1,552,516)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*12*	**RMB(1.32) yuan**	RMB(1.65) yuan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,352,913**	608,251
Right-of-use assets	14(a)	**151,727**	150,916
Intangible assets	15	**3,980**	1,230
Advance payments for property, plant and equipment		**144,913**	94,446
Total non-current assets		**1,653,533**	854,843
CURRENT ASSETS			
Inventories	16	**196,619**	61,235
Trade and bills receivables	17	**101,849**	–
Prepayments, other receivables and other assets	18	**212,071**	143,639
Financial assets at fair value through profit or loss	19	**–**	110,000
Pledged deposits	20	**92**	1,953
Cash and cash equivalents	20	**2,641,625**	2,684,499
Total current assets		**3,152,256**	3,001,326
CURRENT LIABILITIES			
Trade payables	21	**206,315**	112,607
Other payables and accruals	22	**394,891**	39,567
Interest-bearing bank and other borrowings	23	**45,598**	13,811
Lease liabilities	14(b)	**7,854**	2,864
Tax payable		**1,037**	1,122
Total current liabilities		**655,695**	169,971
NET CURRENT ASSETS		**2,496,561**	2,831,355
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,150,094**	3,686,198

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*23*	**803,733**	178,614
Lease liabilities	*14(b)*	**2,237**	3,702
Deferred income	*24*	**63,858**	53,443
Total non-current liabilities		**869,828**	235,759
Net assets		**3,280,266**	3,450,439
EQUITY			
Equity attributable to owners of the parent			
Share capital	*25*	**57**	55
Shares held for restricted share unit schemes	*25*	**(51,718)**	–
Reserves	*27*	**3,215,717**	3,185,491
		3,164,056	3,185,546
Non-controlling interests		**116,210**	264,893
Total equity		**3,280,266**	3,450,439

Dr. XIA Yu
Director

Dr. LI Baiyong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent								
	Share capital *RMB'000* *Note 25*	Share premium* *RMB'000* *Note 25*	Capital reserve* *RMB'000* *Note 27*	Share award reserve* *RMB'000* *Note 26*	Exchange fluctuation reserve* *RMB'000* *Note 27*	Accumulated losses* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2020	34	–	490,796	–	104	(497,287)	(6,353)	222,058	215,705
Loss for the year	–	–	–	–	–	(1,177,051)	(1,177,051)	(143,528)	(1,320,579)
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	70,613	–	70,613	–	70,613
Translation from functional currency to presentation currency	–	–	–	–	(302,550)	–	(302,550)	–	(302,550)
Total comprehensive loss for the year	–	–	–	–	(231,937)	(1,177,051)	(1,408,988)	(143,528)	(1,552,516)
Issue of shares	13	2,714,517	–	–	–	–	2,714,530	–	2,714,530
Share issue expenses	–	(82,918)	–	–	–	–	(82,918)	–	(82,918)
Conversion of preferred shares into ordinary shares**	8	–	1,596,116	–	–	–	1,596,124	–	1,596,124
Equity-settled share award	–	–	–	347,151	–	–	347,151	–	347,151
Capital injection from a non-controlling shareholder of a subsidiary	–	–	26,000	–	–	–	26,000	186,363	212,363
At 31 December 2020	55	2,631,599	2,112,912	347,151	(231,833)	(1,674,338)	3,185,546	264,893	3,450,439

Year ended 31 December 2021

	Attributable to owners of the parent									
	Share capital *RMB'000* *Note 25*	Shares held for restricted share unit schemes *RMB'000* *Note 25*	Share premium* *RMB'000* *Note 25*	Capital reserve* *RMB'000* *Note 27*	Share award reserve* *RMB'000* *Note 26*	Exchange fluctuation reserve* *RMB'000* *Note 27*	Accumulated losses* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2021	55	–	2,631,599	2,112,912	347,151	(231,833)	(1,674,338)	3,185,546	264,893	3,450,439
Loss for the year	–	–	–	–	–	–	(1,074,933)	(1,074,933)	(183,193)	(1,258,126)
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	43,534	–	43,534	–	43,534
Translation from functional currency to presentation currency	–	–	–	–	–	(97,226)	–	(97,226)	–	(97,226)
Total comprehensive loss for the year	–	–	–	–	–	(53,692)	(1,074,933)	(1,128,625)	(183,193)	(1,311,818)
Issue of shares	2	–	992,026	–	–	–	–	992,028	–	992,028
Share issue expenses	–	–	(13,916)	–	–	–	–	(13,916)	–	(13,916)
Equity-settled share award	–	–	–	–	180,741	–	–	180,741	–	180,741
Shares held for restricted share unit schemes	–	(51,718)	–	–	–	–	–	(51,718)	–	(51,718)
Exercise of restricted share units	–	–	397,340	–	(397,340)	–	–	–	–	–
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	(490)	(490)
Capital injection from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	35,000	35,000
At 31 December 2021	57	(51,718)	4,007,049	2,112,912	130,552	(285,525)	(2,749,271)	3,164,056	116,210	3,280,266

* These reserve accounts comprise the consolidated reserves of RMB3,215,717,000 (2020: RMB3,185,491,000) in the consolidated statement of financial position.

** All preferred shares were converted into ordinary shares upon the completion of the initial public offering (the "**IPO**") of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:		**(1,258,126)**	(1,320,579)
Adjustments for:			
Bank interest income	5	**(14,236)**	(34,505)
Investment income from financial products	5	**(8,522)**	(7,023)
Fair value changes on convertible redeemable preferred shares	6	**–**	412,421
(Gain)/loss upon early termination of a lease	6	**(2)**	65
Covid-19-related rent concessions from lessors	14	**(30)**	(54)
Depreciation of property, plant and equipment	6	**47,730**	15,627
Depreciation of right-of-use assets	6	**9,278**	6,030
Amortisation of intangible assets	6	**1,235**	450
Government grant released	5	**(84,822)**	(69,195)
Foreign exchange differences, net	5	**(5,162)**	(12,526)
Equity-settled share award expenses		**180,741**	347,151
Finance costs	7	**10,352**	7,987
(Reversal of write-down)/write-down of inventories to net realisable value	6	**(1,042)**	1,903
Impairment of trade receivables, net	6	**30**	–
		(1,122,576)	(652,248)
Increase in inventories		**(134,342)**	(47,615)
Increase in trade receivables		**(101,879)**	–
Increase in prepayments, other receivables and other assets		**(68,432)**	(96,525)
Increase in trade payables		**97,791**	69,684
Increase in other payables and accruals		**234,218**	12,262
Increase in deferred income in respect of government grants related to income		**79,746**	60,812
Cash used in operations		**(1,015,474)**	(653,630)
Bank interest received		**14,236**	35,855
Income tax paid		**–**	–
Net cash flows used in operating activities		**(1,001,238)**	(617,775)

Year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Net cash flows used in operating activities		**(1,001,238)**	(617,775)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(712,126)**	(444,262)
Purchase of intangible assets		**(3,985)**	(1,180)
Purchases of land use rights		**–**	(3,028)
Proceeds from disposal of items of property, plant and equipment		**660**	9
Receipt of government grants related to assets		**15,491**	1,677
Purchases of financial assets at fair value through profit or loss		**(2,567,455)**	(1,856,691)
Proceeds from disposal of financial assets at fair value through profit or loss		**2,677,455**	1,741,790
Interest income from financial assets at fair value through profit or loss		**8,522**	5,673
Decrease in pledged deposits		**1,853**	313
Net cash flows used in investing activities		**(579,585)**	(555,699)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**736,143**	180,042
Repayment of bank and other borrowings		**(90,760)**	(143,122)
Share issue expenses		**(13,916)**	(78,670)
Proceeds from issue of shares		**992,028**	2,714,530
Shares repurchased		**(51,718)**	–
Principal portion of capital element of lease payments		**(7,071)**	(3,391)
Repayment of the capital injection to a non-controlling shareholder due to the deregistration of a subsidiary		**(490)**	–
Capital injection from non-controlling shareholders of subsidiaries		**35,000**	212,363
Interest paid		**(12,661)**	(3,429)
Net cash flows from financing activities		**1,586,555**	2,878,323
NET INCREASE IN CASH AND CASH EQUIVALENTS		**5,732**	1,704,849
Cash and cash equivalents at beginning of year		**2,684,499**	1,186,029
Effect of foreign exchange rate changes, net		**(48,606)**	(206,379)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,641,625**	2,684,499
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	*20*	**2,641,625**	2,684,499
Cash and cash equivalents as stated in the statement of cash flows		**2,641,625**	2,684,499

31 December 2021

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 January 2019. The address of the registered office of the Company is Floor 4, Willow House, Cricket Square, Grand Cayman KY1–9010, Cayman Islands. The Company's principal place of business in Hong Kong is Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company is an investment holding company. The Company's subsidiaries were involved in research and development, production and sale of biopharmaceutical products.

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 24 April 2020.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Akeso (BVI), Inc. *(note (a))*	British Virgin Islands ("**BVI**")	United States dollars ("**US$**") $50,000	100%	–	Investment holding
Akeso Biopharma Co., Ltd. * (中山康方生物醫藥有限公司) *(note (b))*	People's Republic of China ("**PRC**")/ Mainland China	Renminbi ("**RMB**") 3,500,000,000	–	100%	Product research and development, technology transfer and consulting service business
Akeso Pharma Co., Ltd. ("**Akeso Pharma**") * (康方藥業有限公司) *(note (b))*	PRC/Mainland China	RMB100,000,000	–	95%	Product research and development
Akeso Tiancheng Guangdong Co., Ltd. * (康方天成(廣東)製藥有限公司) *(note (b))*	PRC/Mainland China	RMB200,000,000	–	100%	Product research and development, technology transfer and consulting service business
AD Pharmaceuticals Co., Ltd. * (康融東方(廣東)醫藥有限公司) *(note (b))*	PRC/Mainland China	RMB243,800,000	–	65%	Product research and development
AD Pharmaceuticals Guangzhou Co., Ltd.* (康融東方(廣州)生物醫藥有限公司) *(note (b))*	PRC/Mainland China	RMB20,000,000	–	65%	Product research and development

31 December 2021

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
AkesoBio Inc. *(note (a))*	United States of America (the "**USA**")	US$333,000	–	100%	Product research and development
Akesobio Australia Pty Ltd. *(note (a))*	Australia	Australian dollars ("**A$**") 8,028,086	–	100%	Product research and development
Akeso Limited *(note (a))*	Hong Kong	Hong Kong dollars ("**HK$**") 2,560,000	–	100%	Investment holding
Akeso-Sino Pharma Co., Ltd.* (康方賽諾醫藥有限公司) *(note (b))*	PRC/Mainland China	RMB500,000,000	–	100%	Product research and development
CTTQ-Akeso (Shanghai) Biomed. Tech. Co., Ltd. ("**CTTQ-Akeso**") * (正大天晴康方(上海)生物醫藥科技有限公司) *(note (b))*	PRC/Mainland China	RMB689,450,000	–	50%	Product research and development, technology transfer, and consulting services of biopharmaceuticals (except biological agents)

Notes:

(a) Registered as a limited liability company.

(b) Registered as a limited liability company under PRC law.

(c) The registered capital of Akeso Biopharma Co., Ltd., Akeso Tiancheng Guangdong Co., Ltd., AD Pharmaceuticals Guangzhou Co., Ltd., and Akeso-Sino Pharma Co., Ltd. of approximately RMB601,765,111, RMB29,000,000, RMB20,000,000 and RMB40,000,000, respectively, was unpaid as at 31 December 2021.

(d) A dormant subsidiary of the Group namely 中康泰和(北京)生物科技有限公司 was dissolved and its deregistration was completed in November 2021.

* The English names of these companies represent the best effort made by the directors of the Company to translate the Chinese names as these companies have not been registered with any official English names.

None of the subsidiaries of the Group had issued any debt securities at the end of the reporting period.

31 December 2021

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 ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7. IFRS 4 and IFRS 16 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have significant impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods in which they first apply the amendment with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of RMB30,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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 between an investor and its associate or joint venture 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 in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* 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 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

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. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Amendments to IAS 12 narrow the scope of the initial recognition exception 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 and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The results of subsidiaries are included in the Company's profit or loss to the extent of dividend received and receivable.

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Fair value measurement

The Group measures certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories 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 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 profit or loss in the period in which it arises.

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

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

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

Leasehold improvements	10% to 67%
Machinery and equipment	9% to 18%
Office equipment	9% to 30%
Motor vehicles	9% to 18%
Buildings	4.5%

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 profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

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

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 3 to 5 years.

The useful lives of the software were assessed by the Group considering different purposes and usage of the software. The useful lives of software varied from 3 to 5 years depending on the management's plan on the usage and upgrade frequency of the respective software.

Research and development costs

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

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

Leases

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

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 SUMMARY OF SIGNIFICANT 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:

Land use rights	50 years
Plant and buildings	2 to 3 years
Machinery	10 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.

(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 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 and laptop computers that are 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.

31 December 2021

2.4 SUMMARY OF SIGNIFICANT 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.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (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 profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of 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.

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 30 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.

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 SUMMARY OF SIGNIFICANT 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 and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and 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 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 profit or loss.

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 profit or loss.

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Shares held for restricted share unit schemes

Own equity instruments which are reacquired and held by the Company or the Group (shares held for restricted share unit schemes) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT 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 reporting period, 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 the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- when the deferred tax liability arises from the initial recognition of goodwill or 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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, 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

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

The carrying amount of deferred tax assets is reviewed at the end of 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 reporting period.

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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 profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Revenue from licensing fee income

The Group generated revenue from licences of its intellectual property ("**IP**") to customers. Customers would use commercially reasonable efforts to develop and commercialise those IP and would bear the costs of development, manufacturing and commercialisation. The Group was entitled to consideration of upfront payments, future clinical development milestone payments and sales milestone payments. Upfront payments and future clinical development milestone payments were fixed and became receivable upon each milestone, i.e. grant of IP or achievement of development specified in the licensing contract. Sales milestone payments were based on future sales of the relevant products by customers.

At the inception of each licensing contract, the Group evaluates whether the upfront payments and future clinical development milestone payments are considered probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant reversal of cumulative revenue would not occur, the associated milestone value is included in the transaction price. Upfront payments and future clinical development milestone payments that are not within the control of the Group are not considered probable of being achieved until those milestones are achieved. At the end of each subsequent reporting period, the Group re-evaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment.

For the licensing contracts in which the Group will not undertake any activities that significantly affect the IP, the customer gets a right to use the IP when the licence is granted. The Group recognises revenue at the amount estimated as above when the customer obtains the right to use the IP.

Sales milestone payments are regarded as sales-based royalties and recognised as revenue only when the subsequent sale of relevant product by customer occurs.

(b) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. Some contracts for the sale of products provide customers with sales rebates. Sales rebates give rise to variable consideration.

The consideration paid or payable to a customer is treated as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group. Accordingly, if the consideration payable to a customer is accounted for as a reduction of the transaction price, the Group recognises the reduction of revenue when (or as) the later of either of the following events occurs: (a) the Group recognises revenue for the transfer of the related goods or services to the customers; and (b) the Group pays promises to pay the consideration (even if the payment is conditional on a future event). That promise might be implied by the Group's customary business practices.

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Other income from provision of services

The Group recognises income from provision of services only when it satisfies a performance obligation by transferring control of the promised services. The transfer of control can occur over time or at a point in time. A performance obligation is satisfied over time if it meets one of the following criteria.

- The counterparty simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

- The Group's performance creates or enhances an asset that the counterparty controls as the asset is created or enhanced.

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

The portion of the transaction price that is allocated to services satisfied at a point in time is recognised as income when control of the services transfers to the counterparty. If the services are satisfied over time, the portion of the transaction price allocated to that services is recognised as income as the services are satisfied. The Group adopts an appropriate method of measuring progress for purposes of recognising income from provision of services. The Group evaluates the measure of progress at the end of each reporting period and, if necessary, adjusts the measure of performance and related income recognised.

Interest income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

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

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an option pricing model, further details of which are given in note 26 to the financial statements.

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

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.

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits

Pension scheme

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

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

The financial statements is 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 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. 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.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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.

31 December 2021

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:

Recognition of revenue from customers

In determining the timing of recognition of revenue from licences of IP, the Group must use judgement to determine the nature of its promise in granting a licence. The Group's promise is to provide a right to access the IP if all of the following criteria are met: (a) the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the IP to which the customer has rights; (b) the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities identified in (a); and (c) those activities do not result in the transfer of a good or a service to the customer as those activities occur. If the licensed IP does not have those characteristics, the licensing contract provides a right to use this IP. Based on the nature of the licensing contracts, the Group considered that it would not undertake any activities that significantly affect the IP thus concluded that all the licensing contracts during the reporting period provided customer a right to use the IP.

At the inception of each licensing contract and the end of each subsequent reporting period, the Group evaluates whether the future clinical development milestone payments are considered probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant reversal of cumulative revenue would not occur, the associated milestone value is included in the transaction price. The Group evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone of development in making this assessment. There is considerable judgement involved in determining whether it is probable that a significant reversal of cumulative revenue would not occur. During the reporting period, the Group considered the nature of the milestone of development and concluded that future clinical development milestone payments were not within the control of the Group thus were not considered probable of being achieved until those milestones were achieved.

Consolidation of entities in which the Group holds less than a majority of voting rights

CTTQ-Akeso was established in Mainland China on 30 August 2019 with 50% of equity shares held by the Group and 50% by a third party respectively. The Group considers that it controls CTTQ-Akeso even though it owns only 50% of the voting rights. This is because the Group has the practical right to appoint the majority members of the board of directors of CTTQ-Akeso, and therefore, the directors of the Company concluded that the Group has the practical ability to direct the relevant activities of CTTQ-Akeso.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

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

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment 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 judgment 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 10 to the financial statements.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the reporting period. 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 values of those cash flows.

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected us age of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful life and/or the residual value of an item of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances. Further details are included in note 2.4 to the financial statements.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made for those identified obsolete and slow-moving inventories and inventories with a carrying amount higher than net realisable value. The assessment of the provision required involves management's judgement and estimates on which are influenced by assumptions concerning future sales and usage and judgements in determining the appropriate level of inventory provisions against identified surplus or obsolete items. Where the actual outcome or expectation in future is different from the original estimate, such differences will have impact on the carrying amounts of inventories and the write-down of inventories in the period in which such estimate has been changed. Further details are included in note 6 to the financial statements.

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).

Fair value of financial assets at fair value through profit or loss

Certain financial assets are measured at fair value at the end of each reporting period, respectively.

Fair value of financial assets, i.e. investments in financial products, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations are based on certain assumptions about future cash flows, volatility and liquidity risks associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. The balance of fair value of financial assets at fair value through profit or loss at 31 December 2021 was nil (2020: RMB110,000,000). Further details are included in note 19 to the financial statements.

4. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

	2021 *RMB'000*	2020 *RMB'000*
Types of goods or services		
Product sales	**211,623**	–
Licensing fee income	**128,600**	–
Total sales from products and licensing fee	**340,223**	–
Less: Distribution cost relevant to the product sales	**(114,597)**	–
Revenue	**225,626**	–
Timing of revenue recognition		
Transferred at a point in time	**225,626**	–

Distribution cost is relevant to the product sales, and it represents the distribution fee paid or payable by the Group to customers.

There is no revenue recognised from performance obligations satisfied in previous periods.

(b) Performance obligations

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

Revenue from licensing fee income

The performance obligation is satisfied at a point in time when the customer obtains the rights to the underlying technology.

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 45 days to 180 days from delivery. Some contracts provide customers with sales rebates which give rise to variable consideration subject to constraint.

31 December 2021

4. REVENUE AND OPERATING SEGMENT INFORMATION (Continued)

Other segment information

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

Geographical information

(a) Revenue from external customers

	2021 *RMB'000*	2020 *RMB'000*
USA	**128,600**	–
Mainland China	**97,026**	–
	225,626	–

The revenue geographical information above is based on the locations of the customers.

(b) Non-current assets

	2021 *RMB'000*	2020 *RMB'000*
Mainland China	**1,652,287**	852,780
Other regions	**1,246**	2,063
	1,653,533	854,843

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

Information about a major customer

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

	2021 *RMB'000*	2020 *RMB'000*
Customer A	**128,600**	–

5. OTHER INCOME AND GAINS, NET

Other income and gains, net

	2021 *RMB'000*	2020 *RMB'000*
Bank interest income	**14,236**	34,505
Investment income from financial products	**8,522**	7,023
Government grant released*	**84,822**	69,195
Net income from lab testing services	**3,392**	273
Foreign exchange differences, net	**5,162**	12,526
Others	**139**	2
	116,273	123,524

* The government grants mainly represent subsidies received from the local governments for the purpose of compensation for expenses arising from research activities and clinical trials, award for new drug development and capital expenditure incurred on certain projects.

31 December 2021

6. LOSS BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Employee benefit expense (excluding directors' remuneration *(note 8)*):			
Wages and salaries		**287,656**	97,588
Pension scheme contributions#		**51,096**	6,414
Equity-settled share award expenses		**43,148**	347,151
		381,900	451,153
Cost of inventories sold		**31,259**	–
Depreciation of property, plant and equipment	*13*	**47,730**	15,627
Depreciation of right-of-use assets	*14*	**9,278**	6,030
Amortisation of intangible assets*	*15*	**1,235**	450
Lease payments not included in the measurement of lease liabilities		**1,939**	1,380
(Gain)/loss upon early termination of a lease**		**(2)**	65
Auditor's remuneration		**1,826**	1,683
Fair value changes on convertible redeemable preferred shares***		**–**	412,421
Listing expenses		**–**	45,492
Impairment of trade receivables, net**		**30**	–
(Reversal of the write-down)/write-down of inventories to net realisable value**		**(1,042)**	1,903
Donation expenses**		**13,736**	1,000

* Included in "Administrative expenses" in the consolidated statements of profit or loss and other comprehensive income.

** Included in "Other expenses, net" in the consolidated statements of profit or loss and other comprehensive income.

*** Amount represented the fair value changes for the convertible redeemable preferred shares designated as financial liabilities at fair value through profit or loss, which were converted into ordinary shares upon the completion of the IPO.

There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'000	2020 RMB'000
Finance cost on lease liabilities	**542**	356
Interest on bank and other borrowings	**24,184**	16,904
Total interest expense on financial liabilities not at fair value through profit or loss	**24,726**	17,260
Less: Interest capitalised	**(14,374)**	(9,273)
	10,352	7,987

8. 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:

	2021 RMB'000	2020 RMB'000
Fees	**869**	640
Other emoluments:		
Salaries, allowances and benefits in kind	**11,817**	8,826
Performance related bonuses	**6,854**	9,163
Equity-settled share award expenses	**135,275**	–
Pension scheme contributions	**24**	–*
	153,970	17,989
	154,839	18,629

* Less than RMB1,000

31 December 2021

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

During the year, a director was granted 5,019,296 restricted share units, in respect of his service to the Group, under a restricted share unit scheme of the Company, further details of which are set out in note 26 to the financial statements. The fair value of such restricted share units, which has been recognised in 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.

(a) Independent non-executive directors

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

	2021 *RMB'000*	2020 *RMB'000*
Mr. TAN Bo	**290**	213
Dr. ZENG Junwen	**289**	214
Dr. XU Yan	**290**	213
	869	640

Mr. TAN Bo, Dr. ZENG Junwen and Dr. XU Yan were appointed as independent non-executive directors on 7 April 2020.

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share award expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2021						
Executive directors:						
Dr. XIA Yu (Chief executive)	**–**	**3,726**	**3,358**	**–**	**6**	**7,090**
Dr. LI Baiyong	**–**	**3,011**	**1,193**	**–**	**6**	**4,210**
Dr. WANG Zhongmin Maxwell	**–**	**2,413**	**967**	**–**	**6**	**3,386**
Mr. XIA Yu (Ph.D.)	**–**	**2,667**	**1,336**	**135,275**	**6**	**139,284**
	–	**11,817**	**6,854**	**135,275**	**24**	**153,970**
Non-executive directors:						
Dr. ZHOU Yi	**–**	**–**	**–**	**–**	**–**	**–**
Mr. XIE Ronggang	**–**	**–**	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**	**–**	**–**
	–	**11,817**	**6,854**	**135,275**	**24**	**153,970**
2020						
Executive directors:						
Dr. XIA Yu (Chief executive)	–	2,770	4,039	–	–*	6,809
Dr. LI Baiyong	–	2,314	1,775	–	–*	4,089
Dr. WANG Zhongmin Maxwell	–	1,870	1,413	–	–*	3,283
Mr. XIA Yu (Ph.D.)	–	1,872	1,936	–	–*	3,808
	–	8,826	9,163	–	–*	17,989
Non-executive directors:						
Mr. LIN Lijun#	–	–	–	–	–	–
Dr. ZHOU Yi	–	–	–	–	–	–
Mr. XIE Ronggang	–	–	–	–	–	–
	–	–	–	–	–	–
	–	8,826	9,163	–	–*	17,989

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the reporting period.

Mr. LIN Lijun resigned as a non-executive director of the Company on 19 August 2020.

* Less than RMB1,000.

31 December 2021

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2020: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2020: one) highest paid employee who are neither a director nor chief executive of the Company are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Salaries, allowances and benefits in kind	**6,253**	2,078
Performance related bonuses	**941**	608
Pension scheme contributions	**61**	2
	7,255	2,688

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

	Number of employees	
	2021	2020
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**2**	–
	2	1

31 December 2021

10. 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.

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

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% on any estimated assessable profits arising in Hong Kong during the reporting period. 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.

The provision for corporate income tax in Mainland China is based on the statutory rate of 25% of the assessable profits in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008 except for Akeso Biopharma Co., Ltd. which was qualified as a High and New Technology Enterprise and was subject to a preferential income tax rate of 15% for the year.

The subsidiary incorporated in the USA is subject to American federal and California income taxes. America federal income tax was provided at the rate of 21% during the reporting period and California income tax was provided at the rate of 8.84% during the year on the estimated assessable profits arising in the USA.

The subsidiary incorporated in the Australia is subject to Australia income tax. Australia corporate income tax has been provided at the rate of 30% on the estimated assessable profits arising in Australia.

The income tax expense of the Group is analysed as follows:

	2021 *RMB'000*	2020 *RMB'000*
Current		
Charge for the year	–	–
Deferred	–	–
Total tax charge for the year	–	–

31 December 2021

10. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which the Group's major operating activities are domiciled to the tax expense at the effective tax rate is as follows:

2021

	Mainland China *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Loss before tax	**(907,675)**	**(350,451)**	**(1,258,126)**
Tax at the statutory tax rate	**(226,919)**	**(47,352)**	**(274,271)**
Lower tax rates enacted by local authority	**(2,691)**	**–**	**(2,691)**
Effect of research and development expenses that are additionally deducted *(note)*	**(201,197)**	**–**	**(201,197)**
Income not subject to tax	**–**	**3,622**	**3,622**
Expenses not deductible for tax	**12,908**	**–**	**12,908**
Unrecognised deductible temporary differences and tax losses	**417,899**	**43,730**	**461,629**
Tax charge at the Group's effective rate	**–**	**–**	**–**

2020

	Mainland China *RMB'000*	Others *RMB'000*	Total *RMB'000*
Loss before tax	(422,931)	(897,648)	(1,320,579)
Tax at the statutory tax rate	(105,733)	(32,054)	(137,787)
Lower tax rates enacted by local authority	(1,088)	–	(1,088)
Effect of research and development expenses that are additionally deducted *(note)*	(153,868)	–	(153,868)
Income not subject to tax	–	(102)	(102)
Expenses not deductible for tax	1,200	–	1,200
Unrecognised deductible temporary differences and tax losses	259,489	32,156	291,645
Tax charge at the Group's effective rate	–	–	–

Note: Pursuant to Caishui [2017] circular No. 34, six subsidiaries of the Group, namely Akeso Biopharma Co., Ltd., Akeso Pharma, Akeso Tiancheng Guangdong Co., Ltd., AD Pharmaceuticals Co., Ltd., AD Pharmaceuticals Guangzhou Co., Ltd., and CTTQ-Akeso enjoyed the super deduction of 175% of qualifying research and development expenditures during the reporting period.

10. INCOME TAX (Continued)

The Group has tax losses in Mainland China of RMB3,300,662,000 (2020: RMB1,629,065,000) that will expire in one to ten years for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses in the USA and Australia of RMB352,538,000 (2020: RMB208,353,000) in aggregate that will be carried forward indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilised.

11. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 December 2021 and subsequent to the end of the reporting period (2020: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 815,931,798 (2020: 628,941,610) in issue during the year.

As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of the restricted share units or the conversion of the convertible redeemable preferred shares had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

	2021 *RMB'000*	2020 *RMB'000*
Loss		
Loss attributable to owners of the parent	**(1,074,933)**	(1,177,051)
Add: Loss attributable to preferred shareholders*	**–**	140,677
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**(1,074,933)**	(1,036,374)

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**815,931,798**	628,941,610

31 December 2021

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improve-ments *RMB'000*	Machinery and equipment *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2021							
At 1 January 2021:							
Cost	**20,114**	**138,331**	**6,358**	**1,703**	**64,589**	**426,621**	**657,716**
Accumulated depreciation	**(11,891)**	**(27,024)**	**(1,835)**	**(482)**	**(8,233)**	**–**	**(49,465)**
Net carrying amount	**8,223**	**111,307**	**4,523**	**1,221**	**56,356**	**426,621**	**608,251**
At 1 January 2021, net of accumulated depreciation	**8,223**	**111,307**	**4,523**	**1,221**	**56,356**	**426,621**	**608,251**
Additions	**5,893**	**71,219**	**5,697**	**819**	**–**	**695,054**	**778,682**
Interest capitalised	**–**	**–**	**–**	**–**	**–**	**14,374**	**14,374**
Disposals	**(376)**	**(220)**	**(64)**	**–**	**–**	**–**	**(660)**
Depreciation provided during the year	**(4,316)**	**(36,765)**	**(1,677)**	**(232)**	**(4,740)**	**–**	**(47,730)**
Transfers	**1,349**	**196,024**	**412**	**–**	**326,496**	**(524,281)**	**–**
Exchange realignment	**–**	**(1)**	**(3)**	**–**	**–**	**–**	**(4)**
At 31 December 2021, net of accumulated depreciation	**10,773**	**341,564**	**8,888**	**1,808**	**378,112**	**611,768**	**1,352,913**
At 31 December 2021:							
Cost	**16,075**	**405,332**	**12,016**	**2,522**	**391,085**	**611,768**	**1,438,798**
Accumulated depreciation	**(5,302)**	**(63,768)**	**(3,128)**	**(714)**	**(12,973)**	**–**	**(85,885)**
Net carrying amount	**10,773**	**341,564**	**8,888**	**1,808**	**378,112**	**611,768**	**1,352,913**

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improve-ments *RMB'000*	Machinery and equipment *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2020							
At 1 January 2020:							
Cost	12,816	94,035	3,170	1,387	64,589	71,899	247,896
Accumulated depreciation	(10,376)	(16,881)	(1,248)	(349)	(5,037)	–	(33,891)
Net carrying amount	2,440	77,154	1,922	1,038	59,552	71,899	214,005
At 1 January 2020, net of accumulated depreciation	2,440	77,154	1,922	1,038	59,552	71,899	214,005
Additions	7,298	34,158	3,202	316	–	355,644	400,618
Interest capitalised	–	–	–	–	–	9,273	9,273
Disposals	–	(7)	(2)	–	–	–	(9)
Depreciation provided during the year	(1,515)	(10,178)	(605)	(133)	(3,196)	–	(15,627)
Transfers	–	10,189	6	–	–	(10,195)	–
Exchange realignment	–	(9)	–	–	–	–	(9)
At 31 December 2020, net of accumulated depreciation	8,223	111,307	4,523	1,221	56,356	426,621	608,251
At 31 December 2020:							
Cost	20,114	138,331	6,358	1,703	64,589	426,621	657,716
Accumulated depreciation	(11,891)	(27,024)	(1,835)	(482)	(8,233)	–	(49,465)
Net carrying amount	8,223	111,307	4,523	1,221	56,356	426,621	608,251

The Group's buildings with a net carrying amount of RMB50,087,000 (2020: RMB56,356,000) were pledged to secure banking facilities and bank loans (note 23(a)).

31 December 2021

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and buildings, machinery and land use rights with lease terms of 2 to 50 years used in its operations. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Plant and buildings *RMB'000*	**Machinery** *RMB'000*	**Land use rights** *RMB'000*	**Total** *RMB'000*
At 1 January 2020	2,746	3,508	46,151	52,405
Additions	2,908	–	102,291	105,199
Depreciation charge	(1,973)	(1,053)	(3,004)	(6,030)
Remeasurement resulting from early termination of a lease	(658)	–	–	(658)
At 31 December 2020 and 1 January 2021	3,023	2,455	145,438	150,916
Additions	10,369	–	–	10,369
Depreciation charge	(5,218)	(1,056)	(3,004)	(9,278)
Remeasurement resulting from early termination of a lease	(225)	–	–	(225)
Exchange realignment	(55)	–	–	(55)
At 31 December 2021	7,894	1,399	142,434	151,727

At 31 December 2021, the Group's land used rights with a net carrying amount of approximately RMB142,434,000 (2020: RMB100,245,000) were pledged to secure banking facilities and bank loans (note 23(b)).

14. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Carrying amount at 1 January	**6,566**	7,340
New leases	**10,369**	2,908
Accretion of interest recognised during the year	**542**	356
Covid-19-related rent concessions from lessors	**(30)**	(54)
Payments	**(7,071)**	(3,391)
Remeasurement resulting from early termination of a lease	**(227)**	(593)
Exchange realignment	**(58)**	–
Carrying amount at 31 December	**10,091**	6,566
Analysed into:		
Current portion	**7,854**	2,864
Non-current portion	**2,237**	3,702
	10,091	6,566

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to IFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and buildings during the year.

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

	2021 *RMB'000*	2020 *RMB'000*
Finance cost on lease liabilities	**542**	356
Depreciation charge of right-of-use assets	**9,278**	6,030
Expense relating to short-term leases	**1,939**	1,380
Covid-19-related rent concessions from lessors	**(30)**	(54)
Total amount recognised in profit or loss	**11,729**	7,712

31 December 2021

15. INTANGIBLE ASSETS

	Software *RMB'000*
31 December 2021	
Cost at 1 January 2021, net of accumulated amortisation	**1,230**
Additions	**3,985**
Amortisation provided during the year	**(1,235)**
At 31 December 2021	**3,980**
At 31 December 2021:	
Cost	**5,852**
Accumulated amortisation	**(1,872)**
Net carrying amount	**3,980**
31 December 2020	
Cost at 1 January 2020, net of accumulated amortisation	500
Additions	1,180
Amortisation provided during the year	(450)
At 31 December 2020	1,230
At 31 December 2020:	
Cost	1,867
Accumulated amortisation	(637)
Net carrying amount	1,230

16. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**164,856**	61,235
Work in progress	**16,917**	–
Finished goods	**14,846**	–
	196,619	61,235

17. TRADE AND BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**101,532**	–
Bills receivable	**347**	–
	101,879	–
Impairment	**(30)**	–
	101,849	–

The Group's trading terms with its customers are mainly on credit. The credit period is generally 45 days to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Included in the Group's trade and bills receivables are amounts due from a non-controlling shareholder of the Group of RMB101,532,000 (2020: Nil), which are repayable on credit terms similar to those offered to the other customers of the Group.

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:

	2021 RMB'000	2020 RMB'000
Within 3 months	**99,971**	–
3 to 6 months	**1,531**	–
	101,502	–

The Group's bills receivable were aged within two months and were neither past due nor impaired, and will be mature within two months.

31 December 2021

17. TRADE AND BILLS RECEIVABLES (Continued)

The movement in the loss allowance for impairment of trade receivables is as follows:

	2021 *RMB'000*	2020 *RMB'000*
At beginning of year	**–**	–
Impairment losses, net *(note 6)*	**30**	–
At end of year	**30**	–

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

		Past due			
	Current	Less than 3 month	3 to 6 months	Over 6 months	Total
Expected credit loss rate	**0.03%**	**–**	**–**	**–**	**0.03%**
Gross carrying amount *(RMB'000)*	**101,532**	**–**	**–**	**–**	**101,532**
Expected credit losses *(RMB'000)*	**30**	**–**	**–**	**–**	**30**

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 *RMB'000*	2020 *RMB'000*
Value-added tax recoverable	**142,073**	96,218
Prepayments	**28,936**	42,441
Deposits	**3,791**	1,947
Other receivables	**37,271**	3,033
	212,071	143,639

The balances are interest-free and are not secured with collateral.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. In view of the fact that the Group's deposits and other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its deposits and other receivable balances.

Other receivables and deposits had no historical default, the financial assets included in the above balances were categorised in stage 1 at the end of each year. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the years ended 31 December 2021 and 2020, the Group estimated that the expected loss rate for other receivables and deposits is minimal.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 *RMB'000*	2020 *RMB'000*
Investments in financial products, at fair value	**–**	110,000

The investments as at 31 December 2020 represented investments in financial products which were issued by banks with expected interest rates ranging from 1.0% to 2.9% per annum. The returns on all of these financial products were not guaranteed. The fair values of the investments approximated to their costs plus expected interest.

31 December 2021

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 *RMB'000*	2020 *RMB'000*
Cash and bank balances	**2,028,682**	2,685,734
Time deposits	**613,035**	718
	2,641,717	2,686,452
Less: Pledged time deposits:		
Restricted cash*	**(92)**	(1,953)
Cash and cash equivalents	**2,641,625**	2,684,499
Denominated in:		
HK$	**778,553**	1,131,981
RMB	**1,199,679**	1,073,688
US$	**650,087**	474,785
A$	**13,306**	4,045
Cash and cash equivalents	**2,641,625**	2,684,499

* The restricted cash as at 31 December 2020 was pledged as security for the procurement of machinery and equipment as required by a supplier of the Group and for the execution of the land use right contact of a subsidiary of the Group entered into with the local authority in Mainland China during 2019. Such pledged time deposit was released as the contract expired during the year ended 31 December 2021.

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

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

	2021 *RMB'000*	2020 *RMB'000*
Within 3 months	**188,700**	98,145
3 to 6 months	**10,043**	6,256
6 months to 1 year	**6,066**	5,790
Over 1 year	**1,506**	2,416
	206,315	112,607

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days, excepted for the balances due to a non-controlling shareholder of the Group of RMB66,173,000 (2020: Nil), which are repayable on demand.

22. OTHER PAYABLES AND ACCRUALS

	2021 *RMB'000*	2020 *RMB'000*
Payroll payables	**83,765**	33,419
Accruals	**–**	428
Other tax payables	**3,476**	1,106
Receipt in advance	**312**	566
Other payables	**307,338**	4,048
	394,891	39,567

Other payables are unsecured, non-interest-bearing and normally repayable on demand, except for the balances due to a non-controlling shareholder of the Group of RMB176,497,000 (2020: Nil), which are repayable within 60 days. The carrying amounts of financial liabilities included in other payables and accruals as at the end of each reporting period approximated to their fair values due to their short-term maturities.

31 December 2021

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021			2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	**4.00~4.30**	**2022**	**38,021**	–	–	–
Current portion of long term bank loans — secured	**4.83~5.39**	**2022**	**7,577**	5.23~5.39	2021	13,811
			45,598			13,811
Non-current						
Bank loans — secured	**4.70~5.39**	**2023~2035**	**583,169**	5.23~5.39	2022~2028	28,614
Convertible loans — secured	**note (c)**	**note (c)**	**170,504**	note (c)	note (c)	150,000
Loans from a non-controlling shareholder — unsecured	**3.50**	**2026**	**50,060**	–	–	–
			803,733			178,614
			849,331			192,425

	2021 RMB'000	2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**45,598**	13,811
In the second year	**18,698**	6,860
In the third to fifth years, inclusive	**99,591**	15,754
Beyond five years	**464,880**	6,000
	628,767	42,425
Other borrowings repayable:		
In the second year	**170,504**	–
In the third to fifth years, inclusive	**50,060**	150,000
	220,564	150,000
	849,331	192,425

23. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) The Group's banking facilities amounted to RMB2,225,400,000 (2020: RMB1,159,210,000) aggregately, among which facilities of RMB43,610,000 (2020: RMB43,610,000) are secured by the buildings of the Group with net carrying values of approximately RMB50,087,000 (2020: RMB56,356,000) and facilities of RMB1,990,000,000 (2020: RMB1,100,000,000) are secured by the land use rights of the Group with net carrying values of approximately RMB142,434,000 (2020: RMB100,245,000) at the end of the reporting period, respectively. Such banking facilities of approximately RMB628,767,000 (2020: RMB31,620,000) has been utilised as at the end of the reporting period.

(b) Among the Group's banking facilities mentioned in note (a), facilities of RMB1,130,000,000 (2020: Nil) are also secured by the equity interest of certain subsidiaries held by the Group. Such banking facilities of approximately RMB238,215,000 (2020: Nil) have been utilised as at the end of the reporting period.

(c) On 23 July 2019, a subsidiary of the Group entered into a convertible loan agreement with its non-controlling shareholder and borrowed a convertible loan amounting to RMB75,000,000. The subsidiary further borrowed convertible loans of an aggregate amount of RMB75,000,000 under the agreement in 2020. According to the loan agreement, the convertible loans bear interest at 6.5% per annum and are secured by the equity interest in the subsidiary held by the Group as at 31 December 2021 and 2020. The convertible loans are due on 31 December 2023. Under the loan agreement, an option (the "**Convertible Right**") to convert the unpaid principal and the related interest into ordinary shares of the subsidiary will be granted to its non-controlling shareholder under certain conditions. The fair value of the Convertible Right was assessed to be minimal as at 31 December 2021 and 2020.

(d) All borrowings were denominated in RMB as at 31 December 2021 and 2020.

24. DEFERRED INCOME

	2021 *RMB'000*	2020 *RMB'000*
Government grant	**63,858**	53,443

The movements in deferred income for the reporting periods are as follows:

	2021 *RMB'000*	2020 *RMB'000*
At beginning of year	**53,443**	60,149
Grants received during the year	**95,237**	63,739
Unutilised fund returned to government	**–**	(1,250)
Amount released	**(84,822)**	(69,195)
At end of year	**63,858**	53,443

The grants are related to the subsidies received from the government for the purpose of compensation for expenses arising from research activities and clinical trials, award for the new drug development and capital expenditure incurred on certain projects.

31 December 2021

25. SHARE CAPITAL

Ordinary shares and preferred shares

	2021	2020
Issued and fully paid:		
817,057,176 (2020: 787,057,176) ordinary shares of US$0.00001 each	**US$8,171**	US$7,871
Equivalent to	**RMB57,000**	RMB55,000

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

	Numbers of preferred shares *RMB'000*	Numbers of ordinary shares *RMB'000*	Share capital amount *RMB'000*	Shares held for restricted share unit schemes *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
At 1 January 2020	197,986,800	284,879,340	34	–	–	34
Issue of shares in connection with the IPO *(note a)*	–	183,419,000	13	–	2,714,517	2,714,530
Share issue expenses	–	–	–	–	(82,918)	(82,918)
Transfer from preferred shares to ordinary shares *(note b)*	(197,986,800)	318,758,836	8	–	–	8
At 31 December 2020 and 1 January 2021	**–**	**787,057,176**	**55**	**–**	**2,631,599**	**2,631,654**
Issue of shares *(note c)*	**–**	**30,000,000**	**2**	**–**	**992,026**	**992,028**
Share issue expenses *(note c)*	**–**	**–**	**–**	**–**	**(13,916)**	**(13,916)**
Exercise of RSUs *(note d)*	**–**	**–**	**–**	**–**	**397,340**	**397,340**
Shares held for restricted share unit schemes *(note e)*	**–**	**–**	**–**	**(51,718)**	**–**	**(51,718)**
At 31 December 2021	**–**	**817,057,176**	**57**	**(51,718)**	**4,007,049**	**3,955,388**

Notes:

(a) In connection with the IPO, 183,419,000 ordinary shares of a par value of US$0.00001 each were issued at a price of HK$16.18 per share for a total cash consideration, before deducting the underwriting fees and commissions and other estimated listing expenses, of approximately HK$2,967,719,000 (approximately RMB2,714,530,000).

(b) All preferred shares were converted into ordinary shares upon the completion of the IPO.

(c) On 14 January 2021, 30,000,000 new shares were placed at a price of HK$39.60 per share to not less than six independent third parties for an aggregate cash consideration, before expenses, of HK$1,188,000,000 (equivalent to RMB992,028,000). The related transaction costs amounting to HK$16,665,000 (equivalent to RMB13,916,000) were netted off against the cash proceeds. The net proceeds were intended to be used for the business development of the Group. Details have been set out in the announcements of the Company dated 7 and 14 January 2021, respectively.

(d) During the year, 16,796,670 RSUs have been exercised.

(e) During the year, a trustee purchased 1,765,000 shares on behalf of the Company at a total cash consideration of HK$63,254,000 (equivalent to approximately RMB51,718,000) for the Company's restricted share unit schemes.

26. SHARE AWARD

Restricted Share Unit Scheme

The Company adopted a restricted share unit scheme on 29 August 2019 (the "**RSU Scheme**"). The purpose of the RSU Scheme is to recognise and motivate the contributions of the grantees under the RSU Scheme, provide incentives for them to remain with the Group, and attract suitable personnel for the further development. Eligible participants of the RSU Scheme include employees or officers (including executive, non-executive and independent non-executive directors of the Group) as well as other core technical personnel, key personnel or other natural persons or entities that were or will be important to the development of the Group.

During the year, equity interest in the Company was granted to employees of 155,000 RSUs (2020: 1,291,917 RSUs) at a consideration of HK$1.00 and 259,000 RSUs (2020: 17,254,645 RSUs) at a consideration of HK$0.001, and to a director of 5,019,296 RSUs (2020: Nil) at a consideration of HK$0.001, respectively. The fair value of the RSUs granted during the year was HK$216,807,000 (equivalent to RMB179,958,000; 2020: HK$469,931,000, equivalent to RMB417,919,000). The fair value of the share awards is measured at the grant date at the market value of the shares. The market values of the RSUs granted during the year are determined using the closing prices of listed shares as at the grant dates.

The vesting periods of these RSUs ranged from 1 month to 4.5 years. There is no other performance target required except the eligible participant remains as employees of the Group during the vesting period. 18,347,258 RSUs have been vested under the RSU Scheme during 2021 (2020: 12,535,262). As at 31 December 2021, the total number of RSUs which remain outstanding under the RSU Scheme was 21,290,641 (2020: 26,723,937). 16,796,670 RSUs have been exercised during 2021 (2020: Nil). No RSUs have been forfeited under the RSU Scheme during 2021 (2020: Nil).

During the year, the Group amortised the difference between the fair value of the share awards and the consideration that employees have to pay to the Company over the vesting period and recognised share award expenses of approximately RMB180,741,000 which was charged to the statement of profit or loss and other comprehensive income (2020: RMB347,151,000).

2021 Restricted Share Unit Scheme

The Company adopted a new restricted share unit scheme on 6 December 2021 (the "**2021 RSU Scheme**"). The purpose of the 2021 RSU Scheme is to recognise the contributions of the grantees under the 2021 RSU Scheme, and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. Eligible participants of the 2021 RSU Scheme include employees, advisors or consultants of any member of the Group. Details of the 2021 RSU Scheme have been set out in the announcement of the Company dated 7 December 2021. No RSUs have been granted under the 2021 RSU Scheme during the year.

31 December 2021

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Capital reserve

The Group's capital reserve mainly includes the share premium of the ordinary shares issued in connection with the IPO and share issue expenses, the share premium of the ordinary shares transferred from preferred shares, equity-settled share award and the accumulated effects of the other equity transactions (i.e. the changes in non-controlling interests without losing control of a subsidiary).

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB10,369,000 (2020: RMB2,908,000) and RMB10,369,000 (2020: RMB2,908,000), respectively, in respect of lease arrangements for plant and building.

(b) Changes in liabilities arising from financing activities

2021

	Interest-bearing bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
At 1 January 2021	**192,425**	**6,566**	**198,991**
Changes from financing cash flows	**632,722**	**(7,071)**	**625,651**
New leases	**–**	**10,369**	**10,369**
Remeasurement resulting from early termination of a lease	**–**	**(227)**	**(227)**
Foreign exchange movement	**–**	**(58)**	**(58)**
Interest expense	**24,184**	**–**	**24,184**
Finance costs on lease liabilities	**–**	**542**	**542**
Covid-19-related rent concessions from lessors	**–**	**(30)**	**(30)**
At 31 December 2021	**849,331**	**10,091**	**859,422**

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

(b) Changes in liabilities arising from financing activities (Continued)

2020

	Interest-bearing bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Convertible redeemable preferred shares *RMB'000*	Total *RMB'000*
At 1 January 2020	211,360	7,340	1,099,563	1,318,263
Changes from financing cash flows	36,920	(3,391)	–	33,529
Conversion into ordinary shares upon the completion of the IPO	(71,409)	–	(1,524,715)	(1,596,124)
Changes in fair value	–	–	412,421	412,421
New leases	–	2,908	–	2,908
Remeasurement resulting from early termination of a lease	–	(593)	–	(593)
Foreign exchange movement	598	–	12,731	13,329
Interest expense	14,956	–	–	14,956
Finance costs on lease liabilities	–	356	–	356
Covid-19-related rent concessions from lessors	–	(54)	–	(54)
At 31 December 2020	192,425	6,566	–	198,991

(c) Total cash outflow for leases

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

	2021 ***RMB'000***	2020 *RMB'000*
Within operating activities	**1,939**	1,434
Within investing activities	**–**	102,291
Within financing activities	**7,071**	3,391
	9,010	107,116

31 December 2021

29. CONTINGENT ASSETS/LIABILITIES

In February 2019, a subsidiary of the Group brought a breach of contract claim against Sichuan Kelun Drug Research Institute Co., Ltd. ("**Sichuan Kelun**") based on Sichuan Kelun's failure to perform its contractual obligations pursuant to the collaboration agreement entered between the subsidiary and Sichuan Kelun (the "**Kelun Collaboration Agreement**"). In this claim, the subsidiary of the Group sought an aggregate amount of approximately US$1.8 million (equivalent to RMB12.3 million). Taking into account the opinion of the Group's legal counsel that it was premature to speculate the outcome of such claim as at the date of this report, the directors considered that the amount receivable in respect of the claim cannot be reliably measured and therefore no such asset was recognised during the reporting periods.

In July 2019, Sichuan Kelun filed a counterclaim and alleged that the subsidiary did not perform its contractual obligations under the Kelun Collaboration Agreement. In this claim, Sichuan Kelun sought for the return of RMB1 million the subsidiary received and an aggregate amount of approximately RMB20.2 million for compensation. As at the date of this report, the suit had completed the substantive hearing stage. Taking into account the opinion of the Group's legal counsel, the directors believed that the subsidiary has a valid defence against the allegation and, accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs.

30. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings and overdrafts and contract execution are included in notes 13, 14(a), 20 and 23, respectively, to the financial statements.

31. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2021 *RMB'000*	2020 *RMB'000*
Contracted, but not provided for:		
Plant and machinery	**594,063**	478,905

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2021. The future lease payments for these non-cancellable lease contracts are RMB2,690,000 due within one year, and RMB8,651,000 due in the second to fifth years. (2020: RMB970,000 due within one year)

32. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with a non-controlling shareholder and its subsidiaries during the year: (i) sale of products amounted to RMB99,554,000 (2020: Nil); (ii) the distribution costs of RMB87,772,000 and selling and marketing expenses of RMB78,512,000 (2020: Nil); (iii) costs of RMB38,827,000 related to purchase of pharmaceutical and clinical medical materials (2020: Nil); and (iv) the costs of RMB23,600,000 related to third-party contracting services for clinical trials (2020: Nil). The above transactions are determined by reference to the market price and mutually agreed between the parties. For details of the related party transactions in respect of items (i) and (ii), please refer to the paragraph headed "Related Party Transactions and Connected Transaction – The Exclusive Sales Agreement" in this annual report, and the related party transactions in respect of items (iii) and (iv) are fully exempt connected transactions under 14A.76(1) of the Listing Rules.

32. RELATED PARTY TRANSACTIONS (Continued)

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

During the year, the Company did not identify any personnel as key management other than the directors of the Company. Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

33. 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:

2021

Financial assets

	Financial assets at amortised cost *RMB'000*
Trade and bills receivables	**101,849**
Financial assets included in prepayments, other receivables and other assets	**41,062**
Pledged deposits	**92**
Cash and cash equivalents	**2,641,625**
	2,784,628

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	**206,315**
Financial liabilities included in other payables and accruals	**307,338**
Interest-bearing bank and other borrowings	**849,331**
Lease liabilities	**10,091**
	1,373,075

31 December 2021

33. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

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

2020

Financial assets

	Financial assets at amortised cost *RMB'000*	Financial assets at fair value through profit or loss *RMB'000*	Total *RMB'000*
Financial assets included in prepayments, other receivables and other assets	4,980	–	4,980
Financial assets at fair value through profit or loss	–	110,000	110,000
Pledged deposits	1,953	–	1,953
Cash and cash equivalents	2,684,499	–	2,684,499
	2,691,432	110,000	2,801,432

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	112,607
Financial liabilities included in other payables and accruals	4,048
Interest-bearing bank and other borrowings	192,425
Lease liabilities	6,566
	315,646

34. 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 fair values, are as follows:

	Carrying amounts		Fair values	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss	–	110,000	–	110,000

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade payables, financial assets included in prepayments, other receivables and other assets, current interest-bearing bank and other borrowings, current lease liabilities 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 is responsible for determining the policies and procedures for the fair value measurement of financial instruments. 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 directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the non-current portion of interest-bearing bank and other borrowings and the non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2021 and 2020 were assessed to be insignificant.

The fair values of the financial products issued by the banks have been estimated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

31 December 2021

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

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

Assets measured at fair value:

The Group did not have any financial assets measured at fair value as at 31 December 2021.

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	110,000	–	110,000

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2021 and 2020.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, lease liabilities, convertible redeemable preferred shares, financial assets at fair value through profit or loss, cash and cash equivalents and pledged deposits. 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 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 directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ and A$ exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair values of monetary assets and liabilities).

Increase/(decrease) in loss before tax

	2021	2020
	RMB'000	*RMB'000*
Increase in the US$ rate by 5%	**1,250**	3,951
Decrease in the US$ rate by 5%	**(1,250)**	(3,951)
Increase in the A$ rate by 5%	**347**	–
Decrease in the A$ rate by 5%	**(347)**	–

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.

The credit risk of the Group's other financial assets, which primarily comprise cash and cash equivalents, pledged deposits, trade and bills receivables and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

31 December 2021

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade and bills receivables*	–	–	–	**101,879**	**101,879**
Financial assets included in prepayments, other receivables and other assets					
— Normal**	**41,062**	–	–	–	**41,062**
Pledged deposits					
— Not yet past due	**92**	–	–	–	**92**
Cash and cash equivalents					
— Not yet past due	**2,641,625**	–	–	–	**2,641,625**
	2,682,779	–	–	**101,879**	**2,784,658**

As at 31 December 2020

	2020 12-month ECLs Stage 1 *RMB'000*
Financial assets included in prepayments, other receivables and other assets	
— Normal*	4,980
Pledged deposits	
— Not yet past due	1,953
Cash and cash equivalents	
— Not yet past due	2,684,499
	2,691,432

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the consolidated financial statements.

** 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".

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain continuity of funding. The maturity profile of the Group's financial liabilities as at 31 December 2021 and 2020, based on the contractual undiscounted payments, is as follows:

As at 31 December 2021

	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	**–**	**8,142**	**2,260**	**–**	**10,402**
Interest-bearing bank and other borrowings	**–**	**73,655**	**441,892**	**541,681**	**1,057,228**
Trade payables	**83,788**	**122,527**	**–**	**–**	**206,315**
Financial liabilities included in other payables and accruals	**–**	**307,338**	**–**	**–**	**307,338**
	83,788	**511,662**	**444,152**	**541,681**	**1,581,283**

As at 31 December 2020

	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	–	3,146	3,848	–	6,994
Interest-bearing bank and other borrowings	–	23,750	194,717	6,652	225,119
Trade payables	12,893	99,714	–	–	112,607
Financial liabilities included in other payables and accruals	4,048	–	–	–	4,048
	16,941	126,610	198,565	6,652	348,768

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 years ended 31 December 2021 and 2020.

31 December 2021

36. EVENTS AFTER THE REPORTING PERIOD

There is no significant event after the end of the reporting period.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 *RMB'000*	2020 *RMB'000*
NON-CURRENT ASSET		
Investment in a subsidiary	**2,257**	2,257
CURRENT ASSETS		
Due from subsidiaries	**2,857,665**	1,607,713
Prepayments, other receivables and other assets	**30,443**	122
Cash and cash equivalents	**1,560,028**	1,977,852
Total current assets	**4,448,136**	3,585,687
CURRENT LIABILITIES		
Due to subsidiaries	**2,531**	2,531
Other payables and accruals	**1,577**	1,683
Total current liabilities	**4,108**	4,214
NET CURRENT ASSETS	**4,444,028**	3,581,473
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,446,285**	3,583,730
Net assets	**4,446,285**	3,583,730
EQUITY		
Share capital	**57**	55
Shares held for restricted share unit schemes	**(51,718)**	–
Reserves *(note)*	**4,497,946**	3,583,675
Total equity	**4,446,285**	3,583,730

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium *RMB'000*	Capital reserve *RMB'000*	Share award reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2020	–	135,154	–	(8,195)	(101,927)	25,032
Loss for the year	–	–	–	–	(713,673)	(713,673)
Other comprehensive loss for the year:						
Translation from functional currency to presentation currency	–	–	–	(302,550)	–	(302,550)
Total comprehensive loss for the year	–	–	–	(302,550)	(713,673)	(1,016,223)
Issue of shares	2,714,517	–	–	–	–	2,714,517
Share issue expenses	(82,918)	–	–	–	–	(82,918)
Converted from preferred shares	–	1,596,116	–	–	–	1,596,116
Equity-settled share award	–	–	347,151	–	–	347,151
At 31 December 2020 and 1 January 2021	**2,631,599**	**1,731,270**	**347,151**	**(310,745)**	**(815,600)**	**3,583,675**
Loss for the year	**–**	**–**	**–**	**–**	**(147,354)**	**(147,354)**
Other comprehensive loss for the year:						
Translation from functional currency to presentation currency	**–**	**–**	**–**	**(97,226)**	**–**	**(97,226)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(97,226)**	**(147,354)**	**(244,580)**
Issue of shares	**992,026**	**–**	**–**	**–**	**–**	**992,026**
Share issue expenses	**(13,916)**	**–**	**–**	**–**	**–**	**(13,916)**
Exercise of restricted share units	**397,340**	**–**	**(397,340)**	**–**	**–**	**–**
Equity-settled share award	**–**	**–**	**180,741**	**–**	**–**	**180,741**
At 31 December 2021	**4,007,049**	**1,731,270**	**130,552**	**(407,971)**	**(962,954)**	**4,497,946**

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2022.

FOUR-YEAR FINANCIAL SUMMARY

	For the year ended December 31,			
	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Operating results				
Revenue	2,826	70,879	–	**225,626**
Other income and gains, net	27,045	50,186	123,524	**116,273**
Research and development expenses	(161,095)	(308,388)	(768,589)	**(1,122,957)**
Selling and marketing expenses	–	–	–	**(179,149)**
Administrative expenses	(20,157)	(55,421)	(253,029)	**(243,517)**
Loss for the year	(154,354)	(346,454)	(1,320,579)	**(1,258,126)**

	For the year ended December 31,			
	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Financial position				
Non-current assets	194,201	416,975	854,843	**1,653,533**
Current assets	457,517	1,255,964	3,001,326	**3,152,256**
Non-current liabilities	77,387	1,337,473	235,759	**869,828**
Current liabilities	86,236	119,761	169,971	**655,695**
Net assets	488,095	215,705	3,450,439	**3,280,266**

note: Four years' financial summary is presented as the Company was newly listed on 24 April 2020 and it is not practicable for the Company to present the financial summary of the Group prior to 2018.


Akesobio