Clover Biopharmaceuticals, Ltd.
三葉草生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 2197

2022
ANNUAL REPORT

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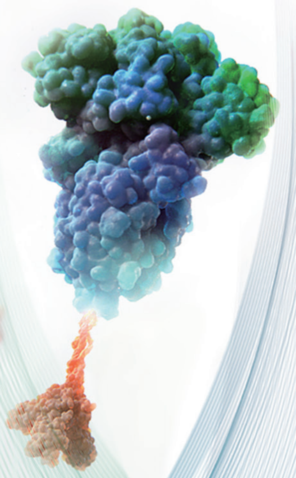

COMPANY PROFILE

We are a global biotechnology company committed to unleashing the power of innovative vaccines to save lives and improve health around the world.

Since our origin in 2007, we have leveraged the Trimer-Tag technology platform to establish in-house R&D capabilities in Chengdu, Sichuan province, China. We also built a commercial manufacturing facility in Changxing, Zhejiang province, China, and assembled a world-class team dedicated to our mission of harnessing transformative science and global partnerships to bring innovative vaccines to populations worldwide.

Today, with integrated R&D, manufacturing, and commercial capabilities as well as strong partnerships with organizations globally, we have two authorized vaccines, a COVID-19 booster vaccine and a quadrivalent seasonal influenza vaccine, while simultaneously advancing a diverse pipeline of candidates that have the potential to meaningfully reduce the burden of vaccine-preventable diseases and to make more diseases preventable. As we focus on delivering vaccines for a healthier world, we remain steadfast in our dedication to both scientific innovation and equitable access.

BOARD OF DIRECTORS

Executive Directors
Dr. LIANG Peng
Mr. LIANG Joshua G

Non-executive Directors
Dr. WANG Xiaodong
Mr. LYU Dong (呂東) *(resigned on October 28, 2022)*
Mr. XIAO Ting (肖汀) *(resigned on April 22, 2022)*
Dr. Donna Marie AMBROSINO *(appointed on June 17, 2022)*
Dr. Ralf Leo CLEMENS *(appointed on June 17, 2022)*

Independent Non-executive Directors
Dr. WU Xiaobin
Mr. LIAO Xiang
Mr. Jeffrey FARROW
Mr. Thomas LEGGETT

AUDIT COMMITTEE

Mr. Thomas LEGGETT *(Chairman)*
Mr. LYU Dong (呂東) *(resigned on October 28, 2022)*
Mr. XIAO Ting (肖汀) *(resigned on April 22, 2022)*
Mr. LIAO Xiang *(appointed on October 28, 2022)*
Mr. Jeffrey FARROW

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

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

JOINT COMPANY SECRETARIES

Mr. Brian KREX (*resigned on March 31, 2023*)
Ms. WANG Xiaoyan (王曉艷) *(appointed on March 31, 2023)*
Ms. CHAU Hing Ling (周慶齡) *(Fellow member of The Hong Kong Chartered Governance Institute)*

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Jing'an District
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

CORPORATE INFORMATION

HONG KONG SHARE REGISTRAR

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

HONG KONG LEGAL ADVISOR

Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

AUDITOR

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

STOCK CODE

2197

COMPANY WEBSITE

www.cloverbiopharma.com

LISTING DATE

November 5, 2021

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders:

Our progress in 2022 brought Clover a major step closer to our vision of unleashing the power of vaccines to save lives and improve health worldwide. We secured regulatory clearance for our COVID-19 vaccine in China in December 2022 and have since commercialized in multiple provinces and municipalities as part of China's second COVID-19 booster campaign. We also entered into an exclusive agreement with Adimmune Corporation to distribute AdimFlu-S (QIS) in mainland China, where it is the only imported quadrivalent seasonal influenza vaccine approved for use in individuals aged three years and older.

These milestones mark the successful transformation of our company into a commercial-stage, vaccines-focused biotechnology company with proven R&D capabilities, validated technology and a record of successful cross-border collaborations. With the unique capability to commercially produce our COVID-19 vaccine at two GMP-certified manufacturing facilities – our in-house facility (China GMP) and CDMO facility (European Union GMP) – we can flexibly meet demand as we continue expanding access in China and other countries. We can also leverage synergies between the ongoing commercialization of our COVID-19 vaccine and the anticipated commercial launch of AdimFlu-S (QIS) in mainland China in the second half of 2023. As the only Chinese company with commercial-stage quadrivalent seasonal influenza and recommended COVID-19 vaccines, we are well-positioned to continue supporting health authorities reach vulnerable populations while creating value for our shareholders.

We are also rapidly progressing to advance and expand our R&D pipeline. Our next-generation COVID-19 vaccine candidates and in-house developed adjuvant have all shown their transformative potential in preclinical and Phase 1 studies. This data builds upon the compelling body of data demonstrating our commercial-stage COVID-19 vaccine's broad and robust cross-neutralization of Omicron subvariants and significant reduction of household transmission of SARS-CoV-2, and thus further validates the potential of the Trimer-Tag technology platform to deliver innovative vaccines. In addition, we are pursuing new partnerships that will expand our mid-to-late stage pipeline with a focus on building a leading respiratory vaccine franchise and establishing a presence in the pediatric vaccine market in China and the Asia Pacific.

CHIEF EXECUTIVE OFFICER'S STATEMENT

The engine of our past and future success is our human resources. We have a world-class team of over 750 individuals with a strong passion to deliver on our mission: harnessing transformative science and global partnerships to bring innovative vaccines to populations worldwide. They are an integral part of the culture we have fostered at Clover – one of continuous learning, openness to change, focus on patients, and entrepreneurial spirit – that will continue to drive our innovation. Our extensive in-house talent is complimented by the ongoing support of our industry-leading Vaccine Scientific Advisory Board as well as our strategic and commercial partnerships with organizations like Adimmune, CEPI, Dynavax and Gavi, the Vaccine Alliance.

On behalf of the dedicated team at Clover, I would like to express my sincere gratitude for your continued support. I strongly believe that by pursuing our 2023 priorities in commercialization and R&D we will continue to take large strides forward and further establish Clover as an innovative vaccines-focused, commercial-stage biotechnology company in China and on the world stage.

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

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Cash and bank balances	1,856,513	2,835,259

	Year Ended December 31,	
	2022	2021
	RMB'000	RMB'000
Other income and gains	23,246	38,262
Administrative expenses	(410,237)	(345,710)
R&D expenses	(1,465,324)	(1,826,301)
Loss for the year	(2,451,903)	(6,016,303)
Adjusted loss for the year*	(2,356,880)	(2,083,451)

* Adjusted loss for the year is not defined under the IFRSs. It represents the loss for the year excluding the effect brought by share-based compensation expenses and fair value changes of convertible redeemable preferred shares.

IFRS Measures:

Cash and bank balances, including time deposits, restricted cash and pledged deposits, decreased by RMB978.8 million from RMB2,835.3 million as of December 31, 2021 to RMB1,856.5 million as of December 31, 2022, primarily due to preparations for the commercialization of SCB-2019 (CpG 1018/Alum) including a strategic procurement and stockpiling campaign for key raw material inventory and continued investment in R&D activities.

Other income and gains decreased by RMB15.1 million from RMB38.3 million for the year ended December 31, 2021 to RMB23.2 million for the year ended December 31, 2022, primarily due to the absence of net foreign exchange gain that was recorded for the year ended December 31, 2021.

Administrative expenses increased by RMB64.5 million from RMB345.7 million for the year ended December 31, 2021 to RMB410.2 million for the year ended December 31, 2022. Notwithstanding the headcount reductions in general and administrative functions in the second half of 2022 to streamline the organization, the annualization of personnel cost in 2022 increased as compared to 2021, primarily attributable to new hires, most of whom onboarded in mid-2021. The increase was partially offset by the decrease in third-party recruitment agency costs and IPO Listing expenses.

R&D expenses decreased by RMB361.0 million from RMB1,826.3 million for the year ended December 31, 2021 to RMB1,465.3 million for the year ended December 31, 2022. This decrease was primarily attributable to a significant decrease in clinical trial expenses as the late-stage clinical development for SCB-2019 (CpG 1018/Alum) was substantially completed in 2021. The decrease was partially offset by the increase in raw materials and consumables usage and CDMO service fees related to technology transfer and process validation which have been substantially completed in 2022.

FINANCIAL HIGHLIGHTS

Loss for the year decreased by RMB3,564.4 million from RMB6,016.3 million for the year ended December 31, 2021 to RMB2,451.9 million for the year ended December 31, 2022. The decrease was primarily attributable to the fair value loss on convertible redeemable preferred shares decreasing from RMB3,807.6 million for the year ended December 31, 2021 to nil for the year ended December 31, 2022, as all of the Company's preferred shares were converted to Shares upon the Listing Date, and there have been no such fair value losses incurred since then.

Non-IFRS Measures:

Adjusted loss for the year represents the loss for the year excluding the effect brought by share-based compensation expenses and certain non-cash items and non-recurring events, namely the fair value changes of convertible redeemable preferred shares.

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

	Year Ended December 31,	
	2022 RMB'000	2021 *RMB'000*
Loss for the year	(2,451,903)	(6,016,303)
Added:		
Fair value changes of convertible redeemable preferred shares	–	3,807,638
Share-based compensation expenses	95,023	125,214
Adjusted loss for the year	(2,356,880)	(2,083,451)

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

Our Products and Candidates

SCB-2019 (CpG 1018/Alum)

- In January 2022, *The Lancet*, a peer-reviewed medical journal, published the final efficacy data from the SPECTRA, a global pivotal Phase 2/3 clinical trial for SCB-2019 (CpG 1018/Alum).
- In September 2022, the Company announced positive data from its Phase 3 study evaluating SCB-2019 (CpG 1018/Alum) as a heterologous COVID-19 booster vaccine. Results demonstrated broad and robust cross-neutralization of all Omicron subvariants tested in participants who received SCB-2019 (CpG 1018/Alum) as a heterologous third dose after two doses of inactivated vaccine compared to a third dose of inactivated vaccine.
- In December 2022, SCB-2019 (CpG 1018/Alum) was included for EUA in China and subsequently recommended as a prioritized vaccine in China's national immunization plan for a second booster dose (fourth vaccination dose) campaign targeting older adults, immunocompromised individuals and individuals with comorbidities.

Post-Reporting Period Milestones and Achievements:

- In February 2023, the Company announced the launch of SCB-2019 (CpG 1018/Alum) in China with the first doses delivered in Zhejiang province as part of China's national second booster dose campaign.
- In March 2023, the Company announced that it had commercially launched SCB-2019 (CpG 1018/Alum) in multiple provinces and successfully listed it in 24 provinces and municipalities (representing >80% population coverage). The Company also announced positive data from its Phase 3 study evaluating SCB-2019 as a fourth dose heterologous COVID-19 booster vaccine.

Other Mid-to-Late-Stage Assets

Post-Reporting Period Milestones and Achievements:

- In February 2023, the Company announced that it entered into an exclusive agreement with Adimmune Corporation ("**Adimmune**") to distribute AdimFlu-S (QIS) in the PRC, where it is the only imported quadrivalent seasonal influenza vaccine approved for use in individuals aged three years and older. With this deal, the Company became the only Chinese company with commercial-stage quadrivalent seasonal influenza and recommended COVID-19 vaccines and established a presence in a rapidly growing market.

BUSINESS HIGHLIGHTS

Manufacturing

During the Reporting Period, the Company established the commercial manufacturing capability to produce and supply SCB-2019 (CpG 1018/Alum) at two commercial manufacturing sites that have both passed inspections and achieved GMP-compliant status: Clover's in-house manufacturing facility in Changxing, Zhejiang province (China GMP) and a CDMO facility (European Union GMP).

Other Key Corporate Developments

In December 2022, the Company announced that it completed the placing of a total of 128,000,000 new Shares. The Company received net proceeds of HK$500.5 million from the Placing, after deducting related fees and expenses. The Company has been using the net proceeds from the Placing for expanding commercialization capabilities and production capacity, as well as extended working capital needs. The Placing will strengthen the Company's financial position and ensure the Company has adequate resources to support its sustainable growth.

OVERVIEW

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

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

The Company realized multiple key achievements in R&D, manufacturing, and regulatory affairs during the Reporting Period. The Company passed GMP inspections at its in-house Changxing facility (China GMP) and at a CDMO facility (European Union GMP), making a major step in its transition to a commercial-stage company. The Company also significantly advanced the development of SCB-2019 (CpG 1018/Alum) as a heterologous booster vaccine candidate, including generating positive data on its robust and broad cross-neutralization of Omicron subvariants as a third and fourth booster dose in participants who previously received two or three doses of inactivated vaccine, respectively. Towards the end of the year of 2022, SCB-2019 (CpG 1018/Alum) received an EUA in China and the Company planned commercial launches in China and globally via bilateral agreements for 2023.

Assets	Product Candidate	Target	Indication	Discovery	Preclinical	IND/CTA	Phase 1	Phase 2	Phase 3	Filing	Approval/ EUA
Vaccines	SCB-2019 (CpG 1018/Alum)[1]	SARS-CoV-2 S-Trimer (Broad Neutralization)	COVID-19 Universal Booster								China
									Global (Ex-China)		
	AdimFlu-S (QIV)[2]	Influenza A and B	Seasonal Influenza								China
	≥1 Mid-to-Late Stage[3] In-Licensed Vaccines	--	Respiratory Virus Vaccines (RSV, Pneumococcal, etc.) Pediatric Vaccines (EV71, DTaP, etc.)					Phase 2 / Phase 3 / Approved Assets			
	SCB-2020S (CAS-1)[4]	SARS-CoV-2 S-Trimer (Beta Variant Chimera)	COVID-19								
	Multivalent SARS-CoV-2 Vaccine[5]	SARS-CoV-2 S-Trimers (Multivalent)	COVID-19								
	SCB-1001[6]	Rabies G-Trimer	Rabies								
Other Assets	SCB-219M[7]	TPO Mimetic Bispecific-Fc	Chemotherapy-Induced Thrombocytopenia (CIT)								
	SCB-313[8]	TRAIL-Trimer	Intracavitary Malignancies (Malignant Ascites, Malignant Pleural Effusions, Peritoneal Carcinomatosis)								

(1) COVID-19 vaccine received EUA in China in December 2022; at-least one global (ex-China) EUA expected in H1 2023. (2) The Company entered into an exclusive agreement with Adimmune to commercialize AdimFlu-S in mainland China in February 2023. (3) Additional mid- to late-stage in-licensing deal is planned in 2023 with focus on respiratory virus vaccines and pediatric vaccines, in China and Asia Pacific region. (4) SCB-2020S antigen is a chimeric SARS-CoV-2 spike protein based on the receptor binding domain of the Beta variant and the N-terminal domain of the original strain. This candidate is being evaluated with CAS-1, an in-house adjuvant system. Phase 1 results demonstrated robust immunogenicity and favorable safety profile. (5) To be based on multivalent S-Trimer vaccine; advancement to clinical development is planned in 2023. (6) Additional preclinical results and update on development plans are expected in 2023. (7) Interim Phase 1 data and recommended Phase 2 dose selection anticipated in 2023. (8) Oncology product candidate for the treatment of malignant ascites (MA), malignant pleural effusions (MPE), and peritoneal carcinomatosis (PC) to address global unmet medical need of intracavitary malignancies. 5 Phase 1 trials completed in China and Australia. Continued internal development of SCB-313 has been paused and pending further assessment of development strategy and resource allocation.

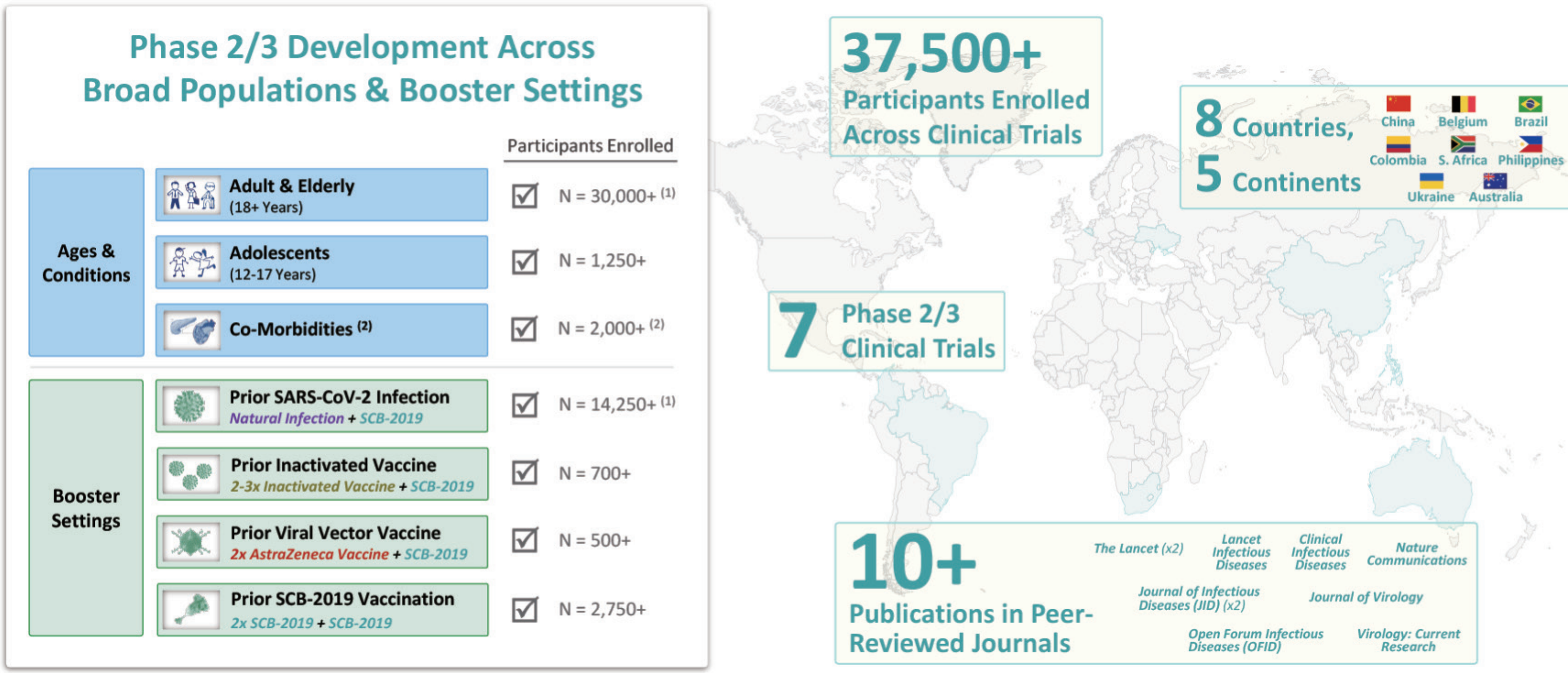
BUSINESS REVIEW

Our Products and Candidates

SCB-2019 (CpG 1018/Alum)

SCB-2019 (CpG 1018/Alum) is an adjuvanted protein-based COVID-19 vaccine candidate. The SCB-2019 antigen was developed with the Trimer-Tag technology platform. It is a S-Trimer based on the prototype SARS-CoV-2 virus.

Prior to its EUA in China, the Company completed comprehensive global clinical development of SCB-2019 (CpG 1018/Alum), including in various booster settings defined by population and prior vaccination and infection history. Clinical trial results consistently demonstrated that SCB-2019 (CpG 1018/Alum) elicited broad cross-neutralization against Omicron.



(1) 30,128 total adult & elderly participants enrolled in phase 2/3 SPECTRA trial, including 14,622 participants with evidence prior of SARS-CoV-2 infection.

(2) Enrolled in Phase 2/3 SPECTRA trial; co-morbidities (associated with high risk of severe COVID-19) include chronic kidney disease, chronic obstructive pulmonary disease, obesity with BMI ≥30 kg/m^2, serious heart conditions such as hypertension, heart failure, coronary artery disease or cardiomyopathies, and Type 2 diabetes mellitus.

Clinical Trials:

1) SPECTRA Follow-up Efficacy Analyses (Elderly Population): In April 2022, the Company announced that in the elderly population (≥60 years of age), SCB-2019 (CpG 1018/Alum) maintained 100% efficacy against any SARS-CoV-2 strain for severe COVID-19 and 100% efficacy against hospitalizations due to COVID-19 at approximately five months after the primary vaccination series.

2) SPECTRA Homologous Booster Analysis: In June 2022, the Company announced positive data that showed a homologous booster dose of SCB-2019 (CpG 1018/Alum) demonstrated a significant, 19-fold increase in neutralizing antibody levels against Omicron compared to pre-booster levels among baseline seronegative participants.

3) SPECTRA Data for Adolescents: In August 2022, the Company announced positive data evaluating SCB-2019 (CpG 1018/Alum) in adolescents (aged 12 to 17 years). The study successfully met the primary endpoint and demonstrated that vaccination with SCB-2019 (CpG 1018/Alum) elicited approximately 2-fold higher neutralizing antibody titers in adolescents compared to young adults (aged 18 to 25 years), a population where SCB-2019 (CpG 1018/Alum) had previously been demonstrated to be highly protective against COVID-19.

4) Phase 3 Heterologous Booster Analysis: The Company also announced positive data from its Phase 3 study evaluating SCB-2019 as a heterologous COVID-19 booster vaccine. Results demonstrated broad and superior cross-neutralization of all Omicron subvariants tested, including recent major subvariants such as BQ.1.1 and XBB.1.5, in participants who received SCB-2019 as a heterologous fourth dose after three doses of inactivated vaccine compared to a fourth dose of inactivated vaccine.

5) Reduction in Household Transmission: In November 2022, the Company published results from a SPECTRA study, conducted by the Company and the International Vaccine Institute, which showed that a household contact was 84% less likely to get a SARS-CoV-2 infection when the infected household member had received SCB-2019 (CpG 1018/Alum) compared to placebo.

Post-Reporting Period Milestones and Achievements:

After it was included for EUA in China and recommended in China's national immunization plan for a second booster dose campaign, SCB-2019 (CpG 1018/Alum) officially launched in Zhejiang province in February 2023. The Company has commercialized its vaccine in multiple provinces and has successfully listed in 24 total provinces and municipalities since the initial launch (representing >80% population coverage). This broad nationwide market access positions the Company to be a major player in upcoming vaccination campaigns in 2023.

The Company is also prioritizing global regulatory submissions directly in selected countries, primarily in Asia Pacific and Latin America, based on the potential to generate significant near-term revenue and impact via bilateral supply agreements. In addition to submitting multiple EUA applications and receiving at least one EUA for SCB-2019 (CpG 1018/Alum), the Company also expects to establish at least one bilateral supply agreement in the first half of 2023, which could begin to drive commercial value in 2023.

Multivalent SARS-CoV-2 Vaccine Candidate

The Company plans to advance a multivalent S-Trimer vaccine candidate that could be broadly protective against all current and potential future strains of SARS-CoV-2, based on bioinformatics analyses and matrix in vivo study results. Clinical development is planned in 2023, with Phase 3 immunological bridging to SCB-2019 (CpG 1018/Alum) planned to support potential regulatory approvals.

Other Products and Candidates

After internal scientific, financial and strategic assessments, the Company will prioritize resources on the development and commercialization of late/commercial stage assets and suspend certain programs including SCB-808. In navigating the current macroeconomic environment, the Company continues to prudently evaluate its pipeline programs and focus on programs that will bring long-term value.

Post-Reporting Period Milestones and Achievements:

- In January 2023, the Company announced the plan to expand the Company's mid- to late-stage pipeline (Phase 2, Phase 3, Commercial) beginning in the first half of 2023, with a focus on (1) building a leading respiratory vaccine franchise and (2) establishing a presence in the pediatric vaccine market in the China and Asia Pacific region. The Company is currently pursuing multiple business development opportunities in these areas.
- In February 2023, the Company announced that it entered into an exclusive agreement with Adimmune to distribute AdimFlu-S (QIS) in mainland China, where it is the only imported seasonal quadrivalent influenza vaccine approved for use in individuals aged three years and older. With this deal, the Company became the only Chinese company with commercial-stage quadrivalent seasonal influenza and recommended COVID-19 vaccines and established a presence in a rapidly growing market.
    - Market Opportunity: According to China CDC data, the market for influenza vaccine in China grew by about 35% annually before the pandemic and is expected to continue growing in the post-pandemic era with increasing vaccine awareness and favorable government policies. Moreover, demand in China continues to shift from trivalent to seasonal quadrivalent influenza vaccines options, which accounted for a majority of doses (70%) in 2022.
    - Commercialization Plans: Adimmune has already started production of the AdimFlu-S (QIS) vaccine and on track to support a commercial launch in mainland China in the second half of 2023. Sales are expected to be accretive to the Company's earnings starting in 2023 and contribute meaningful growth in 2024 and beyond. Further, the deal enables the Company to leverage its existing and growing commercial presence in China to commercialize both COVID-19 and influenza vaccines.
    - Additional Opportunities: The agreement with Adimmune also grants the Company rights to commercialize AdimFlu-S (QIS) in Bangladesh, Brazil and the Philippines, contingent upon regulatory approvals, and to potentially collaborate with Adimmune on the development of additional vaccine candidates including next-generation influenza vaccines.
- In addition to the Adimmune quadrivalent seasonal influenza deal, the Company further anticipates at least one additional in-licensing deal in 2023 to expand its mid- to late-stage pipeline (Phase 2, Phase 3, Commercial).

R&D

By the end of 2022, Clover became a commercial-stage biotechnology company with a robust R&D pipeline of innovative vaccines. The Company plans to expand its product and candidate portfolio to promote long-term and sustainable development.

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

The Company has assembled a comprehensive R&D platform enabling vaccine candidate discovery, proof-of-concept, preclinical and clinical development. As of December 31, 2022, the Company's in-house R&D activities were supported by 254 employees across China, the United States and Europe.

Manufacturing

During the Reporting Period, the Company established commercial manufacturing capability to produce and supply SCB-2019 (CpG 1018/Alum) at two commercial manufacturing sites that have both passed inspections and achieved GMP-compliant status.

In September 2022, the Company announced that the Company's CDMO received a European Union GMP certificate for the production of SCB-2019 (CpG 1018/Alum) following a successful inspection of the CDMO site by the Ireland Health Products Regulatory Authority. The Company's in-house manufacturing facility in Changxing, Zhejiang province was inspected and achieved commercial GMP status in China.

In 2022, the Company successfully completed a strategic procurement and stockpiling campaign for key raw material inventory to support the potential production and release of over 100 million doses of SCB-2019 (CpG 1018/Alum) in 2023.

Other Key Corporate Developments

In December 2022, the Company announced that it completed the placing of a total of 128,000,000 new Shares. The Company received the net proceeds of HK$500.5 million from the Placing, after deducting related fees and expenses. The Company has been using the net proceeds from the Placing to expand commercialization capabilities and production capacity and extend working capital needs to strengthen Clover's financial position and ensure Clover has adequate resources to support commercialization and sustained growth.

To navigate the challenges of the macroeconomic environment in 2022, the Company took significant additional steps to (1) heighten focus on its core strengths and capabilities in vaccine development and (2) prudently evaluate its expenses and streamline the organization to increase efficiency and improve effectiveness. Non-core activities (including monoclonal antibody platform development) were suspended, and headcount reductions in non-critical positions, primarily in general and administrative functions and non-core R&D roles, were made. The Company will continue to focus resources on achieving its top priorities while continuing to build an innovative vaccine-focused portfolio that can potentially generate significant near-term value-creation opportunities.

Future Outlook

In 2022, a year of growth and demonstrated potential, the Company transformed into a commercial-stage, vaccines-focused biotechnology company with proven R&D capabilities.

In 2023, the Company remains focused on helping health authorities increase COVID-19 booster coverage for vulnerable populations by expanding the commercialization of SCB-2019 (CpG 1018/Alum) in China and launching in other countries. The Company is also planning to commercialize AdimFlu-S (QIS) in the second half of 2023 with its existing commercial infrastructure and growing respiratory vaccines sales organization. In terms of R&D, the Company plans to further expand its mid- to late-stage vaccine pipeline for near-term value creation by leveraging its established vaccine development and proven cross-border collaboration capabilities. The progress of the Company is on track for continued expansion in 2023 and sustainable long-term growth.

FINANCIAL REVIEW

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Other income and gains	23,246	38,262
Administrative expenses	(410,237)	(345,710)
R&D expenses	(1,465,324)	(1,826,301)
Fair value changes of convertible redeemable preferred shares	–	(3,807,638)
Other expenses	(593,658)	(66,700)
Finance costs	(5,930)	(8,216)
LOSS BEFORE TAX	(2,451,903)	(6,016,303)
Income tax expense	–	–
LOSS FOR THE YEAR	(2,451,903)	(6,016,303)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	399,857	(15,064)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	399,857	(15,064)
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(379,402)	124,555
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(379,402)	124,555
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	20,455	109,491
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(2,431,448)	(5,906,812)
Non-IFRS Measures		
Adjusted loss for the year	(2,356,880)	(2,083,451)

Other Income and Gains

The Group's other income and gains primarily consist of government grants, bank interest income, net foreign exchange gain and net fair value gain on financial assets.

For the year ended December 31, 2022, other income and gains of the Group decreased by RMB15.1 million from RMB38.3 million for the year ended December 31, 2021 to RMB23.2 million, primarily due to the net foreign exchange loss for the year ended December 31, 2022 as compared to the net foreign exchange gain for the year ended December 31, 2021.

Administrative Expenses

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

For the year ended December 31, 2022, the administrative expenses of the Group increased by RMB64.5 million from RMB345.7 million for the year ended December 31, 2021 to RMB410.2 million, primarily attributable to the combined impact of (i) the increase in the annualization of personnel cost mainly from new hires, most of whom onboarded in mid-2021, notwithstanding the headcount reductions in general and administrative functions in the second half of 2022 to streamline the organization; (ii) the increase in consulting expenses mainly for services required as a listed company following the Global Offering; (iii) the increase in depreciation and amortization expenses; (iv) the decrease in third-party recruitment agency costs; and (v) the decrease in listing expenses in connection with the Listing from RMB33.6 million to nil.

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Employee salaries and benefits	268,350	173,722
Consulting fees	54,973	38,380
Depreciation and amortization	28,817	11,406
Professional service fees	18,815	50,135
Listing expenses	–	33,619
Office expenses	17,726	10,537
Others	21,556	27,911
Total	410,237	345,710

R&D Expenses

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

For the year ended December 31, 2022, R&D expenses decreased by RMB361.0 million from RMB1,826.3 million for the year ended December 31, 2021 to RMB1,465.3 million. This decrease was primarily attributable to a significant decrease in clinical trial expenses as the late-stage clinical development for SCB-2019 (CpG 1018/Alum) (including multiple global Phase 2/3 clinical trials) were substantially completed in 2021. The decrease was partially offset by the increase in raw materials and consumables used and CDMO service fees related to technology transfer and process validation which have been substantially completed in 2022. In addition, employee salaries and benefits increased mainly due to a higher average headcount, while the Group continues to reduce headcount in non-core R&D roles to heighten focus on its core strengths and capabilities in vaccine development.

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Clinical trial expenses	413,021	1,225,586
R&D consultation and service fees	322,864	144,582
Costs of raw materials and consumables	245,258	133,704
Employee salaries and benefits	386,584	286,584
Depreciation and amortization	29,263	9,305
Others	68,334	26,540
Total	1,465,324	1,826,301

Fair Value Changes of Convertible Redeemable Preferred Shares

The Group's fair value change of convertible redeemable preferred shares refers to the fair value losses of the series A, series B, series B-2 and series C preferred shares, which takes into account exchange rate changes.

Fair value loss on convertible redeemable preferred shares decreased from RMB3,807.6 million for the year ended December 31, 2021 to nil for the year ended December 31, 2022, as all of the Company's preferred shares were converted to Shares upon the Listing Date, and there have been no such fair value losses incurred since then.

Other Expenses

The Group's other expenses primarily consist of net foreign exchange loss, write-down of inventories to net realizable value, impairment of prepayments, other receivables and other assets and loss on disposal of property, plant and equipment.

For the year ended December 31, 2022, other expenses of the Group increased by RMB527.0 million from RMB66.7 million for the year ended December 31, 2021 to RMB593.7 million, primarily attributable to the increase in the write-down of inventories to net realizable value. In the late 4th quarter of 2022, the market environment of COVID-19 vaccines has changed greatly. The demand for COVID-19 vaccines has declined compared with that of 2021. Therefore, the Company updated the forecasted future sales of its COVID-19 vaccine product based on the market environment for COVID-19 vaccine, so as to estimate the future usage of COVID-19 vaccine related inventories and made provision accordingly. The determination of the provision of inventories involves critical management estimates and is subject to market changes.

To navigate the challenges of the current macroeconomic environment, the Company has focused resources on achieving the Company's top priorities and prudently evaluated its expenses and streamlined corporate operations. Therefore, the increase was also attributable to (i) expenses arising from the exit of the Shanghai R&D center project including termination fee as compensation for the early termination of related agreements, loss on the disposal of ongoing construction and impairment of prepayments, other receivables and other assets; and (ii) severance for corporate reorganization. In addition, net foreign exchange losses were recorded for the year ended December 31, 2022 due to fluctuations in exchange rates.

Finance Costs

The Group's finance costs primarily consist of (i) interest on lease liabilities, mainly in relation to its offices in Shanghai, Chengdu and Beijing; (ii) interest on bank loans; and (iii) expenses associated with the issuance of its preferred shares, mainly comprising of consulting fees.

Finance costs decreased by RMB2.3 million from RMB8.2 million for the year ended December 31, 2021 to RMB5.9 million for the year ended December 31, 2022. This decrease was primarily due to the costs associated with the issuance of series C preferred shares in 2021 and was partially offset by the increase in interest expenses on lease liabilities and bank loans.

Loss for the Year

As a result of the above, the loss of the Group decreased by RMB3,564.4 million from RMB6,016.3 million for the year ended December 31, 2021 to RMB2,451.9 million for the year ended December 31, 2022.

Non-IFRS Measure

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

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

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

	Year Ended December 31,	
	2022	2021
	RMB'000	RMB'000
Loss for the year	(2,451,903)	(6,016,303)
Added:		
Fair value changes of convertible redeemable preferred shares	–	3,807,638
Share-based compensation expenses	95,023	125,214
Adjusted loss for the year	(2,356,880)	(2,083,451)

Selected Data from Consolidated Statement of Financial Position

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Total current assets	4,389,929	5,076,495
Total non-current assets	304,777	269,165
Total Assets	4,694,706	5,345,660
Total current liabilities	2,829,205	2,148,109
Total non-current liabilities	2,533,638	1,978,403
Total liabilities	5,362,843	4,126,512
Net current assets	1,560,724	2,928,386

Liquidity and Source of Funding and Borrowings

As of December 31, 2022, the Group's cash and bank balances, including time deposits, restricted cash and pledged deposits, decreased by RMB978.8 million from RMB2,835.3 million as of December 31, 2021 to RMB1,856.5 million. The decrease primarily resulted from preparations for the commercialization of SCB-2019 (CpG 1018/Alum) including a strategic procurement and stockpiling campaign for key raw material inventory to support over 100 million doses of SCB-2019 (CpG 1018/Alum) production and continued investment in R&D activities. With the commercial launch in February 2023, the Group expects to begin converting inventory into revenue and cash in 2023.

As of December 31, 2022, the current assets of the Group totaled RMB4,389.9 million, including cash and cash equivalents, time deposits, restricted cash and pledged deposits of RMB1,856.5 million, prepayments, other receivables and other assets of RMB135.2 million, inventories of RMB2,384.3 million and financial assets at fair value through profit or loss of RMB13.9 million.

As of December 31, 2022, the current liabilities of the Group were RMB2,829.2 million, including contract liabilities of RMB1,555.2 million, trade payables of RMB857.0 million, other payables and accruals of RMB99.3 million, lease liabilities of RMB23.6 million and interest-bearing bank borrowings of RMB294.1 million.

As of December 31, 2022, the Group had short-term bank loans of RMB294.1 million, bearing fixed interest rates ranging from 4.20% to 6.81983% per annum. In 2022, the Group established an up to USD300 million credit agreement with China Merchants Bank and an up to USD50 million credit agreement with HSBC and could access them to support potential additional working capital needs during commercial launch if needed. The new borrowings were raised in the second half of 2022 to fully enhance the efficiency of capital.

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

Significant Investments, Material Acquisitions and Disposals

As of December 31, 2022, the Group did not hold any significant investments. The Group also did not have material acquisitions or disposals of subsidiaries, associates, and joint ventures for the year ended December 31, 2022.

Future Plans for Material Investments or Capital Assets

The Group had no other material capital expenditure plan as of the Latest Practicable Date.

Contingent Liabilities

In June 2022, the Group proposed to exit Shanghai R&D center project and sent a notification to all relevant vendors who had involved in such project. The Group has been negotiating with the vendors to settle the related agreements. As of the Latest Practicable Date, the negotiation is ongoing. Based on the negotiation with the vendors and taking into account the payment made by the Group to the vendors as of December 31, 2022, the Group cannot currently estimate reliably on any additional payments to settle the agreements with the vendors but believe that such additional payments would not be significant. The Group has not provided for any potential claims from the vendors as of December 31, 2022.

Gearing ratio

The gearing ratio is calculated using interest-bearing bank borrowings less cash and bank balances, divided by total equity and multiplied by 100%. As of 31 December 2022, the Group was in a net cash position and thus, gearing ratio is not applicable (as of December 31, 2021: not applicable, as the Group did not have any interest-bearing bank borrowings).

Capital Commitments

The capital commitments of the Group as of December 31, 2022 were RMB22.1 million, reflecting an decrease of RMB43.4 million from RMB65.5 million as of December 31, 2021, primarily attributable to the decrease in our future payments in relation to intangible assets and the construction of manufacture facilities.

Pledge of Assets

As of December 31, 2022, the Group had a total of RMB229.9 million of time deposits pledged to secure its bank borrowings.

Foreign Exchange Exposure

During the Reporting Period, the Group mainly operated in China and most of its transactions were settled in RMB, the functional currency of the Company's primary operating subsidiaries. The Group currently does not have a foreign currency hedging policy. However, its management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when needed. Except for certain bank balances and cash, other receivables, trade and other payables and interest-bearing bank borrowings denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as of December 31, 2022.

Employees and Remuneration

As of December 31, 2022, the Group had 764 employees. The total remuneration expense incurred by the Group for the year ended December 31, 2022 was RMB654.9 million. The following table sets forth the details of our employees by function as of December 31, 2022.

Function	Number of employee	% of total
R&D	254	33.3%
Manufacturing and CMC	377	49.3%
General and Administrative	133	17.4%
Total	764	100%

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

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

EXECUTIVE DIRECTORS

Dr. LIANG Peng, aged 62, was appointed as an executive Director on October 31, 2018. Dr. Liang is primarily responsible for overall management of the business strategy, corporate development and R&D of the Group. Dr. Liang founded the Group when he established and acted as the chairman of Sichuan Clover in June 2007.

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

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

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

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

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

PROFILES OF DIRECTORS AND MANAGEMENT

Mr. LIANG Joshua G, aged 31, was appointed as an executive Director on December 25, 2020. Mr. Liang is primarily responsible for leading the management and operation of all functional departments and supervising product strategy of the Group. Mr. Liang joined the Group in April 2016 as the chief strategy officer of Sichuan Clover.

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

- a director and the chief executive officer of Sichuan Clover since September 2017 and June 2020, respectively;
- a director and the general manager of Zhejiang Clover since August 2016;
- the executive director and general manager of Beijing Clover since August 2020;
- the executive director and general manager of Shanghai Clover since February 2021;
- the chief executive officer of U.S. Clover since April 2020;
- the executive director and chief executive officer of Australia Clover since December 2020; and
- a director of HK Clover since December 2020.

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

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

NON-EXECUTIVE DIRECTORS

Dr. WANG Xiaodong, aged 60, was appointed as a non-executive Director on March 16, 2021. Dr. Wang is primarily responsible for providing guidance and advice on the corporate and business strategies of the Group. Dr. Wang joined the Group in December 2011 as a director of Sichuan Clover.

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

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

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

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

Dr. Donna Marie AMBROSINO, aged 71, was appointed as a non-executive Director with effect from June 17, 2022. Dr. Ambrosino has been serving as a research advisor and member of the vaccine scientific advisory board of the Company (the "**SAB**") since 2020. Dr. Ambrosino has had a a career as a scientific leader in biologics and vaccine development for over 35 years. Since 2022, Dr. Ambrosino has been on the board of directors of Inventprise, a biotechnology company specializing in vaccine product development. In addition, she has served as (i) a member of the scientific advisory board of Everest Medicines Limited, a company whose shares are listed on The Stock Exchange of Hong Kong Limited (stock code: 1952) since 2021; (ii) a member of the scientific advisory board of Senda, a therapeutics platform company creating novel treatments since 2021; (iii) a member of the scientific advisory board of Vaxxinity, Inc., a company whose shares are listed on the National Association of Securities Dealers Automated Quotations ("NASDAQ") (ticker symbol: VAXX) since 2020; (iv) an advisor to the Bill & Melinda Gates Foundation since 2020; (v) an advisor to CEPI regarding development of COVID-19 vaccines since 2020; and (vi) the managing director of Ambrosino Biotech Consulting, LLC since 2018.

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

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

Dr. Ralf Leo CLEMENS, aged 70, was appointed as a non-executive Director with effect from June 17, 2022. Dr. Clemens has been serving as the chairman of the SAB since its inception in 2020.

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WU Xiaobin, aged 61, was appointed as an independent non-executive Director on April 19, 2021 with effect from September 26, 2021. He is primarily responsible for supervising and providing independent judgement to our Board.

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

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

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

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

Mr. LIAO Xiang, aged 58, was appointed as an independent non-executive Director on April 19, 2021 with effect from September 26, 2021. He is primarily responsible for supervising and providing independent judgement to the Board.

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

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

Mr. Jeffrey FARROW, aged 61, was appointed as an independent non-executive Director on April 19, 2021 with effect from September 26, 2021. He is primarily responsible for supervising and providing independent judgement to the Board.

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

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

Mr. Thomas LEGGETT, aged 46, was appointed as an independent non-executive Director on April 19, 2021 with effect from September 26, 2021. He is primarily responsible for supervising and providing independent judgement to the Board.

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

SENIOR MANAGEMENT

Mr. LIANG Joshua G, aged 31, was appointed as the chief executive officer on December 25, 2020. Please see the section headed "Executive Directors" above for details of his biography.

Dr. LIANG Peng, aged 62, has been the chief scientific officer since the incorporation of the Company on October 31, 2018. Please see the section headed "Executive Directors" above for details of his biography.

OTHER MANAGEMENT

Dr. Nicholas JACKSON, aged 52, was appointed as the president of global R&D in February 2022. He is responsible for leading the R&D organization to further the Company's mission of harnessing transformative science and global partnerships to bring innovative vaccines to populations worldwide.

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

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

Mr. LiongHo CHUA, aged 59, was appointed as the president of Greater China in April 2022. He is responsible for establishing the Company's commercial infrastructure and driving the commercialization of the Company's COVID-19 and seasonal influenza vaccines in China.

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

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

Ms. Htay Htay HAN, aged 55, was appointed as the chief medical officer (vaccine) in February 2021. She is primarily responsible for the clinical development of our vaccine candidates of the Group.

Prior to joining the Group, from December 1992 to June 2016, Ms. Han served at GSK Vaccines as a project level, clinical R&D lead, where she was mainly responsible for global clinical development of vaccine programs. From June 2016 to August 2020, she worked at Takeda Pharmaceuticals Inc. as a senior medical director (early programs).

Ms. Han obtained Bachelor of Medicine and Bachelor of Surgery degrees in March 1987 from the Institute of Medicine, Rangoon University in Myanmar.

PROFILES OF DIRECTORS AND MANAGEMENT

Ms. Aileen WANG, aged 49, was appointed as the chief financial officer in June 2022. She is responsible for overseeing the finance and procurement functions, supporting investor engagement and Board discussions, and actively driving company-wide financial performance.

Ms. Wang is an experienced finance executive with 25 years of experience in the U.S. and Greater China. She has a wealth of experience building business planning and resource allocation processes to accelerate business productivity. Prior to her current role, she had served as Clover's vice president of finance since March 2021. Prior to joining the Group, Ms. Wang worked for Novartis for 10 years and held several senior leadership positions, including head of core business planning and analysis for Novartis Gene Therapies at its U.S. headquarters and chief financial officer for Sandoz China. During her tenure with Novartis, she led and overhauled multiple finance teams including building the finance function for a newly established business unit while successfully transforming its resource planning process to double the productivity and achieve accelerated growth. Earlier in her career, she held managerial roles with Motorola Inc. and Arthur Andersen LLP.

Ms. Wang earned a Master of Business Administration from Pennsylvania State University and a Bachelor's Degree in engineering from Shanghai Jiao Tong University. She was also an Illinois-registered certified public accountant.

JOINT COMPANY SECRETARIES

Ms. WANG Xiaoyan (王曉艷), aged 42, was appointed as one of the Company's joint company secretaries (the "**Joint Company Secretary(ies)**") on March 31, 2023.

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

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

Ms. CHAU Hing Ling (周慶齡), aged 48, was appointed as the Joint Company Secretary of the Company on December 22, 2021. Ms. CHAU is currently an executive director of corporate services of Vistra Corporate Services (HK) Limited. She has over twenty years of experience in the corporate services industry. She is currently the company secretary/joint company secretary of certain listed companies.

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

CHANGES TO DIRECTORS' INFORMATION

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

The Board is pleased to present this report of the Directors together with the consolidated financial statements of the Group for the year ended December 31, 2022.

BOARD OF DIRECTORS

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

During the year ended December 31, 2022 and as of the Latest Practicable Date, the Directors were:

Executive Directors

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

Non-executive Directors

Dr. WANG Xiaodong
Mr. LYU Dong (呂東) (resigned on October 28, 2022)
Mr. XIAO Ting (肖汀) (resigned on April 22, 2022)
Dr. Donna Marie AMBROSINO (appointed on June 17, 2022)
Dr. Ralf Leo CLEMENS (appointed on June 17, 2022)

Independent Non-executive Directors

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

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on October 31, 2018 as an exempted limited liability company under the laws of the Cayman Islands. The Company's Shares were listed on the Main Board of the Stock Exchange on November 5, 2021.

PRINCIPAL ACTIVITIES

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

REPORT OF THE DIRECTORS

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

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

BUSINESS REVIEW AND RESULTS

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

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

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

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

- If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize the Group's product candidates, or experience significant delays in doing so, our business will be significantly harmed;
- If the Group encounters difficulties enrolling patients or participants in our clinical trials, our clinical development activities could be delayed and result in increased costs and longer development periods or otherwise adversely affected;
- If clinical trials of product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates;
- Clinical development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results;
- The regulatory approval processes of regulatory authorities of national and multilateral institutions are lengthy, time-consuming and inherently unpredictable. If the Group is ultimately unable to obtain regulatory approval for product candidates, our business will be substantially harmed;
- The Group is at risk of governmental actions that are detrimental to the business, such as product seizure, resumed price controls and additional regulations imposed on our SCB-2019 (CpG 1018/Alum);
- The Group's rights to develop and commercialize our Trimer-Tag pipeline products are subject, in part, to the terms and conditions of licenses granted to us by the Group's licensor GenHunter;
- If the Group is unable to maintain sufficient distribution, marketing, and sales capabilities, the Group may not be able to generate product sales revenues;

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

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

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

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. For the year ended December 31, 2022 and up to the Latest Practicable Date, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

EMPLOYEE AND REMUNERATION POLICIES

As of December 31, 2022, the Group had 764 employees.

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

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

The total remuneration cost incurred by the Group for the year ended December 31, 2022 was RMB654.9 million.

For the year ended December 31, 2022, the Group did not experience any material labor disputes or strikes that may have a material adverse effect on the Group's business, financial condition or results of operations, or any difficulty in recruiting employees.

MAJOR SUPPLIERS

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

For the year ended December 31, 2022, purchases from the Group's five largest suppliers accounted for approximately 68.4% (2021: 62.3%) of the Group's total purchase amount in the same year. Purchases from the Group's largest supplier for the year ended December 31, 2022 accounted for approximately 50.2% (2021: 28.2%) of the Group's total purchase amount for the same year.

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

For the year ended December 31, 2022, the Group did not experience any significant disputes with its suppliers.

MAJOR CUSTOMERS

The Group had no products for commercial sale and did not generate any revenue from product sales for the year ended December 31, 2022.

KEY RELATIONSHIP WITH STAKEHOLDERS

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

Relationship with Employees

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

Relationship with Shareholders

The Group recognizes the importance of protecting the interests of the Shareholders and of having effective communication with them. The Group believes that communication with the Shareholders is a two-way process and strives to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, interim and annual reports and results announcements.

Relationship with Suppliers

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

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

FINANCIAL SUMMARY

A summary of the consolidated operating results and the assets and liabilities of the Group for the last four financial years, as extracted from the published audited consolidated financial statements, is set out in the section headed "Four-Year Financial Summary" of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

TAX RELIEF AND EXEMPTION

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

SUBSIDIARIES

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group for the year ended December 31, 2022 are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2022 and details of the Shares issued for the year ended December 31, 2022 are set out in Note 26 to the consolidated financial statements.

DEBENTURE ISSUED

The Group did not issue any debenture for the year ended December 31, 2022.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, no equity-linked agreements were entered into by the Group for the year ended December 31, 2022.

DIVIDENDS

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2022.

PERMITTED INDEMNITY

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

Such permitted indemnity provision has been in force for the year ended December 31, 2022. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

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

As of December 31, 2022, the Company's reserves available for distribution from share premium less accumulated losses, calculated in accordance with the provisions of the Companies Act, amounted to approximately RMB4,183.4 million (2021: RMB4,094.6 million).

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2022 are set out in the section headed "Consolidated Statement of Changes in Equity" and Note 38 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans of the Group as at December 31, 2022 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 23 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" below, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had any interest in any business which competes with or is likely to compete with the businesses of the Group for the year ended December 31, 2022.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed for the year ended December 31, 2022.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

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

As of December 31, 2022, the interests and short positions of the Directors or chief executives of the Company and their associates in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director or Chief Executive	Nature of Interest	Number of Shares/ Underlying Shares Held (Long position)	Approximate Percentage of Shareholding Interest(6)
Dr. LIANG Peng	Beneficial owner	209,276,705	16.19%
	Beneficial owner(1)	2,343,719	0.18%
	Interest of a party to an agreement(2)	18,317,613	1.42%
	Interest of a party to an agreement(3)	55,700,000	4.31%
Mr. LIANG Joshua G	Beneficial owner	18,317,613	1.42%
	Beneficial owner(4)	11,154,254	0.86%
	Interest of a party to an agreement(2)	209,276,705	16.19%
Dr. WANG Xiaodong	Beneficial owner(5)	616,375	0.05%
	Beneficial owner	28,104,125	2.17%
Dr. WU Xiaobin	Beneficial owner(5)	616,375	0.05%
	Beneficial owner	104,125	0.01%
Mr. LIAO Xiang	Beneficial owner(5)	616,375	0.05%
	Beneficial owner	104,125	0.01%
Mr. Jeffrey FARROW	Beneficial owner(5)	616,375	0.05%
	Beneficial owner	104,125	0.01%
Mr. Thomas LEGGETT	Beneficial owner(5)	616,375	0.05%
	Beneficial owner	104,125	0.01%
Dr. Ralf Leo CLEMENS	Beneficial owner(5)	890,831	0.07%
	Beneficial owner	346,640	0.03%
Dr. Donna Marrie AMBROSINO	Beneficial owner(5)	478,356	0.04%
	Beneficial owner	51,940	0.004%

Notes:

(1) Referring to the Shares underlying the RSUs and options granted to Dr. Liang under the RSU Scheme and the Post-IPO Share Option Plan as of December 31, 2022.

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

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

(4) Referring to the Shares underlying the RSUs and options granted to Mr. Joshua Liang under the RSU Scheme and the Post-IPO Share Option Plan as of December 31, 2022.

(5) Referring to the Shares underlying the RSUs and options granted to each of these Directors under the RSU Scheme and the Post-IPO Share Option Plan as of December 31, 2022.

(6) Calculated based on 1,292,635,233 total issued Shares of the Company as of December 31, 2022.

Save as disclosed above, as of December 31, 2022, none of the Directors or chief executives of the Company or their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

On April 11, 2023, the Company granted an aggregate of 7,026,500 RSUs to 107 RSU grantees pursuant to the RSU Scheme, among which a total of 2,381,500 RSUs were granted to nine Directors and on the same date, the Company also granted an aggregate of 30,647,500 options to 166 option grantees pursuant to the Post-IPO Share Option Plan, among which a total of 13,834,000 options were granted to nine Directors. For further details, please refer to the announcement of the Company dated April 11, 2023.

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

As of December 31, 2022, the following persons (other than the Directors or chief executives of the Company or their associates) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group:

Long Positions in the Shares of the Company

Name of the substantial Shareholder	Nature of Interest	Shares/Underlying Shares Held as of December 31, 2022	
		Number of Shares	Approximate Percentage[4]
JNRY[1]	Beneficial owner	93,796,257	7.26%
AUT-XXI[1]	Beneficial owner	70,797,172	5.48%
Shanghai Tianhe[2]	Beneficial owner	70,000,000	5.42%
Ms. Wang Shibi[2]	Interest in controlled corporation	90,589,500	7.01%
Lapam Fund IV[3]	Beneficial owner	49,213,878	3.81%
Lapam Fund III[3]	Beneficial owner	35,152,768	2.72%

Notes:

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

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

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

Sichuan Tianhe Biomedicine Venture Capital Fund Partnership Enterprise (Limited Partnership) (四川天河生物醫藥產業創業投資基金合夥企業(有限合夥)) ("**Sichuan Tianhe**"), which was beneficially interested in 30,660,000 Shares as of June 30, 2022, is managed by its general partner, Chengdu Ronghui Datong Equity Investment Fund Management Co., Limited (成都融匯大通股權投資基金管理有限公司) ("**Ronghui Datong**"). Ronghui Datong was controlled by Chengdu Tianhe which held 70% equity interests in Ronghui Datong. Therefore, each of Ronghui Datong, Chengdu Tianhe, Ms. WANG Shibi and Ms. CHENG Xinxin was deemed to be interested in the Shares in which Sichuan Tianhe was interested under the SFO.

(3) Beijing Lapam Healthcare Investment Center (Limited Partnership) (北京龍磐健康醫療投資中心(有限合夥)) ("**Lapam Fund III**") is a limited partnership established under the laws of the PRC. The general partner of Lapam Fund III is Tibet Lapam Yijing Chuangye Investment Center (Limited Partnership) (西藏龍磐怡景創業投資中心(有限合夥)) ("**Tibet Yijing**"), which is in turn managed by its general partner, Beijing Lapam Investment Management Consulting Center (General Partnership) (北京龍磐投資管理諮詢中心(普通合夥)) ("**Lapam Investment**"). The general partner of Lapam Investment is Mr. YU Zhihua (余治華). The single largest limited partner of Lapam Investment is Tibet Lapam Management Consulting Center (Limited Partnership) (西藏龍磐管理諮詢中心(有限合夥)) ("**Tibet Lapam Consulting**") which is controlled by Mr. YU Zhihua.

Hangzhou Yuhang Lapam Healthcare Equity Investment Fund Partnership Enterprise (Limited Partnership) (杭州余杭龍磐健康醫療股權投資基金合夥企業(有限合夥)) ("**Lapam Fund IV**"), is a limited partnership established under the laws of the PRC. The general partner of Lapam Fund IV is Tibet Lapam Consulting that is controlled by Mr. YU Zhihua. The single largest limited partner of Lapam Fund IV is National Council for Social Security Fund (全國社會保障基金理事會), which is controlled by the State Council of China.

(4) Calculated based on 1,292,635,233 total issued Shares of the Company as of December 31, 2022.

Save as disclosed above, as of December 31, 2022, so far as the Directors are aware, no person, other than the Directors or chief executives of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of its Associated Corporations" above, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

PRE-IPO SHARE OPTION PLAN

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

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

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

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

(b) **Who May Join**

Eligible participants include:

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

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

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

(iv) general partners.

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

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

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Plan is 25,947,096 Shares (the "**Plan Limit**"), representing approximately 2.01% of the total Shares in issue as of the Latest Practicable Date. Option lapsed and/or canceled in accordance with the terms of this plan shall not be counted for the purpose of calculating the Plan Limit, and the number of Shares in respect of which options may be granted under this plan shall be increased by the same number of options lapsed and/or canceled.

(d) **Exercise Price**

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

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

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

(f) Outstanding Options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Plan as of December 31, 2022.

Name	Date of Grant	Exercise Price	Number of Shares underlying the outstanding options as of January 1, 2022	Number of options exercised during the Reporting Period	Number of options lapsed during the Reporting Period	Number of Shares underlying the outstanding options as of December 31, 2022	Approximate percentage of the Shares underlying the outstanding options[2]
Connected Person							
Mr. JIANG Yuting (江宇霆)[1]	August 6, 2021	USD0.001	7,000	1,500	0	5,500	0.0004%
Other Grantees in aggregate	Between April 18, 2021 to October 11, 2021	USD0.001	19,604,886	6,458,674	5,511,840	7,634,372	0.59%
Total			19,611,886	6,460,174	5,511,840	7,639,872	0.59%

Notes:

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

(2) Calculated based on 1,292,635,233 total issued Shares of the Company as of December 31, 2022.

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

RSU SCHEME

The RSU Scheme was approved and adopted by the resolutions of the Board and the Shareholders dated April 15, 2021 and amended on September 26, 2021, and is subject to certain applicable requirements under Chapter 17 of the Listing Rules.

(a) Purpose of the RSU Scheme

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

(b) Who May Join

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

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

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

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

(iv) general partners.

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

(c) Maximum Number of Underlying Shares

Pursuant to the RSU Scheme, the overall limit on the number of underlying Shares to be granted under the RSU Scheme is 77,350,000 Shares, which represents approximately 5.98% of the total issued share capital of the Company as of the Latest Practicable Date.

(d) Awards

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

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

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

(e) **Vesting Period**

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

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

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

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

(f) **Duration of the RSU Scheme**

The RSU Scheme shall be valid and effective commencing on the date of passing the resolutions of the Board and the Shareholders and shall remain in effect for a period of 10 years from such date which may be refreshed from time to time in the sole discretion of the Board (the "**Term**"), after which period no further awards will be granted, but the provisions of this Scheme shall in all other respects remain in full force and effect and awards that are granted during the Term may continue to be exercisable in accordance with their terms of issue. The RSU Scheme was approved and adopted by the resolutions of the Board and the Shareholders dated April 15, 2021 and amended on September 26, 2021. Accordingly, the remaining life of the RSU Scheme is approximately 8.4 years as of the Latest Practicable Date.

(g) Outstanding RSUs

As of December 31, 2022, 102 grantees were granted with RSUs with a total of 23,711,497 underlying Shares under the RSU Scheme. The table below shows the details of the outstanding RSUs granted to all grantees under the RSU Scheme as of December 31, 2022.

Name	Position	Number of Shares underlying the outstanding RSUs as of January 1, 2022	Number of RSUs granted during the Reporting Period	Date of Grant	Vesting Period	Number of RSUs vested during the Reporting Period	Number of RSUs cancelled/ lapsed during the Reporting Period	Number of Shares underlying the outstanding RSUs as of December 31, 2022	Approximate percentage of the Shares underlying the outstanding RSUs[1]
Directors									
Mr. LIANG Joshua G	Executive Director and chief executive officer	3,639,867	–	April 18, 2021	Note (2) and Note (10)	1,516,613	–	2,123,254	0.16%
Dr. LIANG Peng	Executive Director and chief scientific officer	2,079,924	–	April 18, 2021	Note (2) and Note (10)	866,621	–	1,213,303	0.09%
		–	165,500	March 31, 2022	Note (3) and Note (10)	27,584	–	137,916	0.01%
Dr. WANG Xiaodong	Non-executive Director	416,500	–	October 11, 2021	Note (4)	104,125	–	312,375	0.02%
		–	43,500	March 31, 2022	Note (5)	–	–	43,500	0.003%
Dr. WU Xiaobin	Independent non-executive Director	416,500	–	October 11, 2021	Note (4)	104,125	–	312,375	0.02%
		–	43,500	March 31, 2022	Note (5)	–	–	43,500	0.003%
Mr. LIAO Xiang	Independent non-executive Director	416,500	–	October 11, 2021	Note (4)	104,125	–	312,375	0.02%
		–	43,500	March 31, 2022	Note (5)	–	–	43,500	0.003%
Mr. Jeffrey FARROW	Independent non-executive Director	416,500	–	October 11, 2021	Note (4)	104,125	–	312,375	0.02%
		–	43,500	March 31, 2022	Note (5)	–	–	43,500	0.003%
Mr.Thomas LEGGETT	Independent non-executive Director	416,500	–	October 11, 2021	Note (4)	104,125	–	312,375	0.02%
		–	43,500	March 31, 2022	Note (5)	–	–	43,500	0.003%
Dr. Ralf Leo CLEMENS	Non-executive Director	831,971	–	April 18, 2021	Note (3)	346,640	–	485,331	0.04%
		–	58,000	July 19, 2022	Note (6)	–	–	58,000	0.004%
Dr. Donna Marie AMBROSINO	Non-executive Director	124,796	–	April 18, 2021	Note (3)	51,940	–	72,856	0.01%
		–	58,000	July 19, 2022	Note (6)	–	–	58,000	0.004%
5 highest paid individuals during the Reporting Period (excluding Directors)		3,048,136	4,163,000	April 18, 2021 to December 15, 2022	Note (3), Note (7) or Note (8)	1,802,164	–	5,408,972	0.42%
Other Grantees		34,264,202	–	April 18, 2021 to Oct 11, 2021	Note (2) or Note (3)	16,064,223	9,903,348	8,296,631	0.64%
		–	5,989,000	May 12, 2022 to December 15, 2022	Note (7) or Note (8)	426,708	1,484,433	4,077,859	0.32%
Total		46,071,396	10,651,000			21,623,118	11,387,781	23,711,497	1.83%

Notes:

(1) Calculated based on 1,292,635,233 total issued Shares of the Company as of December 31, 2022.

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

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

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

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

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

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

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

(9) The closing price of the Shares immediately before the date of grant on March 31, 2022, May 12, 2022, July 19, 2022 and December 15, 2022 was HK$6.99, HK$3.11, HK$3.62 and HK$3.5 respectively. The fair values per RSU granted under the RSU Scheme on March 31, 2022, May 12, 2022, July 19, 2022 and December 15, 2022 were HK$6.9, HK$2.82, HK$3.64 and HK$3.24, respectively, which were measured based on the closing price of the Shares at the respective date of grant. The weighted average closing price of the Shares immediately before the dates on which the RSUs were vested during the Reporting Period was HK$4.55.

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

On April 11, 2023, the Company granted an aggregate of 7,026,500 RSUs to 107 RSU grantees pursuant to the RSU Scheme, among which a total of 2,381,500 RSUs were granted to nine Directors. For further details, please refer to the announcement of the Company dated April 11, 2023.

POST-IPO SHARE OPTION PLAN

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

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

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

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

(b) Who May Join

Eligible participants include:

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

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

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

(iv) general partners.

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

(c) Maximum Number of Shares Available for Subscription

At the time of adoption by the Company of the Post-IPO Share Option Plan or any new share option scheme (the "**New Scheme**"), the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Plan, the New Scheme and all schemes, which became effective after the Shares were listed on the Stock Exchange, existing at such time (the "**Existing Scheme(s)**") of the Company must not in aggregate exceed 10% of the total number (i.e., 115,811,472) of Shares in issue as of the date the Shares commence trading on the Stock Exchange (i.e., 1,158,114,723) or the date of adoption of the New Scheme (as the case may be) (the "**Scheme Mandate Limit**"). 115,811,472 Shares represents approximately 8.95% of the total Shares in issue as of the Latest Practicable Date. For the purposes of calculating the Scheme Mandate Limit, Shares which are the subject matter of any options that have already lapsed in accordance with the terms of the relevant Existing Scheme(s) shall not be counted.

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

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

(e) **Option Period**

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

(f) **Subscription Price**

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

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a Business Day;

(ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the offer date; and

(iii) the nominal value of the Shares.

(g) **Duration of the Post-IPO Share Option Plan**

The Post-IPO Share Option Plan shall be valid and effective for a period of 10 years commencing on the date on which it is adopted by ordinary resolution of the Shareholders in general meeting which is September 26, 2021, after which period, no further options shall be granted. Accordingly, the remaining life of the Post-IPO Share Option Plan is approximately 8.4 years as of the Latest Practicable Date. Subject to the above, in all other respects, in particular, in respect of options remaining outstanding on the expiry of the 10-year period referred to in this paragraph, the provisions of the Post-IPO Share Option Plan shall remain in full force and effect.

(h) Outstanding Options

As of December 31, 2022, 164 grantees were granted with outstanding options with a total of 34,684,309 underlying Shares under the Post-IPO Share Option Plan. The table below shows details of the outstanding share options granted to all grantees under the Post-IPO Share Option Plan as of December 31, 2022.

Name	Date of Grant	Exercise Price[1]	Vesting Period[2]	Number of Shares underlying outstanding options as of January 1, 2022	Number of options granted during the Reporting Period	Number of options exercised during the Reporting Period	Number of options cancelled/ lapsed during the Reporting Period	Number of Shares underlying the outstanding options as of December 31, 2022	Approximate percentage of the Shares underlying the outstanding option[3]
Directors									
Mr. LIANG Joshua G	March 31, 2022	HKD7.30	Note (4)	–	9,031,000	–	–	9,031,000	0.70%
Dr. LIANG Peng	March 31, 2022	HKD7.30	Note (4)	–	992,500	–	–	992,500	0.08%
Dr. WANG Xiaodong	March 31, 2022	HKD7.30	Note (5)	–	260,500	–	–	260,500	0.02%
Dr. WU Xiaobin	March 31, 2022	HKD7.30	Note (5)	–	260,500	–	–	260,500	0.02%
Mr. LIAO Xiang	March 31, 2022	HKD7.30	Note (5)	–	260,500	–	–	260,500	0.02%
Mr. Jeffrey FARROW	March 31, 2022	HKD7.30	Note (5)	–	260,500	–	–	260,500	0.02%
Mr. Thomas LEGGETT	March 31, 2022	HKD7.30	Note (5)	–	260,500	–	–	260,500	0.02%
Dr. Ralf Leo CLEMENS	July 19, 2022	HKD 3.894	Note (6)	–	347,500	–	–	347,500	0.03%
Dr. Donna Marie AMBROSINO	July 19, 2022	HKD 3.894	Note (6)	–	347,500	–	–	347,500	0.03%
Other Grantees in aggregate									
Employees	May 12, 2022	HKD 4.116	Note (7)	–	22,673,000	60,336	5,681,855	16,930,809	1.31%
	December 15, 2022	HKD 3.83	Note (8)	–	5,732,500	–	–	5,732,500	0.44%
Total				–	40,426,500	60,336	5,681,855	34,684,309	2.68%

Notes:

(1) The closing price of the Shares immediately before the date of grant on March 31, 2022, May 12, 2022, July 19, 2022 and December 15, 2022 was HK$6.99, HK$3.11, HK$3.62 and HK$3.5 respectively. The fair values per option granted under the Post-IPO Share Option Plan on March 31, 2022, May 12, 2022, July 19, 2022 and December 15, 2022 were HK$4.15, HK$1.24, HK$2.23 and HK$1.60, respectively. The weighted average closing price of the Shares immediately before the dates on which the options granted under the Post-IPO Share Option Plan were exercised during the Reporting Period was HK$3.28.

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

(3) Calculated based on 1,292,635,233 total issued Shares of the Company as of December 31, 2022.

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

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

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

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

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

On April 11, 2023, the Company granted an aggregate of 30,647,500 options to 166 option grantees pursuant to the Post-IPO Share Option Plan, among which a total of 13,834,000 options were granted to nine Directors. For further details, please refer to the announcement of the Company dated April 11, 2023.

The total number of options available for grant under the Post-IPO Share Option Plan at the beginning and the end of the Reporting Period is 115,811,472 and 81,066,827, respectively.

The number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period divided by weighted average number of Shares in issue for the Reporting Period is 3.67%.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time for the year ended December 31, 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

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

Details of the remuneration of the Directors, management and the five highest paid individuals are set out in Note 9 and Note 10, respectively, to the consolidated financial statements.

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

For the year ended December 31, 2022, the Directors were granted discretionary bonuses of a total sum of RMB5.1 million. Save as disclosed above, none of the Directors were paid discretionary bonuses for the year ended December 31, 2022.

CONNECTED TRANSACTIONS

Details on related party transactions for the year ended December 31, 2022 are set out in Note 33 to the consolidated financial statements. The related party transactions disclosed in Note 33 to the consolidated financial statements do not fall under the definition of "connected transaction" or "continuing connected transaction" pursuant to Chapter 14A of the Listing Rules. The Company had complied with the disclosure requirements set out in Chapter 14A of the Listing Rules. The following transaction constitutes the continuing connected transaction for the Company and is required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules.

Non-exempt Continuing Connected Transaction

License Agreement

Principal Terms

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

Reasons for and Benefits of the Transaction

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

Annual Review and Confirmation by the Auditor of the Company

There was no Net Sales Royalty or Sublicense Income Royalty incurred for the year ended December 31, 2022. Therefore, the auditor of the Group has not reported on the above continuing connected transactions pursuant to Rule 14A.56 of the Listing Rules.

Annual Review by the Independent Non-executive Directors

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

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

Save as disclosed above, for the year ended December 31, 2022, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" above, no contract of significance was entered into between the Company, or one of its subsidiary companies, and any of the Single Largest Group of Shareholders or subsidiaries for the year ended December 31, 2022.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company for the year ended December 31, 2022.

PLACING OF NEW SHARES AND USE OF PROCEEDS

On December 6, 2022, the Company entered into a placing agreement to appoint a placing agent to procure subscribers, on a best effort basis, to subscribe for a total of 128,000,000 Placing Shares to be allotted and issued by the Company. Such Placing Shares have an aggregate nominal value of US$12,800 based on the par value of US$0.0001 per Share and a market value of HK$581,120,000 based on the closing price of HK$4.54 per Share as quoted on the Stock Exchange on December 5, 2022, being the last trading day prior to the signing of the placing agreement. The Company intended to use the net proceeds from the Placing for expanding commercialization capabilities and production capacity and extended working capital needs. The Company believes that the Placing will provide a good opportunity to raise additional funds to improve the cash and financial position, enhance the Group's capital structure, strengthen its cash reserve and maintain the Group's financial flexibility and further fund and support the commercialization of the Company's most competitive and promising Core Product, SCB-2019 (CpG 1018/Alum).

The Placing was completed on December 13, 2022 and all Placing Shares were placed to not less than six independent placees, who/which are professional, institutional and/or other investors and who and whose respective ultimate beneficial owners were third parties independent of and not connected with the Company, any Director, chief executive or substantial Shareholder of the Company or any of its subsidiaries, or any of its respective associates. The net placing price was approximately HK$3.95 per share and the aggregate net proceeds from the Placing were approximately HK$500.5 million.

As of December 31, 2022, the net proceeds have been utilised as follows:

Intended use of net proceeds	Approximate percentage	Approximate allocation of net proceeds *HKD million*	Approximate allocation of net proceeds *RMB million*	Actual usage up to December 31, 2022 *RMB million*	Unutilised net proceeds as of December 31, 2022 *RMB million*	Expected timeline for use of proceeds[1]
For expanding commercialization capabilities and production capacity	90%	450.4	404.1	41.5	362.6	By December 2023
For extended working capital needs	10%	50.1	44.9	5.8	39.1	By June 2023
Total	**100%**	**500.5**	**449.0**	**47.3**	**401.7**	

Notes:

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

(2) The net proceeds were received in HKD and translated to RMB for application planning. As of December 31, 2022, the unused net proceeds were deposited with certain licensed banks in Hong Kong.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration for the year ended December 31, 2022. The Directors are also not aware of any material litigations or arbitrations or claims that are pending or threatened against the Group during the year ended December 31, 2022.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Stock Exchange on November 5, 2021. The net proceeds from the Global Offering amounted to approximately HKD1,884.3 million (equivalent to RMB1,549.0 million). As of December 31, 2022, approximately 72.4% of the net proceeds from the Global Offering had been utilized as follows:

Function	% of use of proceeds (Approximately)	Planned application of net proceeds from the Global Offering	Planned application of net proceeds from the Global Offering	Unutilized net proceeds as of December 31, 2021	Actual usage during the year ended December 31, 2022	Unutilized net proceeds as of December 31, 2022
		HKD million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
For regulatory submission, commercial preparation and launch, and post-marketing studies of SCB-2019 (CpG 1018/Alum)	35.0%	659.5	542.2	488.1	488.1	–
For the R&D and regulatory submission for second-generation COVID-19 vaccine candidates	25.0%	471.1	387.3	374.0	128.6	245.4
For the R&D and commercial preparation and launch of SCB-808	5.0%	94.2	77.4	73.6	13.7	59.9
For the R&D of SCB-313	12.5%	235.6	193.6	182.1	59.4	122.7
For the R&D of other product candidates	10.0%	188.4	154.9	132.7	132.7	–
For working capital and other general corporate purposes	12.5%	235.5	193.6	122.8	122.8	–
Total	**100.0%**	**1,884.3**	**1,549.0**	1,373.3	945.3	428.0

Notes:

(1) The net proceeds have been and will be utilized in accordance with the purposes set out in the Prospectus. The unutilized net proceeds are expected to be fully utilized by December 31, 2023. The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future progress of R&D and market conditions made by the Company. It will be subject to changes based on the current and future development of market conditions.

(2) The net proceeds were received in HKD and translated to RMB for application planning. As of December 31, 2022, the unused net proceeds were deposited with certain licensed banks in Hong Kong and the PRC.

PUBLIC FLOAT

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

AUDITOR

The Company's Shares were listed on the Stock Exchange on November 5, 2021, and there has been no change in auditor since the Listing Date. The consolidated financial statements of the Group as of December 31, 2022 have been audited by Ernst & Young, who will retire and being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of Ernst & Young as the auditor of the Company will be proposed at the AGM.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from May 24, 2023 to May 30, 2023, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on May 30, 2023. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on May 23, 2023.

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

Shanghai, PRC, April 20, 2023

CORPORATE GOVERNANCE REPORT

The Board presents this corporate governance report in the Group's annual report for the year ended December 31, 2022.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices. The Company regularly reviews its compliance with the Corporate Governance Code and the Board believes that the Company was in compliance with the applicable code provisions of the Corporate Governance Code for the year ended December 31, 2022.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code for the year ended December 31, 2022.

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

The Company's relevant employees, who are likely to be in possession of Inside Information of the Company, have also been subject to the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company for the year ended December 31, 2022.

CORPORATE CULTURE

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

During 2022, the Company continued to strengthen its cultural framework by focusing on the following:

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

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

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

BOARD OF DIRECTORS

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

The composition of the Board as of December 31, 2022 is as follows:

Executive Directors:

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

Non-Executive Directors:

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

Independent Non-Executive Directors:

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

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

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

Board Meetings and Attendance record of Directors

Code provision C.5.1 of Part 2 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication.

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

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

Name of Directors	Number of attendance/ meetings held during the term of office of the Director
Dr. LIANG Peng	4/4
Mr. LIANG Joshua G	4/4
Dr. WANG Xiaodong	4/4
Mr. XIAO Ting	1/1
Mr. LYU Dong	3/3
Dr. WU Xiaobin	4/4
Mr. LIAO Xiang	4/4
Mr. Jeffrey FARROW	4/4
Mr. Thomas LEGGETT	4/4
Dr. Donna Marie AMBROSINO	3/3
Dr. Ralf Leo CLEMENS	3/3

Independent Non-executive Directors

For the year ended December 31, 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Board Independence

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

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

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

Appointment, Re-election and Removal of Directors

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

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

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

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

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

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

The Nomination Committee is responsible for reviewing the Board composition, identifying and recommending individuals suitably qualified to become Board members, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors. The Nomination Committee considers candidates with individual skills, experience and professional knowledge that can best assist and facilitate the effectiveness of the Board.

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

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

Responsibilities of the Directors

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

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

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

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

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

Board Diversity Policy

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

We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the management levels. In particular, Dr. Donna Marie AMBROSINO, our non-executive director responsible for providing guidance and advice on the corporate and business strategies of our Group, and Ms. Htay Htay HAN, our chief medical officer (vaccine) responsible for the clinical development of vaccine candidates of our Group, and Ms. Aileen WANG, our chief financial officer, are women, and form an important part of our Board and management team. We will continue to ensure there is gender diversity when recruiting staff at mid to senior levels, so our management pipeline includes multiple genders and thus a diverse set of potential successors to our Board in due time. Our Group will continue to emphasize training of talented employees from underrepresented genders and provide them with long-term development opportunities. Among the 764 employees of our Group as of December 31, 2022, 366 are males (47.91%) and 398 are females (52.09%). The Board believes that the Company has achieved gender diversity among its employees and has not adopted any plan or measurable target for gender diversity as of the Latest Practicable Date and is not aware of any factors or circumstances that would make it more challenging or less relevant for the Group to achieve gender diversity among its employees.

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

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

Directors' and Officers' Liabilities Insurance

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

Continuous Professional Development of Directors

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

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

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

The Joint Company Secretaries of the Company may from time to time and, as the circumstances required, provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

BOARD COMMITTEES

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

Audit Committee

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

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Thomas LEGGETT, Mr. Jeffrey FARROW and Mr. LIAO Xiang, Mr. Thomas LEGGETT is the chairman of the Audit Committee. Mr. Jeffrey FARROW is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Group's annual results for the year ended December 31, 2022 have been reviewed by the Audit Committee and the annual results have also been audited by the independent auditor of the Company, Ernst & Young. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company during the Reporting Period.

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

Name of Directors	Number of attendance/ meetings held during the term of office of the Audit Committee member
Mr. Thomas LEGGETT	4/4
Mr. LIAO Xiang	1/1
Mr. Jeffrey FARROW	4/4
Mr. LYU Dong	3/3
Mr. XIAO Ting	1/1

On March 17, 2023, the Audit Committee held another meeting and reviewed (i) the audited consolidated financial statements for the Reporting Period of the Group; (ii) a draft of this annual report; (iii) the accounting principles and policies for the Reporting Period; (iv) the internal control and risk management system of the Group; (v) the effectiveness of the Company's internal audit function; and (vi) the Audit Committee's performance of its other duties under the Corporate Governance Code in the presence of the representatives from Ernst & Young and the Company's management. The Audit Committee concluded that the internal control systems and risk management of the Group are effective and adequate.

Remuneration Committee

We have established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules, review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management, and approve the terms of the service contracts of executive Directors.

The Remuneration Committee comprises two independent non-executive Directors, namely Dr. WU Xiaobin and Mr. LIAO Xiang, and one non-executive Director, namely Dr. WANG Xiaodong. Dr. WU Xiaobin is the chairman of the Remuneration Committee. The Remuneration Committee has (i) reviewed policy and structure for the remuneration of the Directors and senior management of the Company; (ii) reviewed the remuneration proposal of the Directors and senior management of the Company for the year ended December 31, 2022; (iii) assessed performance of executive Directors; (iv) reviewed and/or approved matters relating to share schemes under Chapter 17 of the Listing Rules, including reviewing and approving the grant of options and RSUs on March 31, May 12, July 19 and December 15, 2022, respectively and the amendment to the vesting schedule of the RSUs granted to Dr. Liang on March 31, 2022; and (v) made recommendations to the Board on the remuneration packages of individual Directors and senior management pursuant to code provision E.1.2 (c)(ii) of Part 2 of the Corporate Governance Code during the Reporting Period.

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

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

Nomination Committee

We have established the Nomination Committee in compliance with the Corporate Governance Code. The primary duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee comprises one executive Director, namely Dr. Liang, and two independent non-executive Directors, namely Mr. Thomas LEGGETT and Dr. WU Xiaobin. Dr. Liang is the chairman of the Nomination Committee.

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

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

The Nomination Committee held 1 meeting during the Reporting Period. The attendance of the meeting by the Nomination Committee members is set out in the table below:

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

Policy on Director Nomination

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

Nomination Committee's Role and its Selection Process and Criteria

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

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

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

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

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

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

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

Board's Decision

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

Corporate Governance Function

The Board is responsible for determining the corporate governance policy of the Company performing the functions set out in code provision A.2.1 of Part 2 of the Corporate Governance Code. Such duties have been delegated to the Audit Committee.

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

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

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

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

WHISTLEBLOWING POLICY

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

DIVIDEND POLICY

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

Risk Management

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

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

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

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

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

Internal Control

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

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

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

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

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

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

- The Company has engaged Somerley Capital Limited as its compliance adviser to provide advice to the Directors and management team until the end of the first fiscal year after the Listing Date regarding matters relating to the Listing Rules. The compliance adviser is expected to ensure the Company's use of funding complies with the sections entitled "Future Plans and Use of Proceeds" in the Prospectus, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

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

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

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2022.

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

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed Ernst & Young, Certified Public Accountants and Registered Public Interest Entity Auditor, as the external auditor for the year ended December 31, 2022. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report of this annual report.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Ernst & Young for the year ended December 31, 2022 are set out in the table below:

	RMB'000
Audit services	2,080
Non-audit services*(note)*	638
Total	2,718

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

JOINT COMPANY SECRETARIES

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

For the year ended December 31, 2022, Mr. Brian KREX and Ms. CHAU Hing Ling had undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings by Shareholders

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

Any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Joint Company Secretaries, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

Eligible Shareholder(s) who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong, at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, for the attention of the Joint Company Secretaries. The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the EGM. The Requisition must be signed by the Eligible Shareholder(s) concerned.

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

Putting Forward Proposals at General Meetings

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

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

Putting Forward Enquiries to the Board and Contact Details

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong by post or email to anita.chau@vistra.com and xiaoyan.wang_sh@cloverbiopharma.com, for the attention of the Joint Company Secretaries.

COMMUNICATION WITH SHAREHOLDERS

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

On March 29, 2022, the Board resolved to propose the adoption of the fourth amended and restated memorandum and articles of association of the Company (the "**Amended and Restated M&A**") to conform to the core standards of shareholder protection as provided in the amended Appendix 3 to the Listing Rules under the new listing regime for overseas issuers which took effect on January 1, 2022.

The proposed adoption of the Amended and Restated M&A was approved by the Shareholders by way of a special resolution at the annual general meeting of the Company held on May 27, 2022 and the Amended and Restated M&A took effect on the same day.

Save as disclosed above, there was no significant change to the constitutional documents of the Company for the year ended December 31, 2022.

INVESTOR RELATIONS

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

GOING CONCERN

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

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

1 ABOUT THIS REPORT

1.1 Overview

This Environmental, Social and Governance (ESG) Report (the "**ESG Report**") aims to provide transparent disclosure of the Group's efforts and achievements in ESG during the financial year of 2022.

1.2 Fundamental Principle of Disclosure

The ESG Report has been prepared in accordance with the mandatory disclosure requirements and the "comply or explain" provisions under the ESG Reporting Guide (the "**ESG Guide**") contained in Appendix 27 of The Rules Governing the Listing of Securities on the Main Board on the Stock Exchange of Hong Kong Limited. The application of the reporting principles in the ESG Guide are presented below (Table 1).

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

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

1.3 Reporting Scope

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

Unless otherwise stated, the ESG Report covers the period from January 1, 2022 to December 31, 2022 (the "**Reporting Period**").

1.4 Report Information

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

2 ESG GOVERNANCE

2.1 ESG Philosophy

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

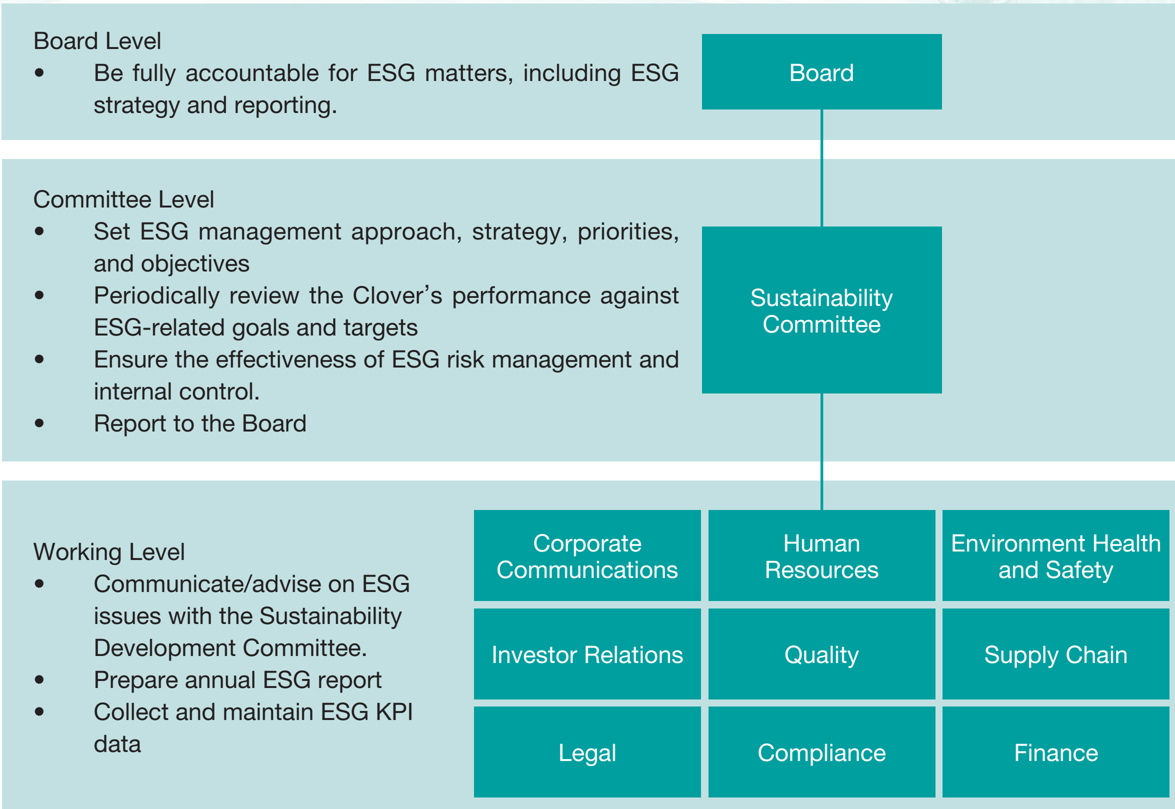
Vision: *to unleash the power of innovative vaccines to save lives and improve health around the world.*

Mission: *to harness transformative science and global partnerships to bring innovative vaccines to populations worldwide.*

2.2 ESG Governance

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

Figure 1. The Group's ESG Governance Structure



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

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

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

Figure 2. Six SDG Priorities

- Goal 3: Good Health and Well-being
- Goal 5: Gender Equality
- Goal 8: Decent Work and Economic Growth
- Goal 9: Industry, Innovation, and Infrastructure
- Goal 12: Responsible Consumption and Production
- Goal 13: Climate Action

2.3 Communication with Stakeholders

2.3.1 Stakeholder Identification and Engagement

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

Table 2. Stakeholder Identification and Engagement Plan

Key Stakeholders	Communication Channels	Issues of Concern	Responses
Investors & Shareholders	• Press release and announcement • Annual general meeting • Shareholder meeting • HKEX filings	• Sustainable investment value • Information disclosure • Corporate transparency	• Enhance operational efficiency and progress towards commercialization • Disclose important corporate information immediately
Employees	• Face-to-face communication • Training • Whistleblowing channel	• Employee training and development • Occupational health and safety • Employees' rights and interests	• Provide employee training • Create a positive, healthy and people-oriented work environment • Promote growth mindset
Consumers/ Patients	• Information disclosure	• Product quality and safety • Customer information and privacy protection	• Ensure product quality and safety through quality assurance departments and standard operating procedures • Safeguard customer/ patient information via stringent information technology security procedures

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

2.3.2 Materiality Assessment

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

Figure 3. Materiality Matrix for ESG Issues

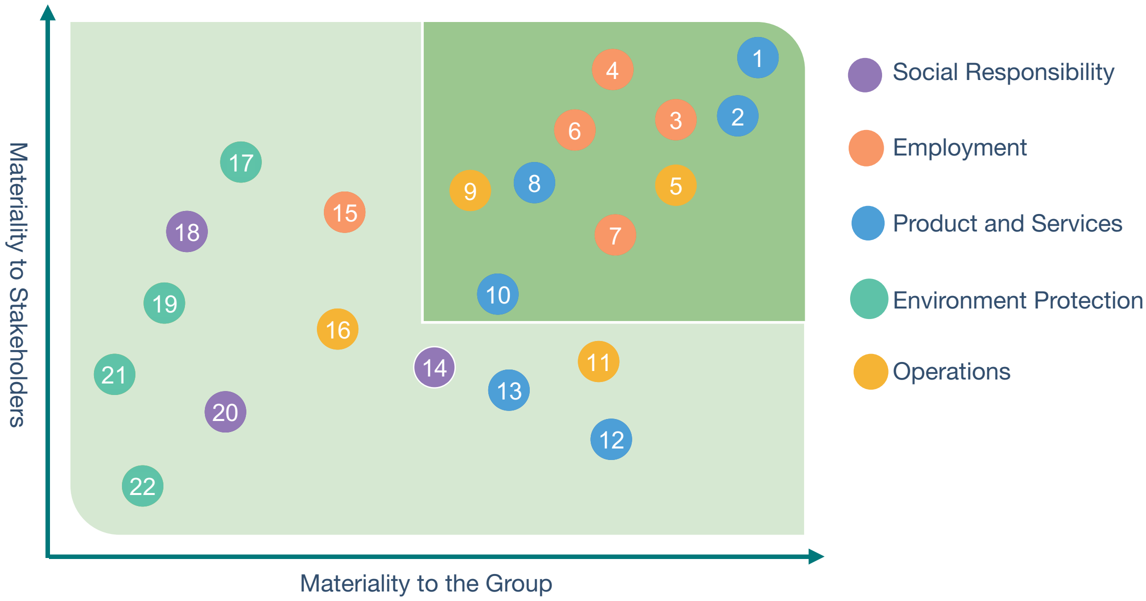


Table 3. Ranking of ESG Material Issues

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

3 PRODUCT LIABILITY

3.1 Comprehensive Quality Management

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

3.1.1 Quality Control and Review

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

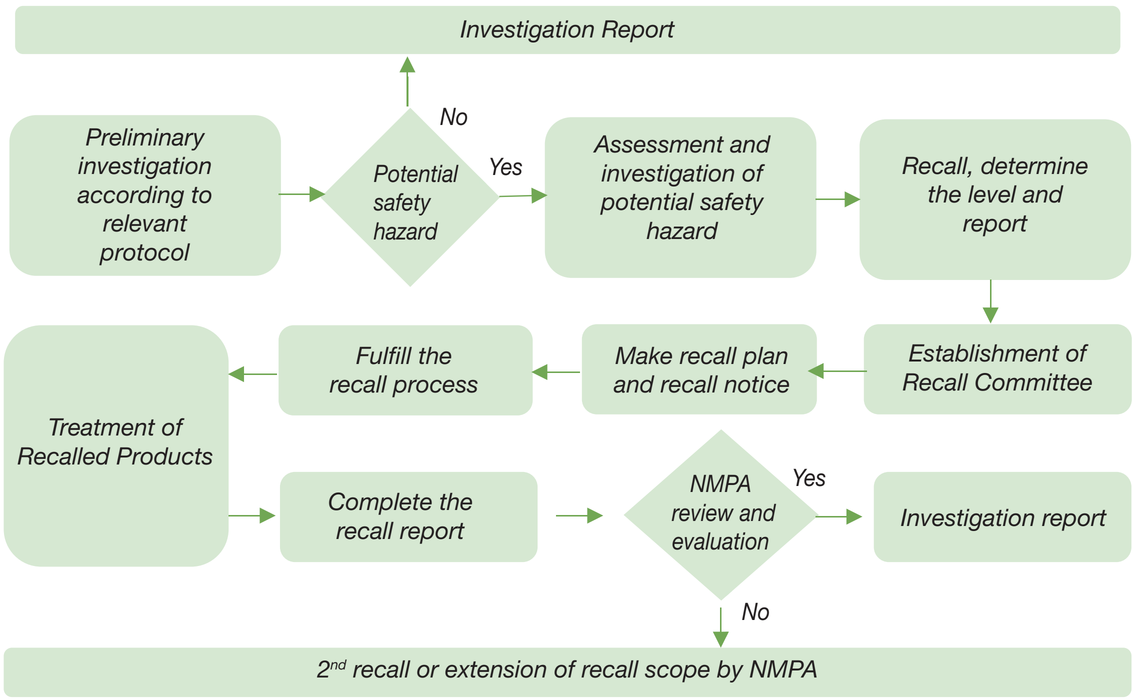
To further enhance product quality control and improve the performance of work, the Group established the Quality Control and Review Process that is aligned with industry standards including the *International Conference on Harmonization Q10 Drug Quality Management System* and the *European Union Good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

During the Reporting Period, the Group's CDMO received an EU GMP certificate, signifying that the production of Clover's lead COVID-19 vaccine candidate, SCB-2019 (CpG 1018/Alum), meets the EU's standards for quality and safety. The Company's in-house manufacturing facility in Changxing, Zhejiang province received China GMP certification.

3.1.2 Complaints and Recall

To further standardize our management process for compliant and recall, the Group continues to refine its established procedures such as the Customer Complaint Handling Procedures, the Product Recall Management Procedures, and the Product Quality Complaint Management Procedures. The Group may review and summarize complaint trends every six months to comprehensively understand the needs and expectations of populations which use its vaccines and continuously improve their experiences. The Group's Product Recall Management Procedure Flowchart is illustrated in Figure 4.

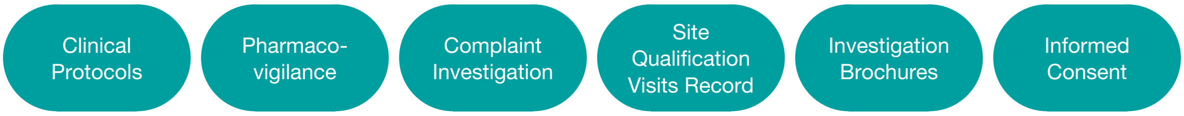
Figure 4: Product Recall Management Flowchart



3.1.3 Clinical Trial Activities

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

Figure 5: Clinical Management Systems



3.2 Legitimate Rights Protection

3.2.1 Intellectual Property Protection

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

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

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

3.2.2 Responsible Marketing

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

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

3.2.3 Privacy and Data Protection

The Group advocates for information safety and data protection through continuous improvement in its Data Protection Management System to enhance the data protection and management. The Group strictly conforms to the *Personal Information Protection Law of the PRC* and the *General Data Protection Regulation of the EU* and protects the privacy of personal information entrusted to it by its customers, employees, patients, business partners and other stakeholders. During the Reporting Period, the Group did not receive any incidents of non-compliance with relevant laws and regulations relating to the Privacy and Data Protection.

The Group instituted the Policy on Information Confidentiality Management to specify the responsibilities and duties for confidentiality management, and constantly enhanced data protection through measures including security training and promotion activities. The Legal Department is the centralized management department for data protection, establishes implementation rules for data protection and supervises data protection on timely manner to ensure the effective confidentiality management and data protection in the Group. The IT department also has dedicated data security personnel who oversee the safe storage and transfer of information.

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

4 RESPONSIBLE OPERATIONS

4.1 Business Ethics and Integrity

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

4.1.1 Compliance, Anti-Corruption and Anti-Bribery

The Group has zero-tolerance with respect to bribery and corruption. To ensure the legal compliance of business activities and daily operations, the Group established the Anti-Bribery and Anti-Corruption policy in accordance with the International Organization for Standardization's Anti-bribery management systems (ISO 37001) and related laws and regulations. This policy clarifies the Group's compliance requirements and standards in prohibiting bribery and corruption, effectively contributing to the achievement of the goal of building a clean enterprise. At the same time, the Group also issued a Code of Ethics and Standards of Conduct (the "**Code of Conduct**"), which sets out legal and ethical standards of conduct for its employees, suppliers, agents and consultants acting on behalf of the Group to prevent any form of corruption or bribery. The Code of Conduct stipulates that employees may not directly or indirectly offer or give anything of value to any person, including government officials, to influence their decisions or secure an improper advantage.

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

Anti-bribery and Anti-Corruption Training

During the Reporting Period, the Group conducted group-wide anti-bribery and anti-corruption training, covering policy overview, risk identification, reporting channels, etc. The training enables all employees to implement compliance values and requirements and enhances compliance awareness in the Group. In addition, the Group also conducted tests to ensure training effectiveness.

Internal Compliance Newsletter

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

4.1.2 Whistleblowing Reporting Channels

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

Figure 6. Whistleblowing Procedure

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

4.2 Sustainable Supply Chains

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

4.2.1 Supplier Management Procedures

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

Figure 7. Supplier Management Procedure

Initiating purchasing and tendering request
Demand Departments with tendering needs submit request forms to the Procurement Department.

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

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

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

4.2.2 Risk Management of Supply Chains

The Group continues to strengthen risk management and control in the supply chain and to plan for addressing potential risks in a timely way. Using specific due diligence questionnaires, the Group conducts risk assessments on the supply chain to identify and evaluate potential risks across multiple dimensions such as compliance, financial soundness, quality, environmental health services, supply chain management and corporate social responsibility. Moreover, the Group conducts special audits on suppliers which may have negative environmental impacts and may have a negative impact on the quality and safety of the Group's products to reduce supply chain risk and ensure the quality and safety of products. During the Reporting Period, the Group audited 24 suppliers, and the audit results showed they were all compliance with GMP standards.

4.2.3 Quality Agreements with Suppliers

The Group attaches importance to quality control in procurement and consistently maintains high standards for the products and services provided by suppliers, especially those which meet the relevant requirements of Good Practices ("**GxP**"). The Group's *Procedure for Quality Assurance Agreement* specifies its quality terms to make sure there is alignment on the activities, responsibilities and obligations of both parties. In addition, the Group tailors *Quality Agreements* for use with different types of suppliers and, at a minimum, these agreements define the responsibility and requirements for each party on personnel, premises, equipment, documentation, storage and transportation, product certification, complaints, returns and suspected falsified products and market returns and product recalls and disposal. Where applicable, the *Quality Agreements* may also include the procedures for product testing, quality assurance and quality control. We prefer to engage suppliers that adopting ESG concept. For example, Wuxi Biologics, as our major CDMO business partner, views ESG responsibilities as an integral component of their business strategy and use clean energy sources to deliver their services.

4.2.4 Efforts in Clean Cooperation

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

5 TALENT MANAGEMENT

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

5.1 Employment and Labor Standards

The Group strictly abides by national and regional employment laws and regulations that are applicable at each of its operating locations. They include but are not limited to the *Labor Law of the PRC*, the *Labor Contract Law of the PRC*, the *Implementation Rules of the Labor Contract Law of the PRC*, and the *Social Insurance Law of the PRC*. To promote a safe, open and honest corporate culture, the Group maintains an Employee Handbook, which specifies the Group's management requirements for recruitment and onboarding, comprehensive compensation, performance management, learning and development, employee code of conduct, etc. To ensure that the rights and interests of employees are taken into account in the Employee Handbook, the Group set up an Employee Handbook Co-creation Committee, with employee representatives participating in the revision of specific terms and conditions. This committee routinely revisits the content and explores ways to enhance its relevance to the Group's evolving needs. During the Reporting Period, there was no reported violation of labor laws and regulations.

5.1.1 Talent Recruitment

The Group implemented the Recruitment SOP to standardize the recruitment process and ensure that all candidates can be evaluated and assessed fairly and equitably. The Human Resources Department ("**HR Department**") is responsible for developing, implementing and updating recruitment-related policies and procedures, and cooperating with various business departments to carry out recruitment in accordance with job responsibility, skills, education background, and experience. The Group also continuously promotes the recruitment of diverse talent, providing equal employment opportunities for people with disabilities and across races, ages, genders and international backgrounds for a diverse, inclusive, equal and open workplace. At the end of the Reporting Period, the Group's employees lived across 66 cities in 12 countries, 52% of current employees and 49% of 366 new employees were women, and eight people with disabilities were employed.

5.1.2 Employee Rights and Interests Protection

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

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

Compliance Day

During the Reporting Period, the Group held a Compliance Day for a Safe Workplace. Through training, case sharing and group discussions, the Group helped employees strengthen their awareness of harassment and bullying in the workplace and maintain a safe workplace.

5.1.3 Communication and Welfare

During this Reporting Period, the Group established a CEO Mailbox as another communication channel employees can use to directly share constructive feedback on the company. The Group greatly values this feedback and believes that having a diversified set of channels for receiving them can support employees' sense of belonging, mutual respect and happiness. The Group also conducted an employee canteen satisfaction survey at Clover Zhejiang to better understand employees' opinions and suggestions on food options at the facility canteen and sought to address the feedback as much as possible.

The Group offers a comprehensive benefits program for its employees. In addition to statutory benefits, the Group provides employees with supplementary benefits such as commercial insurance, holiday gifts and birthday allowances. The Group also provides employees with transportation, communication, lunch and other allowances, as well as the company welfare leave. Additionally, the Group establishes committees for organizing interest groups in multiple business operation sites and holds annual celebrations for employees around the world to enrich the Group's cultural life and create a positive working atmosphere. During the pandemic period, the Group also prepared medical kits for employees' emergency use.

Heartwarming care – Clover's "Care Pack" Guards Every Employee

The Group prepared care packs for employees when they faced a shortage of daily foods, medicines, and other daily necessities during the COVID-19 pandemic.

Clover Day

The Group has designated November 5 of each year as "Clover Day." "Clover Day" is a reminder of past achievements and a call to continue efforts to improve global health and well-being. All Clover employees receive extra leave on this day.

5.2 Employee Development and Training

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

5.2.1 Talent Performance and Remuneration Management

The Group uses a performance management and evaluation system to recognize employee work performance. The Group's performance management consists of three parts: goal setting, ongoing feedback and review, and performance review and evaluation. The Group also provides improvement plans for employees who have not met expectations.

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

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

5.2.2 Employee Training

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

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

New employee orientation:

During the Reporting Period, the Group updated and upgraded the training content to provide detailed on-the-job training for new employees.

Leadership training:

The Group focuses on the growth and long-term development of middle and senior managers. During the Reporting Period, the Group provided management skills training for manager-level employees, including "Manager 101 Bootcamp," "Manager PLUS" and other programs, and held the "Leadership 360 survey" project for leaders.

Master Class:

The Group set up an internal, online learning platform "Master Class," where internal experts are invited to share their knowledge, skills, and experience in related fields with colleagues.

Global employee skills training program:

The Group values the diversity of its employees and strives to encourage collaborative development across its global workforce. Therefore, the Group launched the online "Collaborative Learning Series" and built a network of online learning platforms, including UMU Learning, Linkedin Learning, GlobeSmart, Massbio, etc., to provide diversified skills training.

In 2023, the HR team will collaborate across functions to further improve the training opportunities the Group offers and their alignment with business needs.

5.3 Employee Health and Safety

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

5.3.1 Safe Production

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

The Group actively promotes all aspects of safe production management:

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

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

- Furthermore, the Group actively carries out safety hazard investigations to continuously and proactively identify danger spots and strengthen security risk control. During the Reporting Period, Clover Sichuan carried out hidden hazard investigations on electrical appliances, hazardous chemicals, fire safety etc. A total of 122 hidden dangers were investigated with an improvement rate of 98%.

5.3.2 Occupational Health and Safety

To protect the occupational safety and health of employees, our Group developed and implemented the Occupational Health Management Policy (the "**Policy**") with reference to relevant laws and regulations such as the *Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases*, the *Law of the People's Republic of China on the Administration of Pharmaceuticals* and the *Technical Regulations for Occupational Health Supervision (GZB188-2014)*, which defines safety and health risk factors, describes the responsibilities of safety and health management and stipulates occupational safety management process. In accordance with the requirements of the regulations and the Employee Handbook, the Group provide coverage for employees to receive an annual health assessment and arrange pre-job, on-the-job and off-the-job health check for employees in the positions having potential occupational hazards.

During the Reporting Period, the outcomes of occupational safety and health management:

- ✓ 0 safety and occupational health related accidents/cases
- ✓ 100% EHS employees holding relevant machine and equipment operator certificates
- ✓ 100% attendance for EHS employees at new employee and special trainings)
- ✓ 100% usage of personal protective equipment
- ✓ 100% safety responsibility fulfillment at all levels

To strengthen safety and health management, the Group provides employees with personal protective supplies and equipment such as work clothes, insulating shoes, protective glasses, earplugs, dust masks, and gas protection equipment. The Group also continues to improve our management of safety symbols.

The Group also provides employees at all levels with training on safe production, workshop safety production rules and regulations, and post operation safety procedures. For those in special positions, the Group conducts safety trainings, such as fire safety, hazardous waste management, special equipment and special operations. During the Reporting Period, Clover Sichuan organized a total of 31 three-level safety training sessions for new employees, with a total of 446 participants.

In addition, the Group established a Chemical/Biological Emergency Response Unit and a Volunteer Fire Team and carry out comprehensive and special emergency drills to ensure timely response to unexpected incidents.

6 ENVIRONMENTAL PROTECTIONS

6.1 Environmental Management

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

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

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

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

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

- **Reinforce environmental risk control:** According to requirements for environmental management under ISO14001, Clover Sichuan engaged a qualified third party to conduct an environmental risk assessment for understanding the risks of environmental emergencies across manufacturing, R&D and laboratory activities and to recommend targeted measures for improving risk prevention and control, such as increasing the frequency of regular checks, special trainings and rehearsals.

- **Enhance environmental emergency response capabilities:** The Group prepared an environmental emergency response plan and routinely conducted drills to improve our Group's emergency response capabilities. During the Reporting Period, the Group established policies such as the *Action Plan for Environmental Emergencies*. The Group also conducted employee training and response drills for dangerous chemical leakages to enhance the employees' response capabilities.

In 2022, in response to the PRC's "carbon peak and neutrality" target, the Group established voluntary, quantitative "sustainable development objectives" and clarified its development and action plan for energy saving, emission reduction, and resource use. In 2023, the Group has continued to implement these plans while also strengthening its overall management of environmental-related projects and targets.

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

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

6.2 Responding to Climate Change

6.2.1 Resilience to Climate Change

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

In addition, the Group actively improved its equipment management and set up a back-up system to guarantee stable operations. During the Reporting Period, the Group invested around RMB400,000 in emergency use equipment, such as an electric generator and power distribution cabinet, to mitigate adverse impact of extreme weather conditions or power outages on the Group's continuous operations.

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

6.2.2 Energy Saving and Carbon Reduction

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

The Group formulated the *Work Plan of Energy Saving & Carbon Reduction for 2022* and established a designated leadership work stream to oversee its implementation, perform statistical analysis of energy consumption, and evaluate the effectiveness of energy saving and carbon reduction.

To improve energy efficiency, the Group requires that the temperature of the air-conditioning room should not be set below 26 degrees Celsius in the summer and should not be set above 20 degrees Celsius in the winter. It also requires that doors and windows should be closed when the air-conditioning is running. Furthermore, the Group requires that low-fluorine refrigerants are used in the air conditioning and refrigeration systems to reduce GHG emissions. During the Reporting Period, the Group performed a full-scope check of the air-conditioning system and fixed refrigerant leakages to ensure efficient use of the refrigerants.

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

6.3 Environmental Impacts

6.3.1 Air Emissions

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

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

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

6.3.2 Waste Management

The Group's, *Waste Management* and the *Operating Procedures for Comprehensive Treatment of Solid, Liquid and Gaseous Wastes* policies help ensure that hazardous waste is stored properly by specifying processes for waste identification, collection, storage, transportation, etc.

The Group adopted measures to recycle or reuse recyclable waste. The Group hands over non-hazardous waste to the municipal sanitation department for unified removal and has engaged a qualified third-party treatment company to dispose of hazardous waste. The Group also carried out closed-loop control during processes for temporary storage, transshipment and disposal, and endeavored to mitigate risks of hazardous waste leakage.

During the Reporting Period, the Group conducted training to further develop employees' capabilities in the classification of dangerous waste and enhance the Group's management of dangerous waste. To ensure hazardous waste is properly stored under relevant regulations, the Group also arranged regular inspections of waste storage zone by a warehouse keeper who is certified by the local environment protection department.

6.3.3 Discharge of Wastewater

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

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

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

7 SOCIAL RESPONSIBILITY

Since its establishment, the Group has been focused on delivering vaccines for a healthier world and has remained steadfast in its dedication to both scientific innovation and equitable access.

> *"The power of vaccines to save lives, improve health, and safeguard progress towards a better future has never been clearer than at this moment, in the aftermath of the COVID-19 pandemic, as the global community plans for a sustained long-term response to COVID-19 using the innovative tools developed by organizations around the world, including Clover. Looking ahead, the franchise of respiratory vaccines that we envision, including those targeting elderly and pediatric populations, has the potential to meet growing demand, reduce the burden of vaccine-preventable diseases, and make more diseases preventable."*
>
> *Joshua Liang, Chief Executive Officer and Executive Director of the Company*

7.1 Responding to COVID-19 with Innovative Vaccine Technology and Global Partnerships

The Group leveraged the Trimer-Tag technology platform to develop its recombinant SARS-CoV-2 subunit vaccine, SCB-2019 (CpG 1018/Alum), to help address the immediate and long-term response to COVID-19. With strong partnerships with organizations like Gavi and the CEPI, the Group gathered consistent evidence that demonstrated SCB-2019 (CpG 1018/Alum)'s robust efficacy and cross-neutralization of Omicron variants, significant reduction in household transmission of SARS-CoV-2, and stability at normal refrigeration, making it a potentially important vaccine to support equitable access to vaccines across the globe where significant gaps remain in vaccine coverage, particularly for boosting vulnerable populations.

After SCB-2019 (CpG 1018/Alum) was included for EUA in China and recommended in China's national immunization plan for a second booster dose campaign, the Group's COVID-19 vaccine officially launched in February 2023 and is now listed in 24 provinces and municipalities (representing >80% population coverage). The Group is also prioritizing global regulatory submissions directly in select countries, primarily in Asia Pacific and Latin America, with a focus on countries where there is the potential to make an impact, among other factors.

7.2 Filling Unmet Need for Innovative Respiratory and Pediatric Vaccines

The Group is also developing a portfolio of innovative and potential best-in-class vaccine candidates designed to fill unmet need, particularly in elderly and pediatric populations, across many countries in China and the Asia Pacific and Latin America. The Group envisions building a leading respiratory vaccine franchise that will leverage its synergistic capabilities in R&D, manufacturing, and commercialization and deliver value through the co-promotion and co-administration of multiple respiratory vaccines together and through the development of co-formulated products.

APPENDIX 1: ESG QUANTITATIVE PERFORMANCE[2]

Environmental Aspects

KPIs[3]		Unit	2022
Emissions			
A1.1	Nitrogen oxides emissions	KG	13.52
	Sulfur oxide emissions	KG	0.01
	Particulate matter emissions	KG	1.30
A1.2	Total GHG emissions (Scope 1+ Scope 2)	Tonne CO2e	19,430.86
	Total GHG emissions intensity	Tonne CO2e/ Person	29.53
	GHG emissions (Scope 1)[4]	Tonne CO2e	7.95
	GHG emissions (Scope 2)[5]	Tonne CO2e	19,422.91
A1.3[6]	Total hazardous wastes produced	Tonne	69.78
	Total hazardous wastes intensity	Tonne/Person	0.11
A1.4	Total non-hazardous wastes produced	Tonne	37.92
	Total Non-hazardous wastes intensity	Tonne/Person	0.06

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

3 Intensity values of environmental KPIs are calculated based on the total number of employees at Clover Sichuan and Clover Zhejiang in 2022.

4 GHG emissions (Scope 1) come from the combustion of fuel in stationary sources (diesel and petrol) and the combustion of fuel (diesel) at Clover Sichuan and Clover Zhejiang.

5 Greenhouse gas emissions (Scope 2) come from the consumption of purchased electricity and steam at Clover Sichuan and Clover Zhejiang. According to "Appendix 2: Reporting Guidance on Environmental KPIs" ("**Appendix 2**") of "How to prepare an ESG Report?" updated by The Stock Exchange of Hong Kong Limited in May 2021, the greenhouse gas emission factors of electricity used at Clover Sichuan and Clover Zhejiang refer to the "Baseline Emission Factors of China's Regional Power Grids for Emission Reduction Projects in 2019《(2019年度減排項目中國區域電網基準線排放因子》)" published by the Ministry of Ecology and Environment of the PRC on 29 December 2020, while the greenhouse gas emission factors of steam used at Clover Zhejiang refer to the "Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions in Enterprises in Other Industries (Trial)《(工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》)" published by the National Development and Reform Commission of the PRC on 6 July 2015.

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

Use of Resources		Unit	2022
A2.1	Total energy consumption[7]	’000 kWh	30,500.76
	Total energy intensity	’000 kWh/Person	46.35
	Non-renewable fuel (direct) consumption	’000 kWh	31.03
	Petrol consumption	’000 kWh	9.85
	Diesel consumption	’000 kWh	21.18
	Purchase of energy (indirect) consumption	’000 kWh	30,469.73
	Electricity consumption	’000 kWh	18,235.26
	Steam consumption	’000 kWh	12,234.47
A2.2	Total water consumption	m^3	158,251.00
	Total water consumption intensity	m^3/Person	240.50
A2.5	Total Packaging material used for finished products[8]	Tonne	5.96

Social Aspects

KPIs		Unit	2022
Employment[9]			
B1.1	Total number of employees	Person	764
	Number of employees by gender		
	Male	Person	366
	Female	Person	398
	Number of employees by age		
	Under 30	Person	315
	30-50	Person	411
	Above 50	Person	38
	Number of employees by employment type		
	Legal employees	Person	764
	Labor dispatch	Person	0
	Number of employees by geographical region		
	Mainland China	Person	700
	HK, Macau & Taiwan	Person	2
	Other overseas area	Person	62
	Number of employees by employee category[10]		
	Senior management	Person	4
	Other management	Person	22
	General employee	Person	738

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

8 Packaging material used for finished products include labels, vial holders, seals, bar code labels and packing boxes, etc. used by the Group in 2022.

9 Unless otherwise specified, the statistics on the number of employees encompass all employees of the Group.

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

		Unit	2022
B1.2[11]	Turnover rate	%	32.45
	Turnover rate by gender		
	Male	%	33.45
	Female	%	31.50
	Turnover rate by age		
	Under 30	%	25.71
	30-50	%	35.58
	Above 50	%	44.93
	Turnover rate by geographical region		
	Mainland China	%	30.14
	HK, Macau & Taiwan	%	60.00
	Other overseas area	%	50.00
Health and Safety[12]			
B2.1	Number of work-related fatalities	Person	0
	Ratio of work-related fatalities	%	0
B2.2	Day lost due to work-related injury	Day	51
	Hours of health and safety training	Hour	91
	Number of fire drills	Number	4
Development and Training[13]			
B3.1	Ratio of employees trained	%	100
	Ratio of employees trained by gender		
	Male	%	47.91
	Female	%	52.09
	Ratio of employees trained by employee category		
	Senior Management	%	0.52
	Other Management	%	2.88
	General Employees	%	96.60

11 Turnover rates are calculated as the number of employees who left employment in 2022 divided by the sum of the number of employees who left employment and number of employees at the end of the Reporting Period.

12 Health and safety related data only covers Clover Zhejiang and Clover Sichuan.

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

		Unit	2022
B3.2	Average training hours per employee	Hour	7.25
	Average training hours per employee by gender		
	Male	Hour	7.25
	Female	Hour	7.25
	Average training hours per employee by employee category		
	Senior Management	Hour	3.00
	Other Management	Hour	6.36
	General Employees	Hour	7.30
Labour Standards			
B4.1	Incident of child or forced labour	Person	0
Supply Chain Management[14]			
B5.1	Total number of suppliers	Number	1013
	Number of suppliers by geographical region		
	Mainland China	Number	914
	Outside Mainland China	Number	99
Anti-corruption			
B7.1	Number of concluded legal cases regarding corrupt practices brought against the Group or its employees	Number	0
B7.3	Hours of anti-corruption Training for Board members	Hour	5
	Hours of anti-corruption Training for employees	Hour	5

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

APPENDIX 2: CONTENT INDEX OF THE ESG REPORTING GUIDE

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

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

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

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

ESG Indicator		Section
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	3.1
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A[15]
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	N/A[16]
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.2
KPI B6.4	Description of quality assurance process and recall procedures.	3.1
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	3.2
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4.1
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	4.1
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	4.1
KPI B7.3	Description of anti-corruption training provided to directors and staff.	4.1 Appendix 1
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7.1/7.2
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7.1/7.2
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	7.1/7.2

15 During the Reporting Period, we have no recall cases as our commercial sale was not started.

16 During the Reporting Period, we have no complaint cases as our commercial sale was not started.

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

Opinion

We have audited the consolidated financial statements of Clover Biopharmaceuticals, Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 116 to 194, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Cut-off of research and development expenses	
The Group incurred research and development ("**R&D**") expenses of RMB1,465,324,000 as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022. A large portion of R&D expenses represented service fees paid to contract research organizations ("**CROs**") and contract development and manufacturing organizations ("**CDMOs**") (collectively referred as "Outsourced Service Providers"). The R&D activities contracted with these Outsourced Service Providers are documented in contracts and are typically performed over an extended period. Recording of these expenses in the appropriate financial reporting periods based on the progress of the R&D projects involves estimation. The Group's disclosure about R&D expenses is included in note 2.4 *Summary of significant accounting policies* and note 3 *Significant accounting judgements and estimates.*	We obtained an understanding of and evaluated the key controls over the cut-off of R&D expenses process; We inquired management about the reasons for periodical fluctuations in R&D expenses and assessed the reasonableness of those fluctuations based on our understanding of the progress of the major R&D projects during the year ended 31 December 2022; For the service fees paid/payable to the Outsourced Service Providers, we, on a sampling basis, reviewed the key terms set out in the agreements with the Outsourced Service Providers, evaluated the completion status of the R&D projects with reference to the progress reported by the project manager and inspected the supporting documents, to determine whether the service fees were properly recorded in the appropriate financial reporting periods based on the respective contract terms, progress and/or the milestones achieved; We obtained external confirmation from major Outsourced Service Providers, to confirm the amount of the R&D services fees incurred for the year ended 31 December 2022 and the amounts payable under the agreements as of 31 December 2022; We evaluated the adequacy of the R&D expenses by comparing the subsequent milestone billings and payments with the accrued R&D expenses, to determine whether the R&D expenses were recorded in the appropriate financial reporting periods; We evaluated the adequacy and accuracy of the Group's disclosure about R&D expenses.

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Inventory Provision	
As at 31 December 2022, inventories and related provision amounted to RMB2,905,186,000 and RMB520,846,000, respectively, which were significant to the consolidated financial statements. The Group's inventories, comprising primarily of raw materials and work in process, are carried at the lower of cost and net realisable value which requires management's judgement and estimation. When determining the provision of inventories, the Group takes into account the expiry dates of inventories, the estimated costs to be incurred to sale, the estimated selling prices, the expected inventory usage and the expected future market demand, which involves critical management estimates. The Group's disclosure about inventory provision is included in note 2.4 *Summary of significant accounting policies*, note 3 *Significant accounting judgements and estimates* and note 17 *Inventories.*	We obtained an understanding of and evaluated the key controls over the inventory provision process; We attended physical inventory counts at the year end to verify the quantity of inventory ending balance, on a sampling basis, and to identify any obsolete inventories; We discussed with management on the methodology to calculate the inventory provision and evaluate whether the methodology complies with IAS 2. *Inventories*; We discussed with management on the key assumptions applied in assessment and calculation of inventory provision and evaluated the reasonableness of the assumptions, and obtained and checked evidence to corroborate management's assessment; We reviewed the calculation accuracy and recalculated the computation of inventory provision based on the key assumptions.

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 Tsang Pang Sum Joe.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Other income and gains	5	23,246	38,262
Administrative expenses		(410,237)	(345,710)
Research and development expenses		(1,465,324)	(1,826,301)
Fair value changes of convertible redeemable preferred shares		–	(3,807,638)
Other expenses	6	(593,658)	(66,700)
Finance costs	8	(5,930)	(8,216)
LOSS BEFORE TAX	7	(2,451,903)	(6,016,303)
Income tax expense	11	–	–
LOSS FOR THE YEAR		(2,451,903)	(6,016,303)
Attributable to:			
Owners of the parent		(2,451,903)	(6,016,303)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (EXPRESSED IN RMB PER SHARE)			
Basic and diluted	13	(2.22)	(13.02)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2022

	2022 RMB'000	2021 RMB'000
LOSS FOR THE YEAR	(2,451,903)	(6,016,303)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	399,857	(15,064)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	399,857	(15,064)
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(379,402)	124,555
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(379,402)	124,555
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	20,455	109,491
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(2,431,448)	(5,906,812)
Attributable to:		
Owners of the parent	(2,431,448)	(5,906,812)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	185,790	155,689
Right-of-use assets	15	55,954	66,714
Intangible assets	16	34,998	13,828
Other non-current assets	18	28,035	32,934
Total non-current assets		304,777	269,165
CURRENT ASSETS			
Inventories	17	2,384,340	768,691
Prepayments, other receivables and other assets	18	135,147	1,441,637
Financial assets at fair value through profit or loss	19	13,929	30,908
Time deposits and restricted cash	20	19,243	67,888
Pledged deposits	20	229,861	–
Cash and cash equivalents	20	1,607,409	2,767,371
Total current assets		4,389,929	5,076,495
CURRENT LIABILITIES			
Trade payables	21	856,964	588,559
Other payables and accruals	22	99,314	114,524
Interest-bearing bank borrowings	23	294,060	–
Contract liabilities	24	1,555,297	1,423,546
Lease liabilities	15	23,570	21,480
Total current liabilities		2,829,205	2,148,109
NET CURRENT ASSETS		1,560,724	2,928,386
TOTAL ASSETS LESS CURRENT LIABILITIES		1,865,501	3,197,551

31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	15	36,738	46,440
Deferred income	25	2,496,900	1,931,963
Total non-current liabilities		2,533,638	1,978,403
Net (liabilities)/assets		(668,137)	1,219,148
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	835	742
Treasury shares	26	(36)	(49)
Reserves	28	(668,936)	1,218,455
Total (deficit)/equity		(668,137)	1,219,148

Peng Liang
Director

Joshua Liang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2022

Year ended 31 December 2022	Attributable to owners of the parent							
	Share capital RMB'000 (note 26)	Treasury shares RMB'000 (note 26)	Merger reserve RMB'000 (note 28(a))	Share premium RMB'000 (note 28(b))	Share-based compensation reserve RMB'000 (note 28(c))	Exchange fluctuation reserve RMB'000 (note 28(d))	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2022	742	(49)	51,703	7,971,649	137,637	107,292	(7,049,826)	1,219,148
Loss for the year	–	–	–	–	–	–	(2,451,903)	(2,451,903)
Other comprehensive income for the year:								
Exchange differences on translation of the Company	–	–	–	–	–	399,857	–	399,857
Exchange differences on translation of foreign operations	–	–	–	–	–	(379,402)	–	(379,402)
Total comprehensive income for the year	–	–	–	–	–	20,455	(2,451,903)	(2,431,448)
Issue of shares	89	–	–	452,856	–	–	–	452,945
Share issue expenses	–	–	–	(4,969)	–	–	–	(4,969)
Share-based compensation	–	–	–	–	95,919	–	–	95,919
Vesting of restricted share units	–	13	–	102,569	(102,582)	–	–	–
Exercise of share options	4	–	–	40,305	(40,041)	–	–	268
At 31 December 2022	835	(36)	51,703*	8,562,410*	90,933*	127,747*	(9,501,729)*	(668,137)

continued/…

Year ended 31 December 2021	Attributable to owners of the parent							
	Share capital RMB'000 (note 26)	Treasury shares RMB'000 (note 26)	Merger reserve RMB'000 (note 28(a))	Share premium RMB'000 (note 28(b))	Share-based compensation reserve RMB'000 (note 28(c))	Exchange fluctuation reserve RMB'000 (note 28(d))	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2021	–	–	52,981	–	–	(2,199)	(1,033,523)	(982,741)
Loss for the year	–	–	–	–	–	–	(6,016,303)	(6,016,303)
Other comprehensive income for the year:								
Exchange differences on translation of the Company	–	–	–	–	–	(15,064)	–	–
Exchange differences on translation of foreign operations	–	–	–	–	–	124,555	–	109,491
Total comprehensive income for the year	–	–	–	–	–	109,491	(6,016,303)	(5,906,812)
Issue of shares	40	(7)	99,312	–	–	–	–	99,345
Issue of shares from initial public offering ("**IPO**")	96	–	–	1,650,588	–	–	–	1,650,684
Deemed distribution to the then shareholder of a subsidiary**	–	–	(100,590)	–	–	–	–	(100,590)
Share issue expenses	–	–	–	(66,068)	–	–	–	(66,068)
Conversion of convertible redeemable preferred shares into ordinary shares	53	–	–	6,387,640	–	–	–	6,387,693
Capitalisation issue	553	(42)	–	(511)	–	–	–	–
Share-based compensation	–	–	–	–	137,637	–	–	137,637
At 31 December 2021	742	(49)	51,703*	7,971,649*	137,637*	107,292*	(7,049,826)*	1,219,148

* These reserve accounts comprise the consolidated reserves of RMB(668,936,000) (2021: RMB1,218,455,000) in the consolidated statement of financial position.

** The deemed distribution arising from the Reorganisation, as defined in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the prospectus of the Company dated 5 November 2021, was completed during the year ended 31 December 2021, pursuant to which a cash consideration of RMB100,590,000 was paid by the Group to Chengdu Tianhe Conventional Chinese and Medicine Technology Nurture Co., Ltd. ("**Chengdu Tianhe**"), the then ordinary shareholder of Sichuan Clover Biopharmaceuticals, Inc. ("**Clover Sichuan**"), for the acquisition of Clover Sichuan which was consolidated as a subsidiary in the Group's consolidated financial statements under the basis that the current group structure had been in existence throughout the reporting period.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(2,451,903)	(6,016,303)
Adjustments for:			
Interest income	5	(8,507)	(10,890)
Finance costs	8	5,930	8,216
Depreciation of property, plant and equipment	14	28,980	12,294
Depreciation of right-of-use assets	15	27,690	12,195
Amortisation of intangible assets	16	3,424	900
Loss on disposal of property, plant and equipment	6	8,432	–
Impairment of prepayments, other receivables and other assets	18	34,155	–
Share-based compensation expenses	27	95,023	125,214
Foreign exchange differences, net	5&6	25,412	(10,350)
Write-down of inventories to net realisable value	6	475,643	66,267
Fair value changes of financial assets at fair value through profit or loss	5	(229)	(908)
Fair value changes of convertible redeemable preferred shares	7	–	3,807,638
		(1,755,950)	(2,005,727)
Increase in inventories		(2,090,396)	(771,754)
Decrease/(Increase) in prepayments, other receivables and other assets		1,282,065	(1,254,377)
Increase in trade payables		268,405	554,739
(Decrease)/Increase in other payables and accruals		(100,128)	73,795
Increase in contract liabilities		131,751	1,423,546
Increase in deferred income		564,937	1,051,039
Cash used in operations		(1,699,316)	(928,639)
Interest received		8,507	10,890
Net cash flows used in operating activities		(1,690,809)	(917,749)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(77,033)	(59,252)
Additions to intangible assets		(28,527)	(21,064)
Purchases of financial assets at fair value through profit or loss		(13,929)	(30,000)
Proceeds from disposal of financial assets at fair value through profit or loss		31,137	–
Proceeds from disposal of property, plant and equipment		2,201	–
Decrease in time deposits and restricted deposits		48,645	222,440
Net cash flows (used in)/from investing activities		(37,506)	112,124

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of transaction costs for issuance of the Company's convertible redeemable preferred shares		–	(6,313)
Proceeds from issuance of convertible redeemable preferred shares		–	1,487,456
Proceeds from bank loans		293,833	–
Interest paid		(242)	–
Lease payments	15	(28,773)	(14,735)
Share issue expenses		(4,969)	(56,571)
Issue of shares		452,945	99,345
Proceeds from exercise of options		210	–
Issue of shares from IPO		–	1,650,684
Increase in pledged deposits		(229,861)	–
Cash received from holders of preferred shares due to the Reorganisation		–	528,076
Cash paid to holders of preferred shares due to the Reorganisation		–	(530,179)
Deemed distribution to a shareholder		–	(100,590)
Net cash flows from financing activities		483,143	3,057,173
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,245,172)	2,251,548
Cash and cash equivalents at beginning of year		2,767,371	516,184
Effect of foreign exchange rate changes, net		85,210	(361)
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,607,409	2,767,371
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	1,856,513	2,835,259
Cash and cash equivalents as stated in the statement of financial position		1,856,513	2,835,259
Time deposits and restricted cash	20	(249,104)	(67,888)
Cash and cash equivalents as stated in the consolidated statement of cash flows		1,607,409	2,767,371

1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the year, the Group was principally engaged in the research and development of biopharmaceutical products.

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

Information about subsidiaries

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

Name	Place and date of incorporation/ registration and place of operations	Nominal value of ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Clover Biopharmaceuticals (Hong Kong) Co., Limited ("**Clover HK**")	Hong Kong 30 November 2018	HKD2,994,500,465	100%	–	Investment holding
Sichuan Clover Biopharmaceuticals, Inc. ("**Clover Sichuan**")* 四川三葉草生物製藥有限公司	People's Republic of China ("**PRC**")/ Mainland China** 4 June 2007	RMB348,796,254	–	100%	Research and development
Clover Biopharmaceuticals AUS Pty Ltd. ("**Clover AUS**")	Australia 6 June 2017	AUD4,305,489	100%	–	Research and development
Zhejiang Clover Biopharmaceuticals, Inc. ("**Clover Zhejiang**")* 浙江三葉草生物製藥有限公司	PRC/Mainland China*** 23 August 2016	RMB70,000,000	–	100%	Research and development
Clover Biopharmaceuticals (Beijing) Co., Ltd. ("**Clover Beijing**")* 克洛菲生物製藥(北京)有限公司	PRC/Mainland China*** 1 September 2020	RMB1,000,000	–	100%	Research and development
Clover Biopharmaceuticals USA, Inc. ("**Clover USA**")	United States 6 March 2020	USD1	–	100%	Research and development

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chengdu Fuya Enterprise Management Co., Ltd. ("**Chengdu Fuya**")* 成都福雅企業管理有限公司	PRC/Mainland China*** 30 October 2020	RMB100,000	–	100%	Consulting
Clover Biopharmaceuticals (Shanghai) Co., Ltd. ("**Clover Shanghai**")* 愷洛菲生物製藥(上海)有限公司	PRC/Mainland China*** 9 February 2021	RMB1,000,000	–	100%	Research and development
Clover biopharmaceuticals Ireland Limited ("**Clover Ireland**")	Ireland 14 April 2021	EUR1	–	100%	Research and development
Clover Biopharmaceuticals UK Ltd ("**Clover UK**")	England and Wales 13 October 2021	GBP200	–	100%	Research and development
Clover Biotechnology (Shanghai) Co., Ltd.* 愷洛菲生物科技(上海)有限公司	PRC/Mainland China*** 9 March 2022	RMB100,000,000	–	100%	Research and development

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

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

*** Limited liability company established in PRC.

2.1 BASIS OF PREPARATION

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

2.1 BASIS OF PREPARATION (Continued)

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern, which assumes that the Group will be able to meet its obligations and continue its operations for the coming twelve months notwithstanding that as at 31 December 2022, the Group had net liabilities of RMB668,137,000 and accumulated losses of RMB9,501,729,000. In the opinion of the directors of the Company, the Group will have the necessary liquid fund to finance its working capital and capital expenditure requirements for the next twelve months after 31 December 2022. This is due to the following considerations:

(a) The primary cause for the net liabilities as at 31 December 2022 was the significant deferred income, details of which are included in note 25 to the financial statements. The Group is not required to incur any cash outflows in the next twelve months after 31 December 2022 for the deferred income;

(b) The Group had cash and cash equivalents of RMB1,607,409,000 and net current assets of RMB1,560,724,000 as at 31 December 2022; and

(c) The Group has performed a cash flow forecast for the next twelve months and will have sufficient liquid funds to finance its operations and can operate as a going concern in the foreseeable future.

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 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

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.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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 3	*Reference to the Conceptual Framework*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

(a) Amendments to IFRS 3 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* (the "**Conceptual Framework**") 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations, the amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Amendment to IFRS 16 issued in April 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 Group has adopted the amendment on 1 January 2022. However, the Group did not receive any covid-19-related rent concessions and therefore the amendment did not have any impact on the financial position and performance of the Group.

(c) 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 as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(d) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(e) *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 amendment that is 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

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

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.

5 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

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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

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

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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 2024 and shall be applied retrospectively. Earlier application is permitted. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 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 revisiting the accounting policy disclosures to ensure consistency with the amendments.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

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.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. 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 Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. During the year, the Group has performed a detailed assessment on the impact of amendments to IAS 12. The Group has estimated that it will recognise a deferred tax asset of RMB13,657,000 for deductible temporary differences associated with lease liabilities and a deferred tax liability of RMB14,746,000 for taxable temporary differences associated with right-of-use assets, and recognise the cumulative effect of initially applying the amendments as an adjustment to retained profits at 1 January 2022.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

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

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

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

Construction in progress 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.

Intangible assets (other than goodwill)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Know-how

Know-how is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years. When estimating the useful life of know-how, the Company takes into account factors including the duration of know-how, the anticipated duration of sales of products after know-how expiration, as well as the useful life of similar assets in the marketplace.

Software

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

Research and development costs

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

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

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

Leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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.

(a) Right-of-use assets

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

Categories	Estimated useful lives
Leasehold buildings	2 to 7 years
Office equipment	3 years

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

(b) Lease liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

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

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

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

Group as a lessor

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

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

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

2.4 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 the statement of 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)

Subsequent measurement (Continued)

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of 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, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

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 the statement of 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 the statement of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss (Continued)

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.

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach

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

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

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

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

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

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

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

2.4 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, amounts due to related parties, lease liabilities, and convertible redeemable preferred shares.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement (Continued)

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 the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents (Continued)

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash 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 the statement of profit or loss.

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or 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, 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 year.

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Other income

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

Share-based compensation

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

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binominal model, further details of which are given in note 27 to the financial statements.

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based compensation (Continued)

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

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

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

Other employee benefits

Pension scheme

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

There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed dividends are disclosed in the notes to the financial statements.

Foreign currencies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. The functional currency of the Company is the United States Dollar ("**USD**"). As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of buildings due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available.

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the reporting period. Intangible assets not yet available for intended use are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Provision for inventories

The Group reviews the carrying amounts of the inventories at the end of each of the reporting period to determine whether the inventories are carried at the lower of cost and net realisable value. The net realisable value is estimated based on current market situation and historical experience. Any change in the assumptions would increase or decrease the amount of inventories written down or the related reversals of write-down and affect the Group's financial position.

Useful lives of intangible assets

The intangible assets are amortised on the straight-line basis by taking into account the residual value. The Group reviews the estimated useful lives on an annual basis to determine the related amortisation charges for its intangible assets. The estimation is based on the legal protection period, with consideration of market condition. Management will increase the amortisation charges when useful lives become shorter than previously estimated.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

Accrual of research and development costs

The Group engages contract research organizations ("**CROs**") and contract development and manufacturing organizations ("**CDMOs**") (collectively referred as "**Outsourced Service Providers**") to conduct, supervise, and monitor the Group's clinical trials, or to develop manufacturing processes to support the Group's own manufacturing capacities. Determining the amounts of research and development costs incurred up to the end of each reporting period requires the management of the Group to estimate and measure the progress of receiving research and development services under the contracts with Outsourced Service Providers using inputs such as number of patient enrolments, time elapsed and milestone achieved when the Group has not yet been invoiced or otherwise notified of the actual costs.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Fair value measurement of share-based payments

The Group has set up the share option scheme and granted options to the Group's employees, and granted restricted share units to the Company's directors and the Group's consultants. The fair value of the options is determined by the binominal option-pricing model at the grant dates for options granted to directors and employees, and at the service provision dates for the consultants. Significant estimates on assumptions, including the underlying equity value, discount rate, expected volatility, and dividend yield, are made by management. Further details are included in note 27 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).

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Further details are included in note 11 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purpose, the Group has only one reportable operating segment, which is the research and development of biopharmaceutical products. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Non-current assets

	2022 RMB'000	2021 RMB'000
Mainland China	295,569	266,868
Other countries/regions	9,208	2,297
	304,777	269,165

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

5. OTHER INCOME AND GAINS

	2022 RMB'000	2021 RMB'000
Bank interest income	8,507	10,890
Government grants*	14,409	14,226
Foreign exchange differences, net	–	10,350
Fair value gains, net:		
Financial assets at fair value through profit or loss	229	908
Rental income	101	–
Others	–	1,888
	23,246	38,262

* Government grants have been received from the local government authorities to support the subsidiaries' research and development activities and the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions related to these government grants.

6. OTHER EXPENSES

	2022 RMB'000	2021 RMB'000
Foreign exchange differences, net	25,412	–
Write-down of inventories to net realisable value	475,643	66,267
Loss on disposal of property, plant and equipment*	8,432	–
Impairment of prepayments, other receivables and other assets* (note 18)	34,155	–
Additional costs for termination of Shanghai R&D Center project*	13,842	–
Severance costs	21,319	–
Others	14,855	433
	593,658	66,700

* In January 2022, the Company announced the start of construction of Shanghai R&D Center project. In June 2022, the Company decided to reprioritize resources for the regulatory submission and commercialisation of SCB-2019 (CpG 1018/Alum) and decided to exit the Shanghai R&D Center project. The Company recorded a total loss of RMB55,302,000 in relation to the exit of Shanghai R&D Center project in other expenses in the year ended 31 December 2022, comprising impairment of prepayments, other receivables and other assets of RMB34,155,000, a loss on disposal of the construction in progress of RMB7,305,000 and additional payments of RMB13,842,000 to certain vendors to terminate the agreements with these vendors.

7. LOSS BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Research and development costs (excluding related employee benefit expenses, depreciation and amortisation)		1,049,477	1,530,412
Depreciation of property, plant and equipment		26,966	7,616
Depreciation of right-of-use assets	15	27,690	12,195
Amortisation of intangible assets	16	3,424	900
Lease payments not included in the measurement of lease liabilities	15	5,559	1,488
Fair value changes of convertible redeemable preferred shares		–	3,807,638
Listing expenses		–	33,619
Auditor's remuneration		1,100	2,360
Employee benefit expenses (including directors' and chief executive's remuneration (note 9)):			
Wages, salaries and welfare		530,528	320,634
Pension scheme contributions		31,361	15,932
Share-based compensation expenses		93,045	123,740
Total of employee benefit expenses		654,934	460,306

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Transaction cost for issuance of the Group's convertible redeemable preferred shares	–	5,696
Interest on bank loans	1,711	–
Interest on lease liabilities (note 15)	4,219	2,520
	5,930	8,216

9. 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:

	2022 RMB'000	2021 RMB'000
Fees	2,588	558
Salaries, bonuses, allowances and benefits in kind	12,718	11,106
Share-based compensation expenses*	38,475	13,120
	53,781	24,784

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 27 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

* Share-base compensation are settled in equity.

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

(a) Independent non-executive directors

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

	Share-based compensation expenses RMB'000	Fees RMB'000	Total remuneration RMB'000
Year ended 31 December 2022			
Dr. Xiaobin Wu	1,799	491	2,290
Mr. Xiang Liao	1,799	410	2,209
Mr. Jeffrey Farrow	1,799	410	2,209
Mr. Thomas Leggett	1,799	518	2,317
	7,196	1,829	9,025

	Share-based compensation expenses RMB'000	Fees RMB'000	Total remuneration RMB'000
Year ended 31 December 2021			
Dr. Xiaobin Wu	441	124	565
Mr. Xiang Liao	441	100	541
Mr. Jeffrey Farrow	441	103	544
Mr. Thomas Leggett	441	131	572
	1,764	458	2,222

There were no other emoluments payable to the independent non-executive directors during the year (2021: nil).

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

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

	Notes	Salaries, bonuses, allowances and benefits in kind RMB'000	Share-based compensation expenses RMB'000	Fees RMB'000	Total remuneration RMB'000
Year ended 31 December 2022					
Executive directors:					
Dr. Peng Liang		4,581	5,864	–	10,445
Mr. Joshua Liang (chief executive)		8,137	22,148	–	30,285
		12,718	28,012	–	40,730
Non-executive directors:					
Dr. Xiaodong Wang		–	1,799	397	2,196
Mr. Ting Xiao	(i)	–	–	–	–
Mr. Dong Lyu	(ii)	–	–	–	–
Mr. Donna Marie Ambrosino	(iii)	–	346	181	527
Mr. Ralf Leo Clemens	(iv)	–	1,122	181	1,303
		–	3,267	759	4,026
Year ended 31 December 2021					
Executive directors:					
Dr. Peng Liang		3,398	3,969	–	7,367
Mr. Joshua Liang (chief executive)		7,708	6,946	–	14,654
		11,106	10,915	–	22,021
Non-executive directors:					
Dr. Xiaodong Wang		–	441	100	541
Mr. Ting Xiao	(i)	–	–	–	–
Mr. Dong Lyu	(ii)	–	–	–	–
		–	441	100	541

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

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

(i) Mr. Ting Xiao resigned as a non-executive director of the Company on April 22, 2022.

(ii) Mr. Dong Lyu resigned as a non-executive director of the Company on October 28, 2022.

(iii) Dr. Donna Marie Ambrosino was appointed as a non-executive director of the Company with effect from June 17, 2022.

(iv) Dr. Ralf Leo Clemens was appointed as a non-executive director of the Company with effect from June 17, 2022.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2022 included two executive directors (2021: included the chief executive), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the five highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, bonuses, allowances and benefits in kind	21,767	24,943
Pension scheme contributions	2,231	1,845
Share-based compensation expenses	12,959	32,995
	36,957	59,783

10. FIVE HIGHEST PAID EMPLOYEES (Continued)

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

	Year ended 31 December	
	2022	2021
HKD11,500,001 to HKD12,000,000	1	–
HKD12,000,001 to HKD12,500,000	–	1
HKD14,000,001 to HKD14,500,000	1	–
HKD16,500,001 to HKD17,000,000	1	–
HKD18,000,001 to HKD18,500,000	–	1
HKD18,500,001 to HKD19,000,000	–	1
HKD22,500,001 to HKD23,000,000	–	1
	3	4

11. INCOME TAX

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

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong. The first HKD2,000,000 (2021: HKD2,000,000) of assessable profits of this subsidiary are subject to 8.25% (2021: 8.25%) and the remaining assessable profits are subject to 16.5% (2021: 16.5%). No provision for Hong Kong profits tax has been made as the Group has no assessable profits derived from or earned in Hong Kong during the year.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "**CIT Law**"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% (2021: 25%) on the taxable income.

Australia

The subsidiary incorporated in the Australia is subject to Australia statutory corporate income tax at a rate of 30%. However, the rate is reduced to 25% (2021:25%) following a preliminary assessment of the base rate entity rules in accordance with the Australian tax law during the year.

11. INCOME TAX (Continued)

United States of America

The subsidiary incorporated in Delaware, United States was subject to statutory United States federal corporate income tax at a rate of 21% (2021: 21%) during the year.

United Kingdom

The subsidiary incorporated in the United Kingdom is subject to corporation income tax on its worldwide profits at 19%.

Ireland

The subsidiary incorporated in Ireland is subject to Ireland corporate income tax at a rate of 25%(2021: 25%) on the estimated assessable profits arising in Ireland during the year.

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

	2022 RMB'000	2021 RMB'000
Loss before tax	(2,451,903)	(6,016,303)
Tax at the statutory tax rate of 25%	(612,976)	(1,504,076)
Effect of tax rate differences in other jurisdictions	41,499	972,946
Expenses not deductible for tax	12,827	72,113
Additional deductible allowance for qualified research and development costs	(19,403)	(32,108)
Tax losses utilised from previous periods	–	(70,246)
Deductible temporary differences not recognised	249,109	463,679
Tax losses not recognised	328,944	97,692
Tax charge at the Group's effective tax rate	–	–

The Group had accumulated tax losses of RMB1,933,254,000 (2021: RMB701,498,000) as at 31 December 2022, out of which the Group's entities in the Mainland China had accumulated tax losses of RMB1,350,422,000 (2021: RMB355,638,000), while the Group's overseas entities had accumulated tax losses of RMB582,832,000 (2021: RMB345,860,000). Tax losses in the Mainland China are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose, while the tax losses incurred by overseas entities can be carried forward without a period limit.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

12. DIVIDENDS

No dividends have been declared and paid by the Company for the year ended 31 December 2022 (2021: nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of RMB2,451,903,000 (2021: RMB6,016,303,000) and the weighted average number of ordinary shares. The weighted average number of shares for the year ended 31 December 2022 is determined based on 1,102,103,513 shares in issue during the year. The weighted average number of shares for the year ended 31 December 2021 is determined based on 462,117,327 shares (after adjusted for the effect of the Capitalisation Issue as defined in note 26(c)) issued pursuant to the Reorganisation being in issue throughout the year ended 31 December 2021.

As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2022 (2021: nil) as the impact of the share options and restricted share units outstanding had an anti-dilutive effect on the basic loss per share amount presented. Accordingly, the dilutive loss per share amounts for the years ended 31 December 2022 and 2021 are the same as the basic loss per share amounts.

The calculation of basic and diluted loss per share is based on:

	2022 RMB'000	2021 RMB'000
Loss		
Loss attributable to owners of the parent, used in the basic loss per share calculation:	(2,451,903)	(6,016,303)

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation:	1,102,103,513	462,117,327

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Electronic and other equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022							
At 1 January 2022:							
Cost	29,746	75,346	26,127	173	11,378	32,151	174,921
Accumulated depreciation	(955)	(8,789)	(5,183)	(80)	(4,225)	–	(19,232)
Net carrying amount	28,791	66,557	20,944	93	7,153	32,151	155,689
At 1 January 2022, net of accumulated depreciation	28,791	66,557	20,944	93	7,153	32,151	155,689
Additions	–	–	780	–	–	68,938	69,718
Depreciation provided during the year	(1,487)	(7,132)	(12,165)	(108)	(8,088)	–	(28,980)
Transfers	–	10,374	16,968	118	20,194	(47,654)	–
Disposals	–	(1)	(1,307)	–	–	(9,325)	(10,633)
Exchange realignment	–	–	1	–	25	(30)	(4)
At 31 December 2022, net of accumulated depreciation	27,304	69,798	25,221	103	19,284	44,080	185,790
At 31 December 2022:							
Cost	29,746	85,699	42,375	291	31,597	44,080	233,788
Accumulated depreciation	(2,442)	(15,901)	(17,154)	(188)	(12,313)	–	(47,998)
Net carrying amount	27,304	69,798	25,221	103	19,284	44,080	185,790

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Machinery RMB'000	Electronic and other equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021							
At 1 January 2021:							
Cost	–	21,221	7,089	173	6,062	38,290	72,835
Accumulated depreciation	–	(4,307)	(1,147)	(37)	(1,447)	–	(6,938)
Net carrying amount	–	16,914	5,942	136	4,615	38,290	65,897
At 1 January 2021, net of accumulated depreciation	–	16,914	5,942	136	4,615	38,290	65,897
Additions	–	–	463	–	–	101,623	102,086
Transfers	29,746	54,125	18,575	–	5,316	(107,762)	–
Depreciation provided during the year	(955)	(4,482)	(4,036)	(43)	(2,778)	–	(12,294)
At 31 December 2021, net of accumulated depreciation	28,791	66,557	20,944	93	7,153	32,151	155,689
At 31 December 2021:							
Cost	29,746	75,346	26,127	173	11,378	32,151	174,921
Accumulated depreciation	(955)	(8,789)	(5,183)	(80)	(4,225)	–	(19,232)
Net carrying amount	28,791	66,557	20,944	93	7,153	32,151	155,689

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and office equipment used in its operations. Leases of buildings generally have lease terms between 2 and 7 years and leases of office equipment generally have lease terms of 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension options, which are further discussed below.

(1) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold buildings RMB'000	Office equipment RMB'000	Total RMB'000
At 1 January 2021	21,044	46	21,090
Additions	64,961	–	64,961
Reassessment of a lease term arising from a decision not to exercise the extension option	(7,142)	–	(7,142)
Depreciation charge (note 7)	(12,186)	(9)	(12,195)
At 31 December 2021 and 1 January 2022	66,677	37	66,714
Additions	25,230	–	25,230
Reassessment of a lease term arising from a decision not to exercise the extension option	(8,497)	–	(8,497)
Depreciation charge (note 7)	(27,681)	(9)	(27,690)
Exchange realignment	197	–	197
At 31 December 2022	55,926	28	55,954

15. LEASES (Continued)

The Group as a lessee (Continued)

(2) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	67,920	22,316
New leases	25,230	64,961
Accretion of interest recognised during the year	4,219	2,520
Reassessment of a lease term arising from a decision not to exercise the extension option	(8,497)	(7,142)
Payments	(28,773)	(14,735)
Exchange realignment	209	–
Carrying amount at 31 December	60,308	67,920
Analysed into:		
Current portion	23,570	21,480
Non-current portion	36,738	46,440

	2022			2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities	5.00-8.20	2023	23,570	5.00-8.20	2022	21,480
Non-current						
Lease liabilities	5.00-8.20	2024-2027	36,738	5.00-8.20	2023-2026	46,440
			60,308			67,920

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

15. LEASES (Continued)

The Group as a lessee (Continued)

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

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities (note 8)	4,219	2,520
Depreciation charge of right-of-use assets (note 7)	27,690	12,195
Expense relating to short-term leases and leases of low-value assets (note 7)	5,559	1,488
Total amount recognised in profit or loss	37,468	16,203

(4) Extension options

Most of the leases across the Group contained extension options. These terms were used to maximise operational flexibility in terms of managing contracts and have been reflected in measuring lease liabilities in all these cases because the options have been reasonably certain to be exercised. This is generally the case when the underlying assets have been allocated for use after the exercise date of an extension option. The lease liabilities arising from the potential future rental payments relating to periods following the exercise dates of extension options were RMB11,462,021 as at 31 December 2022 (2021: RMB23,122,811).

Set out below are the undiscounted potential future rental payments relating to the periods following the exercise date of extension and termination options that are not included in the lease terms:

	Payable within five years RMB'000
2022	
Extension options expected not to be exercised	–

	Payable within five years RMB'000
2021	
Extension options expected not to be exercised	3,595

(5) The total cash outflow for leases is disclosed in note 30(c) to the financial statements.

The Group as a lessor

The Group subleases its right-of-use assets under operating lease arrangements. Rental income recognised by the Group for the year ended 31 December 2022 was RMB101,000 (2021: nil), details of which are included in note 5 to the financial statements.

16. INTANGIBLE ASSETS

	Know-how RMB'000	Software and others RMB'000	Total RMB'000
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	–	13,828	13,828
Additions	–	24,594	24,594
Amortisation provided during the year (note 7)	–	(3,424)	(3,424)
At 31 December 2022	–	34,998	34,998
At 31 December 2022			
Cost	35,805	39,664	75,469
Accumulated amortisation	(35,805)	(4,666)	(40,471)
Net carrying amount	–	34,998	34,998
31 December 2021			
Cost at 1 January 2022, net of accumulated amortisation	–	277	277
Additions	–	14,451	14,451
Amortisation provided during the year (note 7)	–	(900)	(900)
At 31 December 2021	–	13,828	13,828
At 31 December 2021			
Cost	35,805	15,070	50,875
Accumulated amortisation	(35,805)	(1,242)	(37,047)
Net carrying amount	–	13,828	13,828

17. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	2,618,481	702,595
Work in progress	286,705	132,363
Impairment	(520,846)	(66,267)
	2,384,340	768,691

During the reporting period, the Group accrued a provision of RMB475,643,000 of the raw materials and work in progress primarily due to changes in the expected future usage plans of these inventories which is subject to future market changes.

During the reporting period, as certain inventories were scrapped or utilised, the Group wrote off the inventory provision of RMB21,064,000.

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Prepayments	119,773	1,374,978
Value-added tax recoverable	40,360	73,477
Other receivables	12,473	26,116
	172,606	1,474,571
Impairment allowance	(9,424)	–
	163,182	1,474,571
Analysed into:		
Non-current portion	28,035	32,934
Current portion	135,147	1,441,637

Prepayments primarily consisted of advance payments to suppliers for raw materials, research and development services and machinery.

Value-added tax recoverable represented the value-added tax that can be used for future deduction.

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

The financial assets included in the above balances are other receivables that primarily consisted of deposits relating to office lease or services, which are non-interest-bearing, unsecured and repayable at the end of the lease or when the related services are completed. As at 31 December 2022, none of the balances of other receivables, except for the amount mentioned below which has been fully provided, is either due or impaired as they related to balances for which there was no history of default.

The movements in the loss allowance for impairment of prepayments, other receivables and other assets are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	–	–
Impairment losses	(34,349)	–
Reversal of impairment losses	194	–
Amount written off as uncollectible	24,731	–
At end of year	(9,424)	–

The impairment of prepayments, other receivables and other assets during the year ended 31 December 2022 was in relation to the exit of the Shanghai R&D center project as disclosed in note 6 to the consolidated financial statements.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Investments in financial products, at fair value	13,929	30,908

As at 31 December 2022, the investments in financial products were issued by a private fund company registered in Cayman Islands (2021: issued by banks in Mainland China). They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022 RMB'000	2021 RMB'000
Cash and cash equivalents	1,607,409	2,767,371
Time deposits and restricted cash	19,243	67,888
Pledged deposits	229,861	–
	1,856,513	2,835,259
Less:		
Time deposits with original maturity more than three months*	(2,943)	(61,088)
Restricted cash*	(16,300)	(6,800)
Pledged for short term bank loans (note 23(d))	(104,500)	–
Pledged for banking facilities (note 23(d))	(125,361)	–
Cash and cash equivalents	1,607,409	2,767,371
Denominated in:		
RMB	579,298	533,803
USD	195,007	935,826
AUD	13,732	9,962
HKD	811,306	1,245,435
GBP	8,065	42,345
EUR	1	–
Cash and cash equivalents	1,607,409	2,767,371

* The restricted cash as at 31 December 2022 and 2021 was government funding received by Clover Sichuan, the withdrawal of which is subject to the approval of the government authority. The restricted cash as at 31 December 2022 also included a credit card deposit and a payment deposit, which could not be freely withdrawn.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for 2 years depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

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

	2022 RMB'000	2021 RMB'000
Within 6 months	385,856	584,783
6 to 12 months	108,730	2,411
Over 1 year	362,378	1,365
	856,964	588,559

The trade payables are non-interest-bearing and are normally settled on 60-day terms, except for certain suppliers with specified payment terms.

22. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Payroll payable	60,123	61,164
Service fee payable	22,065	29,820
Payables for acquisition of property, plant and equipment	7,848	15,372
Other payables	2,260	2,249
Receipt in advance	734	–
Taxes other than income tax	6,284	5,919
	99,314	114,524

Other payables and accruals are non-interest-bearing and have no fixed terms of settlement.

23. INTEREST-BEARING BANK BORROWINGS

	2022		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured (a)	4.20-6.82	2023	294,060

	As at 31 December 2022 RMB'000
Analysed into:	
Bank loans repayable:	
within one year or on demand	294,060

Notes:

(a) The bank borrowings bear fixed interest rates ranging from 4.20000% to 6.81983% per annum.

(b) As at 31 December 2022, secured bank borrowings of RMB192,735,000 were denominated in USD and secured bank borrowings of RMB101,325,000 were denominated in RMB.

(c) The carrying amounts of the current bank borrowings approximate to their fair values.

(d) All of the Group's bank loans are secured by the pledge of certain of the Group's deposits amounting to RMB229,861,000.

24. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Advances from customers	1,555,297	1,423,546

Contract liabilities represented the advances received from the Global Alliance for Vaccines and Immunization ("**GAVI**") to deliver the Company's SCB-2019 (CpG 1018/Alum) vaccines. In June 2021, the Company and GAVI entered into the Advance Purchase Agreement ("**APA**"), pursuant to which GAVI agreed to procure the purchase of (i) 64 million doses of SCB-2019 (CpG 1018/Alum), and (ii) up to 350 million doses of SCB-2019 (CpG 1018/Alum) pursuant to the options stated therein, subject to the satisfaction of Clover's SCB-2019 (CpG 1018/Alum) vaccine obtaining Emergency Use Authorisation and Emergency Use Listing. The advances could be used to fund non-refundable payments to the Group's suppliers to secure raw materials and services required to manufacture any of the firm order commitment and/or the additional doses. On 15 September 2022, the Company and GAVI entered into and signed an amendment to the APA. The Company and GAVI agreed to convert the initial firm order commitment into an option for 64 million doses of SCB-2019 (CpG 1018/Alum) over an extended period between 1 January 2023 and 31 December 2026, and to remove the originally optional purchase of up to 350 million doses. As at 31 December 2022, advances from GAVI amounted to RMB1,555,297,000 (2021: RMB1,423,546,000).

25. DEFERRED INCOME

	2022 RMB'000	2021 RMB'000
Deferred revenue (a)	2,468,950	1,899,846
Deferred government grants (b)	27,950	32,117
	2,496,900	1,931,963

(a) Deferred revenue represented the amount of funding received from Coalition for Epidemic Preparedness Innovations ("CEPI") by the end of the reporting period. Clover Sichuan and Clover AUS signed the Outbreak Response Funding Agreement (the "**Agreement**") with CEPI in 2020, pursuant to which CEPI is to provide funding to Clover Sichuan and Clover AUS to support the Group's research and development of COVID-19 vaccine under the project of "Outbreak Response To Novel Coronavirus (COVID-19)" (the "**Project**").

According to the Agreement, ownership of all data, assays, protocols, and materials made under the Project ("**Project Results**"), including vaccines ("**Products**"), as well as all intellectual property rights, including those for inventions, know-how, patents, trademarks arising in relation to the Project Results or otherwise under the Project ("**Project IP**") shall vest in the Company from creation. CEPI is committed to achieving equitable access to the results of all CEPI-supported programmes pursuant to the "Equitable Access Policy", which means that any form or dosage of pharmaceutical composition or preparation made or developed under the Project ("**Project Vaccine**") is first available to populations when and where it is needed to end an outbreak or contain an epidemic, regardless of whose ability to pay. A global allocation and purchasing mechanism (the "**Global Allocation Mechanism**") is to be constituted subsequent to the Agreement to purchase, allocate, and direct the distribution of COVID-19 vaccines including Project Vaccine.

According to the Agreement, the Group agrees to (i) supply all doses of the Project Vaccine up to the capacity as may be required by the Global Allocation Mechanism during the Pandemic Period (the period of time between the date that World Health Organization ("**WHO**") declared COVID-19 to be a Public Health Emergency of International Concern ("**PHEIC**", that is, 30 January 2020) and the date that WHO declares the PHEIC to have ended); and, (ii) during the period of five years after the Pandemic Period ends, supply the Project Vaccine as may be required by the Global Allocation Mechanism for use in LMICs (Low and Middle Income Countries as defined by the Organisation for Economic Co-operation and Development), not to exceed 50% of the Project Vaccine unless mutually agreed to.

The funding received from CEPI is for the Group's commitment to supply the Project Vaccine as agreed in the Agreement after the commercialisation of the Project Vaccine in the future, therefore, it should be recognised in income in line with the Group's fulfilment of its obligation to supply the Project Vaccine as required by the Global Allocation Mechanism. As such, the amount received by the end of 2022 and 2021 was recorded as deferred revenue.

25. DEFERRED INCOME (Continued)

(b) The movements in government grants during the year are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
At beginning of year	32,117	27,117
Grants received during the year	1,900	5,000
Amount recognised in profit or loss	(6,067)	–
At end of year	27,950	32,117

26. SHARE CAPITAL AND TREASURY SHARES

The Company was incorporated on 31 October 2018 under the laws of the Cayman Islands as an exempted company with authorised share capital of USD50,000 divided into 500,000,000 ordinary shares of a par value of USD0.0001 each. The Company became the holding company of the Group on 16 March 2021 upon the completion of the Reorganisation.

Pursuant to the special resolution passed by the then shareholders of the Company on 26 September 2021, the authorised share capital of the Company has been increased from USD50,000 divided into 500,000,000 ordinary shares to USD200,000 divided into 2,000,000,000 ordinary shares with a par value of USD0.0001 each.

Issued and fully paid:

	Number of shares in issue	Share capital USD'000	RMB equivalent RMB'000
Ordinary shares of USD0.0001 each			
As at December 31, 2022	1,292,635,233	129	835
As at December 31, 2021	1,158,114,723	116	742

26. SHARE CAPITAL AND TREASURY SHARES (Continued)

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

	Notes	Number of shares in issue	Share capital RMB'000	Treasury Shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2021		1	–	–	–	–
Issue of ordinary shares upon completion of the Reorganisation		49,999,999	33	–	–	33
Restricted share units	(a)	11,050,000	7	(7)	–	–
Conversion of preferred shares into ordinary shares	(b)	82,966,389	53	–	6,387,640	6,387,693
Capitalisation Issue	(c)	864,098,334	553	(42)	(511)	–
Issue of shares from initial public offering ("IPO")	(d)	150,000,000	96	–	1,650,588	1,650,684
Share issue expenses	(d)	–	–	–	(66,068)	(66,068)
At 31 December 2021 and 1 January 2022		1,158,114,723	742	(49)	7,971,649	7,972,342
Vest of restricted share units	(e)	–	–	13	102,569	102,582
Exercise of share options	(f)	6,520,510	4	–	40,305	40,309
Issue of shares	(g)	128,000,000	89	–	452,856	452,945
Share issue expenses	(g)	–	–	–	(4,969)	(4,969)
At 31 December 2022		1,292,635,233	835	(36)	8,562,410	8,563,209

Notes:

(a) Pursuant to the board resolution dated 1 July 2021 and 26 September 2021, respectively, 7,250,000 and 3,800,000 ordinary shares (equivalent to 77,350,000 shares in total after adjusted for the effect of the Capitalisation Issue (see (c) below)) were allotted and issued and held by The Core Trust Company Limited on trust through Super Novel International Limited as reserve for the restricted share units to be granted under the restricted share unit scheme. Further details are included in note 27 to the financial statements. The shares held in the trust are accounted for as treasury shares of the Company.

(b) All convertible redeemable preferred shares were automatically converted into ordinary shares on a one for one basis upon the successful IPO of the Company on 5 November 2021. As a result, the financial liabilities for convertible redeemable preferred shares were derecognised and recorded as share capital and share premium.

(c) Pursuant to the written resolution of the then shareholders of the Company passed on 26 September 2021, and subject to the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the IPO, a total of 864,098,334 shares credited as fully paid at par were allotted and issued on 5 November 2021 to the holders of shares whose names appear on the register of members of the Company on the day preceding 5 November 2021 in proportion to their then existing shareholdings in the Company (on the basis that each Preferred Share was converted into one ordinary share) by capitalising the relevant sum from the share premium account of the Company ("**Capitalisation Issue**").

26. SHARE CAPITAL AND TREASURY SHARES (Continued)

(d) In connection with the Company's IPO on 5 November 2021, 150,000,000 ordinary shares were issued at an offer price of HKD13.38 per share for a total gross cash consideration of HKD2,007,000,000 (equivalent to RMB1,650,684,000), before deducting the underwriting fees and commissions and other estimated listing expenses, of approximately HKD72,607,000 (equivalent to RMB66,068,000).

(e) During the year ended 31 December 2022, 21,623,118 restricted share units were vested, resulting in RMB13,000 and RMB102,569,000 transferred from the share-based compensation reserve to treasury shares and share premium, respectively.

(f) During the year ended 31 December 2022, 6,520,510 share options were exercised at the exercise price of USD0.001 per share or HKD4.116 per share (note 27) for a total cash consideration of RMB269,000. An amount of RMB40,305,000 was transferred from the share-based compensation reserve to share premium upon the exercise of the share options.

(g) On 13 December 2022, 128,000,000 new shares were placed at a price of HKD3.95 per share not less than six independent third parties for an aggregate cash consideration, before expenses, of approximately HKD505,600,000 (equivalent to RMB452,945,000). The related commissions and transaction costs amounting to USD715,000 (equivalent to RMB4,969,000) were net off against the cash proceeds.

27. SHARE-BASED COMPENSATION

The Company operates a share-based payments scheme including restricted share unit scheme (the "**RSU Scheme**"), Pre-IPO share option plan (the "**Pre-IPO Plan**") and Post-IPO share option plan (the "**Post-IPO**" Plan) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the RSU Scheme, the Pre-IPO Plan and the Post-IPO Plan include the Company's directors, the Group's employees and non-employee consultants.

The RSU Scheme and the Pre-IPO Plan became effective in April 2021 when the board of directors of the Company approved the RSU Scheme and the Pre-IPO Plan. The maximum aggregate number of shares that may be issued under the RSU Scheme and the Pre-IPO Plan is 77,350,000 and 25,947,096 (taking into account the Capitalisation Issue) ordinary shares of the Company, respectively. The Post-IPO Plan was adopted by the Company on 26 September 2021, effective from the date when the Company got listed ("**Listing Date**"). The board of directors of the Company resolved that at the time of adoption of the Post-IPO Plan or any new share option scheme (the "**New Scheme**"), the aggregate number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Plan, the New Scheme and all schemes existing at such time (the "**Existing Schemes**") of the Company must not in aggregate exceed 10% of the total number of shares in issue as of the date when the shares commenced trading on the Stock Exchange or the date of adoption of the New Scheme (as the case may be).

27. SHARE-BASED COMPENSATION (Continued)

Share options

In 2021, the Company granted 3,095,430 (without taking into account the effect of the Capitalisation Issue) options under the Pre-IPO Plan to 138 employees. The vesting schedule of the options granted would be subject to both a listing-based vesting condition (the "**IPO Condition**") and a service-based vesting condition (the "**Service Condition**"). The IPO Condition would be satisfied the day after the first-half anniversary of the date when the Company get listed ("**Listing Date**"). Subject to the satisfaction of the IPO Condition, the Service Condition would be satisfied over a 4-year term. The options granted to employees are accounted for as equity awards and measured at their grant date fair values.

In 2022, the Company granted 40,426,500 options to 9 directors and 205 employees under the Post-IPO Plan. The vesting schedule of the options granted would be subject to a service-based vesting condition, which would be satisfied over a 1-year or 4-year term. The options granted to employees are accounted for as equity awards and measured at their granted date fair values.

The following share options were outstanding under the Pre-IPO Plan and the Post-IPO Plan during the year ended 31 December 2022:

	Number of share options	Weighted average exercise price per share option USD
At 1 January 2022	19,611,886	0.0010
Granted during the year	40,426,500	0.6366
Forfeited during the year	(11,193,695)	0.2685
Exercised during the year	(6,520,510)	0.0059
At 31 December 2022	42,324,181	0.5367

The exercise price and exercise periods of the share options outstanding under the Pre-IPO Plan and the Post-IPO Plan as at 31 December 2022 are as follows:

Number of options	Exercise price	Exercise period
7,639,872	USD0.001	2022-2031
11,326,000	HKD7.300	2022-2032
16,930,809	HKD4.116	2022-2032
695,000	HKD3.894	2022-2032
5,732,500	HKD3.830	2022-2032
42,324,181		

27. SHARE-BASED COMPENSATION (Continued)

Share options (Continued)

The fair value of equity-settled share options granted to directors and employees was estimated as at the date of grant using a binominal model, taking into account the terms and conditions upon which the options were granted. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. Changes in variables and assumptions may result in changes in the fair value of the share options. The following table lists the key assumptions that the model used.

	2022
Expected dividend yield (%)	0%
Expected volatility (%)	57.15%-64.03%
Risk-free interest rate (%)	0.98%-3.37%
Expected life of options (year)	9.57
Weighted average share price (USD per share)	0.56

The fair value of the share options granted during the year was RMB71,785,000. The Group recognised share-based compensation expense of RMB40,469,000 for the year ended 31 December 2022 (2021: RMB30,331,000)in relation to share options.

As at 31 December 2022, the Company had 42,324,181 share options outstanding under the Pre-IPO Plan and the Post-IPO Plan. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 42,324,181 additional ordinary shares of the Company and additional share capital of RMB28,000.

The fair values of share options which were yet to be exercised were included in share-based compensation reserve. The amount will either be transferred to the share premium account when the related options are exercised or be reversed should the related options be forfeited.

Restricted share units

In 2021, the Company granted 6,400,224 and 261,474 (without taking into account the effect of the Capitalisation issue) restricted share units under the RSU Scheme to 56 employees and 11 non-employee consultants, respectively. 80,070 restricted share units were forfeited during the year. The vesting schedule of the restricted share units granted would be subject to both the IPO Condition and the Service Condition. The IPO Condition would be satisfied the day after the first-half anniversary of the Listing Date. Subject to the satisfaction of the IPO Condition, the Service Condition would be satisfied over a 4-year term. The restricted share units granted to employees and non-employee consultants are accounted for as equity awards. The restricted share units granted to employees are measured at their grant date fair values, and the restricted share units granted to non-employee consultants are measured at the fair values of the equity at the dates on which the services are rendered.

27. SHARE-BASED COMPENSATION (Continued)

Restricted share units (Continued)

In 2022, the Company granted 10,651,000 restricted share units under the RSU Scheme to 135 employees without consideration. The vesting schedule of the restricted share units granted would be subject to a service-based vesting condition, satisfied over a 1-year term or 4-year term. The restricted share units granted to employees are accounted for as equity awards and are determined using the closing price of listed shares of the Company as at the grant dates. In 2022, 21,623,118 restricted share units have been vested and 11,387,781 restricted share units have been forfeited under the RSU Scheme. As at 31 December 2022, the Company had 23,711,497 restricted share units outstanding under the RSU Scheme.

The Group recognised share-based compensation expenses of RMB54,554,000 in relation to restricted share units for the year ended 31 December 2022.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity.

(a) Merger reserve

Merger reserve arose from the Reorganisation.

(b) Share premium

The share premium account represents the amount paid by shareholders for capital injection in excess of its nominal value.

(c) Share-based compensation reserve

The share-based compensation reserve comprises the fair value of share options and restricted share units granted which are yet to be exercised, as further explained in the accounting policy for share-based compensation in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised or be transferred to retained profits should the related options expire or be forfeited.

(d) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies of which the functional currencies are not RMB. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

29. CONTINGENT LIABILITIES

In June 2022, the Company proposed to exit the Shanghai R&D Center project and sent a notification to all relevant vendors who had involved in such project. The Company has been negotiating with the vendors to settle the related agreements. As of the date of this report, the negotiation is ongoing. Based on the negotiation with the vendors and taking into account the payment made by the Company to the vendors as at 31 December 2022, the Company cannot currently estimate reliably on any additional payments to settle the agreements with the vendors but believe that such additional payments would not be significant. The Company has not provided for any potential claims from the vendors as at 31 December 2022.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB25,230,000 (2021: RMB64,961,000) in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

	Convertible redeemable preferred shares RMB'000	Lease liabilities RMB'000
At 1 January 2021	1,127,306	22,316
Changes from financing cash flows	1,487,456	(14,735)
Change in fair value	3,807,638	–
Conversion of preferred shares into ordinary shares	(6,387,693)	–
Currency translation differences	(34,707)	–
New leases	–	64,961
Interest expense	–	2,520
Reassessment of a lease term arising from a decision not to exercise the extension option	–	(7,142)
At 31 December 2021	–	67,920

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

(b) Changes in liabilities arising from financing activities (Continued)

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2022	–	67,920
Changes from financing cash flows	293,591	(28,773)
Currency translation differences	(1,242)	209
New leases	–	25,230
Reassessment of a lease term arising from a decision not to exercise the extension option	–	(8,497)
Interest expense	1,711	4,219
At 31 December 2022	294,060	60,308

(c) Total cash outflow for leases

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Within operating activities	5,559	1,488
Within financing activities	28,773	14,735
	34,332	16,223

31. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in notes 23 to the financial statements.

32. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	18,696	36,554
Intangible assets	3,366	28,937
	22,062	65,491

(b) The Group has no lease contracts that have not yet commenced as at 31 December 2022.

33. RELATED PARTY TRANSACTIONS

(a) Name and relationship

The directors of the Group are of the view that the following parties are related parties that had transactions or balances with the Group during the reporting period.

Name of related parties	Relationship with the Group
Chengdu Tianhe Conventional Chinese and Medicine Technology Nurture Co., Ltd. ("**Chengdu Tianhe**")	An entity that controls a major shareholder of the Company
GenHunter Corporation	An entity controlled by the Company's chairman of the board of directors

(b) Transactions with related parties

	2022 RMB'000	2021 RMB'000
Office lease and utility expense:		
Chengdu Tianhe (i)	5,720	3,690
Entrusted loan to:		
Chengdu Tianhe (ii)	–	99,021
Purchase of services:		
GenHunter Corporation	8	75

Notes:

(i) The Group entered into a set of property leasing agreements with Chengdu Tianhe, and accordingly recognised lease liabilities of RMB7,962,000 as at 31 December 2022 (2021: RMB11,513,000).

(ii) The Group entered into an entrusted loan contract with Chengdu Tianhe and China Zheshang Bank on 4 February 2021, pursuant to which the Group entrusted China Zheshang Bank to provide a loan of RMB99,021,000 to Chengdu Tianhe. As at 31 December 2022, all loans under the aforesaid entrusted loan contract have been repaid in accordance with the contract.

33. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances with related parties

	2022 RMB'000	2021 RMB'000
Amount due from a related party:		
Chengdu Tianhe	215	205
Amount due to related parties:		
GenHunter Corporation	–	4

All the balances above are unsecured and interest-free.

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

	2022 RMB'000	2021 RMB'000
Short term employee benefits	59,898	43,839
Share-based compensation expenses	63,785	52,950
Post-employment benefits	3,430	2,861
Total compensation paid to key management personnel	127,113	99,650

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2022

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss (Mandatorily designated as such) RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	8,890	–	8,890
Financial assets at fair value through profit or loss	–	13,929	13,929
Time deposits and restricted cash	19,243	–	19,243
Pledged deposits	229,861	–	229,861
Cash and cash equivalents	1,607,409	–	1,607,409
	1,865,403	13,929	1,879,332

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	856,964
Financial liabilities included in other payables and accruals	29,953
Interest-bearing bank borrowings	294,060
	1,180,977

34. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2021

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss (Mandatorily designated as such) RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	25,894	–	25,894
Financial assets at fair value through profit or loss	–	30,908	30,908
Time deposits and restricted cash	67,888	–	67,888
Cash and cash equivalents	2,767,371	–	2,767,371
	2,861,153	30,908	2,892,061

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	588,559
Financial liabilities included in other payables and accruals	49,006
	637,565

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to the fair values, are as follows:

	Carrying amounts		Fair values	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Financial assets				
Financial assets at fair value through profit or loss	13,929	30,908	13,929	30,908

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

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

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

Assets measured at fair value

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss:	–	13,929	–	13,929

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value (Continued)

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss:	–	30,908	–	30,908

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: nil).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise cash and cash equivalents, time deposits and restricted cash, pledged deposits, interest-bearing bank borrowings, and preferred shares. 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 board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each of reporting period to a reasonably possible change in the foreign currency exchange rate with all other variables held constant, of the Group's loss before tax.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Increase/(decrease) in loss before tax

	2022 RMB'000	2021 RMB'000
Increase in the USD rate by 5%	(11,509)	(27,655)
Decrease in the USD rate by 5%	11,509	27,655
Increase in the HKD rate by 5%	(39,102)	(62,903)
Decrease in the HKD rate by 5%	39,102	62,903
Increase in the GBP rate by 5%	(166)	(1,058)
Decrease in the GBP rate by 5%	166	1,058

Credit risk

The carrying amounts of cash and bank balances and other receivables represent the Group's maximum exposure equal to credit risk in relation to the financial assets.

The Group expects that there is no significant credit risk associated with cash and bank balances since they are substantially held in reputable state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

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 Group also expects that there is no significant credit risk associated with other receivables since counterparties to these financial assets have no history of default.

36. 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 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets					
– Normal*	8,890	–	–	–	8,890
Time deposits					
– Not yet past due	2,943	–	–	–	2,943
Restricted cash					
– Not yet past due	16,300	–	–	–	16,300
Pledged deposits					
– Not yet past due	229,861	–	–	–	229,861
Cash and cash equivalents					
– Not yet past due	1,607,409	–	–	–	1,607,409
	1,865,403	–	–	–	1,865,403

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets					
– Normal*	25,894	–	–	–	25,894
Time deposits					
– Not yet past due	61,088	–	–	–	61,088
Restricted cash					
– Not yet past due	6,800	–	–	–	6,800
Cash and cash equivalents					
– Not yet past due	2,767,371	–	–	–	2,767,371
	2,861,153	–	–	–	2,861,153

* 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".

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2022				
	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	–	24,950	38,835	–	63,785
Trade payables	856,964	–	–	–	856,964
Financial liabilities included in other payables and accruals	29,953	–	–	–	29,953
Interest-bearing bank borrowings	–	294,060	–	–	294,060
	886,917	319,010	38,835	–	1,244,762

	As at 31 December 2021				
	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	–	23,015	52,258	–	75,273
Trade payables	588,559	–	–	–	588,559
Financial liabilities included in other payables and accruals	49,006	–	–	–	49,006
	637,565	23,015	52,258	–	712,838

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2022.

37. EVENTS AFTER THE REPORTING PERIOD

On 14 February 2023, Clover AUS received USD23,025,000 (equivalent to approximately RMB155,661,000) from CEPI to support the Group's research and development of COVID-19 vaccine pursuant to the Agreement with CEPI.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	3,112,546	2,516,079
Total non-current assets	3,112,546	2,516,079
CURRENT ASSETS		
Prepayments, other receivables and other assets	383,494	255,029
Financial assets at fair value through profit or loss	13,929	–
Cash and cash equivalents	1,255,588	1,560,929
Total current assets	1,653,011	1,815,958
CURRENT LIABILITIES		
Other payables and accruals	6,350	14,870
Total current liabilities	6,350	14,870
NET CURRENT ASSETS	1,646,661	1,801,088
TOTAL ASSETS LESS CURRENT LIABILITIES	4,759,207	4,317,167
Net assets	4,759,207	4,317,167
EQUITY		
Share capital	835	742
Treasury shares	(36)	(49)
Reserves	4,758,408	4,316,474
Total equity	4,759,207	4,317,167

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Merger reserve RMB'000	Share premium RMB'000	Share-based compensation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2021	–	–	–	–	–	–
Loss for the year	–	–	–	–	(3,877,060)	(3,877,060)
Exchange differences	–	–	–	(15,064)	–	(15,064)
Total comprehensive income for the year	–	–	–	(15,064)	(3,877,060)	(3,892,124)
Issue of shares	99,312	–	–	–	–	99,312
Issue of shares from IPO	–	1,650,588	–	–		1,650,588
Share issue expenses	–	(66,068)	–	–	–	(66,068)
Conversion of convertible redeemable preferred shares into ordinary shares	–	6,387,640	–	–	–	6,387,640
Capitalisation issue	–	(511)	–	–	–	(511)
Share-based compensation	–	–	137,637	–	–	137,637
At 31 December 2021	99,312	7,971,649	137,637	(15,064)	(3,877,060)	4,316,474
At 1 January 2022	**99,312**	**7,971,649**	**137,637**	**(15,064)**	**(3,877,060)**	**4,316,474**
Loss for the year	**–**	**–**	**–**	**–**	**(501,980)**	**(501,980)**
Exchange differences	**–**	**–**	**–**	**399,857**	**–**	**399,857**
Total comprehensive income for the year	**–**	**–**	**–**	**399,857**	**(501,980)**	**(102,123)**
Issue of shares	**–**	**452,856**	**–**	**–**	**–**	**452,856**
Share issue expenses	**–**	**(4,969)**	**–**	**–**	**–**	**(4,969)**
Share-based compensation	**–**	**–**	**95,919**	**–**	**–**	**95,919**
Vesting of restricted share units	**–**	**102,569**	**(102,582)**	**–**	**–**	**(13)**
Exercise of share options	**–**	**40,305**	**(40,041)**	**–**	**–**	**264**
At 31 December 2022	**99,312**	**8,562,410**	**90,933**	**384,793**	**(4,379,040)**	**4,758,408**

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of the directors on 28 March 2023.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four years is set out below[note]:

	For the year ended December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Other income and gains	16,908	24,341	38,262	23,246
Research and development expenses	(45,799)	(228,219)	(1,826,301)	(1,465,324)
Administrative expenses	(17,035)	(76,429)	(345,710)	(410,237)
Loss for the year	(48,583)	(912,898)	(6,016,303)	(2,451,903)

	As at December 31,			
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	21,870	139,103	269,165	304,777
Current assets	164,346	1,048,425	5,076,495	4,389,929
Non-current liabilities	226,551	2,103,535	1,978,403	2,533,638
Current liabilities	27,487	66,734	2,148,109	2,829,205
Net assets/(liabilities)	(67,822)	(982,741)	1,219,148	(668,137)

Note: Four years' financial summary is presented as the Company was listed on November 05, 2021 and it is not practicable for the Company to present the financial summary of the Group prior to 2019.

DEFINITIONS

"Adimmune"	Adimmune Corporation, an influenza vaccine manufacturer with both EU GMP and US FDA
"AGM"	the annual general meeting of the Company to be held at May 30, 2023 or any adjournment thereof
"Articles of Association"	the articles of association of the Company adopted on September 26, 2021, which will become effective as of the date on which the Shares are listed on the Stock Exchange, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Australia Clover"	Clover Biopharmaceuticals AUS Pty Ltd., a proprietary company limited by shares registered in Australia on June 6, 2017, and a subsidiary of our Company
"Beijing Clover"	Clover Biopharmaceutical (Beijing) Co., Ltd. (克洛菲生物製藥(北京)有限公司), a limited liability company established in the PRC on September 1, 2020, and a wholly-owned subsidiary of our Company
"Board" or "Board of Directors"	the board of directors of our Company
"Business Day"	a day banks in Hong Kong are generally open for normal banking business to the public and is not a Saturday, Sunday or public holiday in Hong Kong
"CDC"	Center for Disease Control and Prevention
"CDMO(s)"	contract development and manufacturing organization(s), a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
"CEPI"	Coalition for Epidemic Preparedness Innovations, a foundation that takes donations from public, private, philanthropic, and civil society organisations, to finance independent research projects to develop vaccines against emerging infectious diseases
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau Special Administrative Region and Taiwan
"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Company", "the Company" or "Clover"	Clover Biopharmaceuticals, Ltd. (三葉草生物製藥有限公司), an exempted company incorporated in the Cayman Islands on October 31, 2018

"Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"connected person"	has the meaning ascribed thereto under the Listing Rules
"connected transaction"	has the meaning ascribed thereto under the Listing Rules
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purpose of this prospectus, our Core Products refers to SCB-2019 (CpG 1018/Alum) and SCB-808
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"CRO(s)"	contract research organizations, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"Director(s)"	the director(s) of the Company
"Dr. Liang"	Dr. LIANG Peng, the founder, an executive Director, the chairman of the Board of our Company and a member of the Single Largest Group of Shareholders
"Dynavax"	Dynavax Technologies Corporation, a fully-integrated pharmaceutical company develops, and commercializes novel vaccines
"EUA"	emergency use authorization
"Gavi"	the Vaccine Alliance, a public-private global health partnership with the goal of increasing access to immunization in poor countries
"GenHunter"	GenHunter Corporation, a biotechnology company headquartered in the U.S.
"Global Offering"	the Hong Kong Public Offering and the International Offering
"GMP"	good manufacturing practices, the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
"Greater China"	PRC, Hong Kong, Macau and Taiwan
"Group", "we" or "us"	our Company and its subsidiaries
"HK Clover"	Clover Biopharmaceuticals (Hong Kong) Co., Limited, a limited company incorporated in Hong Kong on November 30, 2018, and a wholly-owned subsidiary of our Company
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRSs"	International Financial Reporting Standards
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"Independent Third Party(ies)"	an individual or a company which, to the best of our Directors' knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules
"Latest Practicable Date"	April 17, 2023, being the latest practicable date prior to the printing of this purpose of ascertaining the information contained herein
"Listing" or "IPO"	the listing of our Shares on the Stock Exchange
"Listing Date"	November 5, 2021, the date on which dealings in our Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"MassBiologic"	Massachusetts Biologic Laboratories of the University of Massachusetts, the only non-profit manufacturer of vaccines approved by Food and Drug Administration in the United States
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Mr. Joshua Liang"	Mr. LIANG Joshua G, an executive Director, the chief executive officer of our Company and a member of the Single Largest Group of Shareholders
"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
"Nomination Committee"	the nomination committee of the Board
"Placing"	the placing of the Placing Shares by a placing agent at a placing price pursuant to a placing agreement dated December 6, 2022
"Placing Shares"	128,000,000 new Shares allotted and issued by the Company pursuant to a placing agreement dated December 6, 2022
"Prospectus"	the prospectus issued by the Company dated October 25, 2021

"Post-IPO Share Option Plan"	the post-IPO share option scheme adopted by our Company on September 26, 2021, effective from the Listing Date, as amended from time to time, the principal terms of which are set out in "Directors' Report – Post-IPO Share Option Plan" to this annual report
"Pre-IPO Share Option Plan"	the pre-IPO share option plan adopted by our Company on April 15, 2021, as amended from time to time, the principal terms of which are set out in "Directors' Report – Pre-IPO Share Option Plan" to this annual report
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2022
"RMB"	Renminbi Yuan, the lawful currency of China
"RSU Scheme"	the restricted share units scheme adopted by our Company on April 15, 2021, as amended from time to time, the principal terms of which are set out in "Directors' Report – RSU Scheme" to this annual report
"R&D"	research and development
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Clover"	Clover Biopharmaceuticals (Shanghai) Co., Ltd. (愷洛菲生物製藥(上海)有限公司), a limited liability company established in the PRC on February 9, 2021, and a wholly-owned subsidiary of our Company
"S-Trimer"	a stabilized trimeric form of the S-protein
"Share(s)"	shares in the share capital of our Company, with a nominal value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Share(s)
"SPECTRA"	Study Evaluating Protective-Efficacy and Safety of Clover's Trimeric Recombinant Protein-based and Adjuvanted COVID-19 Vaccine
"Sichuan Clover"	Sichuan Clover Biopharmaceuticals, Inc. (四川三葉草生物製藥有限公司), a limited liability company established in the PRC on June 4, 2007, a wholly-owned subsidiary of HK Clover
"Single Largest Group of Shareholders"	refers to Dr. Liang and Mr. Joshua Liang
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance

DEFINITIONS

"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"The Lancet"	a weekly peer-reviewed general medical journal, which is among the world's oldest and best-known general medical journals
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Clover"	Clover Biopharmaceuticals USA, Inc., a stock corporation incorporated in the State of Delaware, U.S. on March 30, 2020, and a wholly-owned subsidiary of our Company
"US$"	United States dollars, the lawful currency of the United States
"Zhejiang Clover"	Zhejiang Clover Biopharmaceutical, Inc. (浙江三葉草生物製藥有限公司), a limited liability company established in the PRC on August 23, 2016, and a wholly-owned subsidiary of our Company