



药明巨诺
JW Therapeutics

JW (Cayman) Therapeutics Co. Ltd

藥明巨諾(開曼)有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2126

Annual Report
2021

* For identification purpose only

JWth
Therapeutics
药明巨诺五周年

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Corporate Information

BOARD OF DIRECTORS

Executive Director

Dr. Yiping James Li (*Chairman*)

Non-executive Directors

Mr. Hans Edgar Bishop
(*Resigned on December 3, 2021*)

Dr. Krishnan Viswanadhan

Ms. Xing Gao (高星)

Dr. Ann Li Lee

Mr. Jinyin Wang (王金印)

Dr. Cheng Liu

Independent Non-executive Directors

Mr. Yanling Cao (曹彥凌)
(*Resigned on December 3, 2021*)

Mr. Chi Shing Li (李志成)

Mr. Yiu Leung Andy Cheung (張耀樑)

Mr. Kin Cheong Kelvin Ho (何建昌)

AUDIT COMMITTEE

Mr. Yiu Leung Andy Cheung (張耀樑) (*Chairman*)

Ms. Xing Gao (高星)

Mr. Kin Cheong Kelvin Ho (何建昌)

REMUNERATION COMMITTEE

Mr. Chi Shing Li (李志成) (*Chairman*)

Mr. Yiu Leung Andy Cheung (張耀樑)

Dr. Ann Li Lee

(*Appointed on December 3, 2021*)

Mr. Hans Edgar Bishop

(*Ceased to act on December 3, 2021*)

NOMINATION COMMITTEE

Mr. Chi Shing Li (李志成) (*Chairman*)

Dr. Krishnan Viswanadhan

Mr. Kin Cheong Kelvin Ho (何建昌)

(*Appointed on December 3, 2021*)

Mr. Yanling Cao (曹彥凌)

(*Ceased to act on December 3, 2021*)

COMPANY SECRETARY

Ms. Leung Suet Wing (梁雪穎)

(*Resigned on July 30, 2021*)

Mr. Lee Kwok Fai Kenneth (李國輝)

(*Appointed on July 30, 2021 and resigned on December 17, 2021*)

Ms. Ng Ka Man (吳嘉雯)

(*Appointed on December 17, 2021*)

AUTHORIZED REPRESENTATIVES

Dr. Yiping James Li

Ms. Leung Suet Wing (梁雪穎)

(*Resigned on July 30, 2021*)

Mr. Lee Kwok Fai Kenneth (李國輝)

(*Appointed on July 30, 2021 and resigned on December 17, 2021*)

Ms. Ng Ka Man (吳嘉雯)

(*Appointed on December 17, 2021*)

HONG KONG LEGAL ADVISORS

Fangda Partners

26/F, One Exchange Square

8 Connaught Place

Central

Hong Kong

REGISTERED OFFICE

The offices of Maples Corporate Services Limited

PO Box 309, Umland House

Grand Cayman, KY1-1104

Cayman Islands

HEADQUARTERS IN THE PRC

5F, Building B

No. 699 Zhong Ke Road

Pudong New District, Shanghai

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square

1 Matheson Street, Causeway Bay

Hong Kong

PRINCIPAL SHARE REGISTRAR

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

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

PRINCIPAL BANKER

China Construction Bank
Shanghai Free Trade Zone Branch
No. 17 Jiafeng Road
Shanghai
PRC

AUDITOR

PricewaterhouseCoopers
Certified Public Accountant
Registered Public Interest Entity Auditor
22/F Prince's Building
Central, Hong Kong

COMPLIANCE ADVISOR

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

STOCK CODE

2126

COMPANY'S WEBSITE

www.jwtherapeutics.com

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of JW (Cayman) Therapeutics Co. Ltd and its subsidiaries (collectively, the "**Company**"), I am pleased to present the annual report of the Company for the year ended December 31, 2021.

JW Therapeutics is an independent, innovative biotechnology company focused on developing, manufacturing and commercializing breakthrough cell-based immunotherapies. Our lead product Carteyva® (relmacabtagene autoleucel ("**relma-cel**")) is a potential superior anti-CD19 chimeric antigen receptor T-cell ("**CAR-T**") therapy intended for the treatment of a range of hematological cancers.

2021 was another transformative year in our Company's history. In September 2021, the NMPA approved our NDA relating to Carteyva® as a third-line treatment for relapsed or refractory ("**r/r**") large B-cell lymphoma ("**LBCL**"), and we commenced commercialization of Carteyva®, generating RMB30.8 million in revenue from sales of Carteyva® in the last four months of 2021. Efficacy data generated from the patients treated commercially with Carteyva® to date are consistent with those generated in the registrational clinical trial, supporting our view that Carteyva® offers unique product value. The successful approval of Carteyva® by the NMPA and the establishment of our commercialization team marked another major milestone on our Company's journey, as we made the transition from the clinical development stage into commercialization and confirmed our status as a leading cell therapy company in China.

In addition, since January 2021, we have also made significant progress on advancement of Carteyva® as a candidate for treatment of other conditions, including:

- NMPA approval of our investigational new drug ("**IND**") application relating to a clinical trial of Carteyva® as a third-line treatment for r/r B-cell acute lymphoblastic lymphoma ("**B-ALL**") in pediatric and young adult patients (April 2022);
- NMPA approval of our IND application relating to a Phase III pivotal clinical trial of Carteyva® as a second-line treatment for r/r LBCL (March 2022);
- Further progress in our Phase II registrational clinical trial to evaluate Carteyva® as a third-line treatment for r/r mantle cell lymphoma ("**MCL**"), which generated preliminary clinical data that led the NMPA to grant Breakthrough Therapy designation for Carteyva® as a third-line treatment for r/r MCL (March 2022); and
- Submission to the NMPA of a sNDA relating to Carteyva® as a third-line treatment for follicular lymphoma ("**FL**"), and the NMPA's acceptance of that sNDA for review (February 2022).

Moreover, we have made significant progress on the advancement of our other pipeline candidates, including (i) receipt of NMPA approval for our IND application relating to JWCAR129 as a fourth-line treatment for multiple myeloma ("**MM**") (December 2021) and (ii) completion of manufacturing process development for JWATM204, our T-cell receptor ("**TCR**") T-cell therapy candidate for the treatment of hepatocellular carcinoma ("**HCC**") (September 2021). We believe that all of these achievements represent a solid foundation for the Company's future growth.

In commercializing Carteyva[®], we are not merely selling a product; rather, as a leading cell therapy company in China, we are striving to create a new ecosystem and to shape the environment for cell therapy products in China. We have established a dedicated in-house commercial team to market cell therapy products across China; established a vein-to-vein process for timely and secure delivery of cell therapy products; worked with key lymphoma experts on the establishment of first-in-China treatment guidelines for CAR-T therapies, to standardize clinical applications for physicians and ensure a higher-quality and safer experience for patients; and obtained coverage of Carteyva[®] in 44 insurance products and 16 city-level complementary medical insurance programs.

We have also established a fully integrated cell therapy innovation and commercialization platform, with capabilities ranging from early research and analytical development through process development and clinical development to regulatory affairs, with GMP manufacturing facilities and dedicated commercialization capabilities. The addition of our new chief scientific officer to our team has significantly strengthened our early research capabilities and enhanced our potential to engineer our own new pipeline products, with global rights, for both hematological and solid tumor applications.

Driven by our Company's mission, we have adhered to the sustainable development concept in our operation and strategy, and continually strengthened our Environmental, Social and Governance (“**ESG**”) mechanisms. We built up a comprehensive quality control mechanism on developing breakthrough cell-based immunotherapies to bring hope to patients. Meanwhile, we are committed to providing a safe, healthy, innovative and diverse & inclusive working environment for our employees, and we adopt measures for environmental protection and resource conservation. In the future, we will continue our efforts to constantly create value for our employees, Shareholders and the society.

Looking forward, we believe that the Company remains well positioned to take advantage of the rapidly growing market for cell-based immunotherapies in China, based on Carteyva[®] as a potential superior anti-CD19 CAR-T product; our comprehensive and differentiated cell therapy pipeline covering both hematological cancers and solid tumors; our fully integrated end-to-end cell therapy development platform; and our experienced and driven management team. Building on these strengths, we intend to:

- Drive full-scale commercialization of Carteyva[®] and continue to build upon our significant first-mover advantage;
- Solidify our leadership in hematological cancers by continuing to develop Carteyva[®] for earlier lines of treatment and additional indications, as well as clinical development of other new products;
- Leverage our integrated cell therapy platform to expand into the emerging solid tumor market;
- Continuously enhance our manufacturing capability and reduce cost through innovation and scale; and
- Grow our business through in-licensing opportunities, partnerships and selective acquisitions, as well as in-house research and development.

Chairman's Statement

On behalf of the Board, I would like to thank all of our staff and management team for their continued dedication to our Company and its mission. I would also like to extend our heartfelt gratitude for the continued support that we have received from our Shareholders and business partners. We will confidently strive to realize our vision of becoming an innovation leader in cell immunotherapy.

Dr. Yiping James Li

Chairman and Chief Executive Officer

IFRS MEASURE

	Year ended December 31,	
	2021 (RMB'000)	2020 (RMB'000)
Revenue	30,797	—
Cost of sales	(21,752)	—
Gross profit	9,045	—
General and administrative expenses	(201,518)	(231,294)
Research and development expenses	(414,397)	(225,215)
Selling expenses	(170,732)	(13,268)
Other income	6,444	1,322
Other gains/(losses), net	12,075	27,617
Operating loss	(759,083)	(440,838)
Finance income	8,296	3,441
Finance costs	(2,692)	(770)
Finance income — net	5,604	2,671
Fair value changes of preferred shares	—	(1,190,797)
Fair value changes of warrants	51,151	(34,839)
Loss before income tax	(702,328)	(1,663,803)
Income tax expense	—	—
Loss for the year	(702,328)	(1,663,803)
Non-IFRS measure:		
Adjusted Loss for the Year	(664,109)	(303,917)

- Revenue was RMB30.8 million for the year ended December 31, 2021, compared to nil for the year ended December 31, 2020, as we successfully commercialized our anti-CD19 autologous CAR-T cell immunotherapy product Carteyva® (relma-cel, R&D code: JWCAR029) for the treatment of adult patients with relapsed or refractory (“r/r”) large B-cell lymphoma (“LBCL”) after two or more lines of systemic therapy after we obtained the marketing approval for the product from the National Medical Products Administration of China (“NMPA”) on September 3, 2021. We expect that the revenue will continue to increase from the sales of Carteyva® along with our commercialization progress as more patients are treated with Carteyva®.
- Cost of sales was RMB21.8 million for the year ended December 31, 2021, compared to nil for the year ended December 31, 2020. Our cost of sales primarily consists of raw material costs, staff costs, depreciation and amortization, manufacturing overhead and others.

Financial Highlights

- Gross profit was RMB9.0 million and gross profit margin was 29.4% for the year ended December 31, 2021. With the implementation of our cost reduction plan as more patients are treated with Carteyva[®], we expect that our gross profit margin will grow continuously from the second half of 2022.
- Our research and development expenses increased by RMB189.2 million to RMB414.4 million for the year ended December 31, 2021, compared to RMB225.2 million for the year ended December 31, 2020. This increase was due to a range of factors, including primarily: (i) an increase in staff costs allocated to research and development; and (ii) an increase in research and development materials and in testing and clinical fees, which resulted principally from pre-clinical research and development activities relating to JWATM204/214 and JWATM203/213 for the treatment of hepatocellular carcinoma (“**HCC**”) and pediatric and young adult patients with r/r acute lymphoblastic leukemia (“**ALL**”), as well as clinical research activities including on-going clinical trials relating to LBCL and clinical cost incurred on indications for relma-cel such as follicular lymphoma (“**FL**”), mantle cell lymphoma (“**MCL**”) and second-line LBCL.
- Our general and administrative expenses decreased by RMB29.8 million to RMB201.5 million for the year ended December 31, 2021, compared to RMB231.3 million for the year ended December 31, 2020, primarily due to a decrease in sharebased compensation expenses and the fact that no listing expenses were incurred in 2021. The effects of these factors were partially offset by an increase in other general and administrative expenses.
- Our selling expenses increased by RMB157.4 million to RMB170.7 million for the year ended December 31, 2021, compared to RMB13.3 million for the year ended December 31, 2020, primarily due to an increase in staff costs allocated to sales and marketing, as well as an increase in commercial business promotion fees, as we established our sales and marketing capabilities from the second half of 2020, and carried out commercial activities comprehensively in 2021 to fully support Carteyva[®] commercialization.
- Loss for the year decreased by RMB961.5 million to RMB702.3 million for the year ended December 31, 2021, compared to RMB1,663.8 million for the year ended December 31, 2020. This decrease was primarily due to (i) revenue and gross profit generated from Carteyva[®] launched in 2021; (ii) de-recognition of fair value changes of preferred shares along with our listing on Hong Kong Stock Exchange on the Listing Date; and (iii) de-recognition of warrants of upfront payment (as defined in the B Cell maturation antigen (“**BCMA**”) License Agreement with Juno) due to the decision made by Bristol Myers Squibb (“**BMS**”) (Juno’s parent company) to discontinue clinical development of orvacabtagene autoleucel (“**orva-cel**”). The effects of these factors were partially offset by an increase in our research and development expenses and selling expenses.

For the year ended December 31,

	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Operating results				
Revenue	—	—	—	30,797
Cost of sales	—	—	—	21,752
Gross profit	—	—	—	9,045
General and administrative expenses	41,259	72,892	231,294	201,518
Research and development expenses	75,989	136,107	225,215	414,397
Selling expenses	—	—	13,268	170,732
Other income	215	5,483	1,322	6,444
Other gains/(losses), net	4,801	(1,165)	27,617	12,075
Loss for the year	(272,616)	(633,257)	(1,663,803)	(702,328)
Loss per share				
Basic and diluted (RMB Yuan)	(4.19)	(9.74)	(12.61)	(1.76)

As at December 31,

	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Financial position				
Total current assets	171,314	261,340	2,647,359	1,895,040
Total non-current assets	169,508	407,279	1,132,133	1,221,566
Total assets	340,822	668,619	3,779,492	3,116,606
Total current liabilities	225,290	122,817	237,045	198,900
Total non-current liabilities	428,733	1,488,141	112,712	126,849
Total liabilities	654,023	1,610,958	349,757	325,749
Net current assets/(liabilities)	(53,976)	138,523	2,410,314	1,696,140
Total equity/(deficit)	(313,201)	(942,339)	3,429,735	2,790,857

NON-IFRS MEASURE

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

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

	Year ended December 31,	
	2021 <i>(RMB'000)</i>	2020 <i>(RMB'000)</i>
Loss for the year	(702,328)	(1,633,803)
Added:		
Fair value changes of warrants	(51,151)	34,839
Fair value changes of preferred shares	—	1,190,797
Share-based compensation expenses	89,370	134,250
Adjusted loss for the year (Non-IFRS)	(664,109)	(303,917)

Our adjusted loss¹ was RMB664.1 million for the year ended December 31, 2021, representing an increase of RMB360.2 million from RMB303.9 million for the year ended December 31, 2020. The increase was primarily due to (i) increased selling expenses associated with headcount increase and commercial activities carried out; (ii) increased cash expenses for staff allocated to research and development; and (iii) increased fees and expenses for materials purchasing and testing and clinical trials. The effects of these factors were partially offset by the gross profit that we generated from commercialization of Carteyva®.

¹ Adjusted loss for the year is not a financial measure defined under IFRS. It represents the loss for the year excluding the effect of the following non-cash items: (a) loss on fair value changes of preferred shares; (b) loss on fair value changes of warrants; and (c) share-based compensation expenses. For the calculation and reconciliation of this non-IFRS measure, please refer to "Management Discussion and Analysis — Financial Review — 13. Non-IFRS Measure".

During the past year, as an independent, innovative biotechnology company focusing on the developing, manufacturing and commercializing cell immunotherapy products, we have made significant progress in our business and achieved important milestones. The year 2021 marked a major milestone in the history of our Company. The successful approval of Carteyva® by the NMPA and the establishment of the commercialization team marked our Company's transition from the clinical development stage into commercialization. Based on our outstanding clinical development and operational capabilities, we have made steady progress on the clinical study of our pipeline candidates for both hematological cancers and solid tumors. In addition, we have continually enhanced our manufacturing capability; we have maintained the high manufacturing success rate for Carteyva® that we had previously achieved; and we have actively pursued the implementation of our cost reduction plan and next generation product development strategy. We have also strengthened our in-house R&D capability with the appointment of new chief scientific officer to provide strategic guidance in the development of a robust pipeline for our Company. We will continue to focus on pursuing our strategies to transform the treatment of cancer for patients.

Since the beginning of 2021, we have achieved the following significant milestones in our business:

Commercial effort leading to successful launch of Carteyva®:

On September 3, 2021, the NMPA approved the NDA relating to our anti-CD19 autologous CAR-T cell immunotherapy product Carteyva® (relma-cel, R&D code: JWCAR029) for the treatment of adult patients with r/r LBCL after two or more lines of systemic therapy. Carteyva® is the first CAR-T product approved as a Category 1 biologics product in China, and the sixth approved CAR-T product globally. Following receipt of this approval, we launched full-scale commercialization of Carteyva® with a clear focus and business model:

- We have built an in-house and dedicated commercial team with around 110 employees with different teams including Sales, Marketing, CAR-T Consultant, Innovative Payment and Hospital Access as of February 2022. These teams are led by experienced commercial leaders;
- As we commercialized Carteyva® during the last four months of 2021, we generated 54 prescriptions for Carteyva® and completed 30 infusions for r/r LBCL patients;
- Among the first 27 assessable commercial patients for Carteyva®, the best complete response rate (“**CRR**”) was 55.6%, which is similar to the efficacy that Carteyva® demonstrated in the registrational clinical trials;
- We established the standardized vein to vein process to provide more detailed guidance to ensure a higher-quality experience for physicians and patients. We completed training and dry-run for the top 61 hospitals in China and certified those hospitals to administer Carteyva®;
- We engaged Shanghai Parma KDL (上藥康德樂) as our national distributor to provide professional delivery services; and
- We worked to promote insurance coverage of Carteyva® and collaborated with innovation payment platforms to address the affordability of Carteyva® for patients. 44 commercial insurance products and 16 city-level complementary medical insurance programs covered Carteyva®.

Clinical trials and development is on track:

- In January 2021, we commenced patient enrollment in our single-arm Phase II registrational trial in China to evaluate Carteyva® in MCL patients who previously received chemotherapy, anti-CD20 agent and BTK inhibitor, and patient enrollment in this clinical trial remains on schedule;
- In June 2021, we completed patient enrollment in our single-arm Phase II registrational trial to evaluate Carteyva® in low-grade FL patients;
- In July 2021, we filed, and the NMPA accepted for review, an investigational new drug (“**IND**”) application relating to JWCAR129 as a treatment for multiple myeloma (“**MM**”), and we subsequently commenced an investigator-initiated trial of JWCAR129 for this indication;
- In September 2021, at the 24th Annual Meeting of the Chinese Society of Clinical Oncology, we reported updated efficacy and safety data from our Phase II registrational clinical trial of Carteyva® as a third-line treatment for LBCL;
- By the end of September 2021, we completed manufacturing process development for JWATM204, our T-cell receptor (“**TCR**”) T-cell therapy candidate for the treatment of HCC;
- In December 2021:
 - At the 63rd Annual Meeting of the American Society of Hematology, we reported the primary clinical response from our Phase II registrational trial relating to Carteyva® as a treatment for low-grade FL; and
 - The NMPA approved our IND application relating to JWCAR129 as a treatment for fourth-line or greater, r/r MM;
- In February 2022, we submitted to the NMPA, and the NMPA accepted for review, our sNDA relating to Carteyva® as a treatment for third-line FL;
- In March 2022, NMPA approved our IND application relating to a Phase III pivotal clinical trial of Carteyva® as a second-line treatment for r/r LBCL; and
- In April 2022, NMPA approved our IND application relating to a clinical trial of Carteyva® as a third-line treatment for r/r B-ALL in pediatric and young adult patients.

Enhancement of our manufacturing capability and implementation of our cost reduction plan:

- In February 2021, we announced a collaboration with Thermo Fisher Scientific Inc. (“**Thermo Fisher**”) to ensure non-exclusive commercial access to Thermo Fisher’s Gibco CTS Dynabeads CD3/CD28;
- In the fourth quarter of 2021, we completed an upgrade of our clinical manufacturing facility in Shanghai Waigaoqiao to enhance our capabilities to manufacture multiple products concurrently including clinical product for solid tumor;
- We continued to maintain the high manufacturing success rate of 99% for Carteyva®, which we have maintained since commencement of our LBCL registrational clinical trial;
- In the first quarter of 2022, we completed the technical transfer of the JWATM204 manufacturing process from the laboratory to our Waigaoqiao clinical manufacturing facility, and we qualified the facility for Good Manufacturing Practice (“**GMP**”) manufacturing; and
- We successfully laid the foundation for execution of our plans to reduce the cost of raw materials, and we implemented processes and procedures in our GMP operations to enable cost reductions to be realized from the second half of 2022.

Focus on the clear strategy to support the future growth of our Company:

- Drive full-scale commercialization of Carteyva® and build upon our significant first mover advantage;
- Solidify our leadership in hematological cancers by continuing to develop Carteyva® for earlier lines of treatment and additional indications, as well as clinical development of other new products;
- Leverage our integrated cell therapy platform to expand into the emerging solid tumor market;
- Continuously enhance our manufacturing capability and reduce cost through innovation and scale; and
- Grow our business through in-licensing opportunities, partnerships and selective acquisitions, as well as in-house R&D.

Management Discussion and Analysis

BUSINESS REVIEW

Overview

The Company is an independent, innovative biotechnology company focusing on the developing, manufacturing and commercializing cell immunotherapy products. Since our founding in 2016, we have built an integrated platform focused on developing, manufacturing and commercializing breakthrough cell-based immunotherapies for hematological cancers and solid tumors. Our vision is to become an innovation leader in cell immunotherapy.

We are an early entrant into the field of cell-based immunotherapy in China. Cell-based immunotherapies, including CAR-T treatments, are an innovative treatment method that uses human immune cells to fight cancer, representing a paradigm shift and the latest innovation in cancer treatment. On September 3, 2021, the NMPA approved our NDA for the Company's anti-CD19 autologous CAR-T cell immunotherapy product Carteyva® (relma-cel, R&D code: JWCAR029) for the treatment of adult patients with r/r LBCL after two or more lines of systemic therapy, and we have commenced full-scale commercialization of Carteyva®. Carteyva® is the first CAR-T product approved as a Category 1 biologics product in China, and sixth approved CAR-T product globally.

2021 was the first year of CAR-T product commercialization in China. Given the unmet medical needs that can be effectively addressed by CAR-T therapies, the market for CAR-T therapies in China is expected to experience strong growth through 2030, according to Frost & Sullivan. We believe that we are well-positioned to take advantage of this growing market, based on our potential superior anti-CD19 CAR-T product; our robust and differentiated cell therapy pipeline covering both hematological cancers and solid tumors; our fully integrated cell therapy development platform; our leading commercial manufacturing infrastructure and supply chain; and our seasoned management and strong support from the Shareholders.

Our Product Pipeline

We have developed a robust and differentiated cell-based immunotherapy pipeline, with a risk-balanced approach that has shown clear benefit in the field of cell therapies for hematological cancers and provides an opportunity to expand into the nascent field of cell therapies for solid tumors. Our product pipeline features a mix of product candidates targeting both proven and novel tumor antigens. The following chart summarizes the current development status of each of our product candidates:

	Product	Target	Indication	Commercial Rights	Pre-clinical	IND	Phase I	Pivotal / Phase II/III	NDA	Marketed	NMPA Classification	Partner	
Hematologic Malignancies	JWCAR029 / Relmacabtagene Autoleucel (relma-cel) **1	CD19	3L LBCL	Mainland China, Hong Kong, Macau*	[Progress bar: Pre-clinical to Pivotal/Phase II/III]							Category 1	Juno Breyanzi (Axicabtagene Cilixumab)
			3L FL	Mainland China, Hong Kong, Macau*	[Progress bar: Pre-clinical to Pivotal/Phase II/III]					Registrational trial			
			3L MCL	Mainland China, Hong Kong, Macau*	[Progress bar: Pre-clinical to Pivotal/Phase II/III]					Registrational trial			
			2L LBCL	Mainland China, Hong Kong, Macau*	[Progress bar: Pre-clinical to Pivotal/Phase II/III]					Registrational trial			
			3L ALL	Mainland China, Hong Kong, Macau*	[Progress bar: Pre-clinical to Pivotal/Phase II/III]								
			3L CLL	Mainland China, Hong Kong, Macau*	[Progress bar: Pre-clinical to Pivotal/Phase II/III]								
	JWCAR129 ²	BCMA	r/r MM	Mainland China, Hong Kong, Macau*	[Progress bar: Pre-clinical to Pivotal/Phase II/III]							Category 1	Juno Breyanzi (Axicabtagene Cilixumab)
Nex-G	CD19	NHL	Mainland China, Hong Kong, Macau*	[Progress bar: Pre-clinical to Pivotal/Phase II/III]							Category 1	Juno Breyanzi (Axicabtagene Cilixumab)	
Solid Tumors	JWATM203	AFP	HCC	Mainland China, Hong Kong, Macau, Taiwan, and countries of ASEAN member*	[Progress bar: Pre-clinical to Phase I]							Category 1	EUREKA
	JWATM213 ³	AFP	HCC	Mainland China, Hong Kong, Macau, Taiwan, and countries of ASEAN member*	[Progress bar: Pre-clinical to Phase I]							Category 1	EUREKA Lyell
	JWATM204	GPC3	HCC	Mainland China, Hong Kong, Macau, Taiwan, and countries of ASEAN member*	[Progress bar: Pre-clinical to Phase I]							Category 1	EUREKA
	JWATM204	GPC3	Basket	Mainland China, Hong Kong, Macau, Taiwan, and countries of ASEAN member*	[Progress bar: Pre-clinical to Phase I]							Category 1	EUREKA
	JWATM214 ³	GPC3	HCC	Mainland China, Hong Kong, Macau, Taiwan, and countries of ASEAN member*	[Progress bar: Pre-clinical to Phase I]							Category 1	EUREKA Lyell

Abbreviations: LBCL = large B-cell lymphoma; FL = follicular lymphoma; MCL = mantle cell lymphoma; ALL = acute lymphoblastic leukemia; CLL = chronic lymphocytic leukemia; NHL = non-Hodgkin lymphoma; HCC = hepatocellular carcinoma; NSCLC = non-small cell lung cancer; AFP = alpha-fetoprotein; GPC3 = glypican-3; r/r = relapsed or refractory; 3L = third-line; 2L = second-line; Basket = basket design

* Mainland China, Hong Kong, Macau and Taiwan refer to Mainland China, Hong Kong (China), Macau (China) and Taiwan (China), respectively.

** Denotes a Core Product Candidate.

1 Relma-cel is based on the same CAR construct as the product lisocabtagene maraleucl (“**Breyanzi**” or “**lisocabtagene**” or “**liso-cel**”) of Juno, which was approved by the U.S. Food and Drug Administration in February 2021.

2 JWCAR129 is based on the same CAR construct as Juno’s product orva-cel.

3 Developing using Lyell technology.

4 JWATM204 is in a Phase I investigator-initiated trial in China. Eureka’s products based on the CAR constructs underlying JWATM203 and JWATM204 are currently in Phase I/II trials in the US conducted by Eureka under an IND application. In November 2021, the U.S. FDA granted Fast Track Designation to Eureka’s counterpart to JWATM203 for the treatment of hepatoblastoma (“**HB**”) and HCC in pediatric patients, as well as “rare pediatric disease designation” for the treatment of HB. In February 2022, the FDA granted Orphan Drug Designation to Eureka’s counterparts to JWATM203 and JWATM204.

Our Core Product Candidate – Carteyva® (relma-cel, R&D code: JWCAR029)

Carteyva®, our lead product candidate, has the potential to be a superior CAR-T therapy. It targets an antigen called CD19, which is expressed in a broad range of hematological cancers, including LBCL. Lymphomas are hematological cancers involving lymphocytes of the immune system, and LBCL is one of several types of non-Hodgkin's lymphoma (“**NHL**”) that affect B-cells within the immune system. In addition to marketing Carteyva® as a third-line treatment for LBCL, we are also exploring the further clinical potential for Carteyva® by developing relma-cel as a third-line treatment for other types of NHL, including FL, MCL, chronic lymphocytic leukemia (“**CLL**”) and ALL, and moreover as a second-line treatment for LBCL.

Carteyva® is based on a CAR construct that we have in-licensed from Juno for Mainland China, Hong Kong and Macau². Juno's biologics license application for its product based on that same CAR construct (“**Breyanzi**” or “**lisocabtagene**” or “**liso-cel**”) was approved by the U.S. Food and Drug Administration in February 2021.

Third-line LBCL

On September 3, 2021, the NMPA approved our NDA for the Company's anti-CD19 autologous CAR-T cell immunotherapy product Carteyva® for the treatment of adult patients with r/r LBCL after two or more lines of systemic therapy. Carteyva® is the first CAR-T product approved as a Category 1 biologics product in China, and sixth approved CAR-T product globally.

Carteyva®'s potential to be a superior CAR-T therapy is based on its potential best-in-class safety profile and competitive efficacy. Our Phase II registrational clinical trial of Carteyva® as a third-line treatment for LBCL demonstrated efficacy results of best overall response rate (“**ORR**”) of 77.6% and best CRR of 51.7% as of the data cut-off date of December 31, 2020. In the same trial, severe cytokine release syndrome (“**sCRS**”) was observed in 5.1% of treated patients, severe neurotoxicity (“**sNT**”) was observed in 3.4% of treated patients, and no treatment-related deaths were reported. In addition, with a median follow-up of 17.9 months, the 1-year overall survival (“**OS**”) rate was 76.9%, and there were no new safety signals. We reported these findings at the 24th Annual Meeting of Chinese Society of Clinical Oncology in Xiamen, Fujian Province, PRC, held in September 2021 and the 63rd Annual Meeting of the American Society of Hematology in Atlanta, Georgia, the United State, held in December 2021. Although head-to-head studies with comparable products have not been conducted, we believe that these data demonstrate the potential best-in-class safety profile and competitive efficacy of Carteyva®.

² Mainland China, Hong Kong and Macau refer to Mainland China, Hong Kong (China) and Macau (China), respectively.

We have established manufacturing capacity and built up sales and marketing capabilities in anticipation of the full-scale commercialization of Carteyva® that we have now launched following NMPA approval of our NDA. For further information on our manufacturing capacity and our sales and marketing capabilities, please see “— Manufacturing” and “— Commercialization” below.

Third-line FL

In September 2020, the NMPA granted Breakthrough Therapy Designation for Carteyva® as a treatment for third-line FL. We currently are conducting a single-arm Phase II registrational trial to evaluate Carteyva® in low-grade FL (Grades 1 to 3a) patients, and we reported the primary clinical response in December 2021 at the 63rd Annual Meeting of the American Society of Hematology.

As of the data cut-off of September 10, 2021, 28 patients were treated with Carteyva® with at least three months of follow-up. Of 27 efficacy evaluable patients, as assessed by the investigator, best ORR was 100% (27 out of 27) and best CRR was 92.6% (25 out of 27). With a median follow-up of 8.84 months, median duration of response (“**DOR**”), progression-free survival (“**PFS**”) and OS were not reached. In 28 patients who received Carteyva®, any grade and severe (grade 3 or higher) CRS were 42.9% and 0%, respectively, and any grade and severe (grade 3 or higher) NT were 17.9% and 3.6%, respectively.

In February 2022, we have submitted to the NMPA, and the NMPA has accepted for review, our sNDA relating to Carteyva® as a treatment for third-line FL. If approved on the timeline that we currently anticipate, Carteyva® would be the first CAR-T product approved for treatment of FL in China.

Third-line MCL

We are conducting a single-arm Phase II registrational trial in China to evaluate Carteyva® in MCL patients who previously received chemotherapy, anti-CD20 agent and BTK inhibitor. Patient enrollment began in January 2021 and is currently on schedule, and we anticipate submitting an sNDA in 2023.

Third-line CLL

We intend to conduct a single-arm early phase trial in China and expect to commence this study to evaluate Carteyva® in high-risk r/r CLL patients in 2022.

Third-line ALL

We intend to conduct a single-arm Phase I/II registrational trial in China to evaluate Carteyva® in pediatric and young adult patients with r/r ALL after at least two prior lines of therapy. In April 2022, the NMPA approved our IND application with respect to this clinical trial, and we expect to commence this clinical trial in 2022.

Management Discussion and Analysis

Second-line LBCL

We have completed a single-arm Phase I trial in China to evaluate Carteyva® in LBCL high risk patients due to lack of response and thus refractory to primary treatment. Data from this study is planned to be presented at a scientific conference and published in a peer review journal later in 2022. In December 2021, on the basis of data generated from this trial, we submitted to the NMPA, and the NMPA approved, an IND application for a multi-center, randomized Phase III registrational clinical trial comparing Carteyva® to second-line LBCL standard of care therapy, including salvage chemotherapy +/- high dose chemotherapy followed by autologous stem cell transplant. The design will be similar to the TRANSFORM study evaluating Breyanzi, a CAR-T using the same CAR construct as Carteyva®, in this indication, which demonstrated highly statistically significant improvement in Event Free Survival for Breyanzi.

Cautionary Statement required by Rule 18A.05 of the Listing Rules: We cannot guarantee that we will be able to successfully develop or ultimately market Carteyva® in indications beyond the current NMPA-approved label. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

Other Pipeline Products

JWCAR129³

JWCAR129 is an autologous CAR-T therapy that we are developing for the treatment of MM. MM is a cancer of plasma cells, which are an important part of the immune system formed from matured B-cells to produce antibodies that help the body to attack and kill germs. MM is a condition in which plasma cells become cancerous and grow out of control.

JWCAR129 targets the BCMA, a protein which is highly expressed in a number of hematological malignancies, including MM. In December 2021, the NMPA approved our IND application relating to JWCAR129 as a treatment for fourth-line or greater, r/r MM. We are continuing our previously commenced investigator-initiated trial of JWCAR129 for this disease setting. Clinical evaluation on JWCAR 129 is ongoing in 2022.

³ *JWCAR129 is based on a CAR construct that we have in-licensed from Juno (the H125 vector). Juno's orva-cel is based on the same CAR construct. In February 2021, BMS announced that it would discontinue clinical development of orva-cel. We understand that this decision was driven by BMS' streamlining of its anti-BCMA product portfolio. On the other hand, we also understand that this decision was not related to the clinical profile of orva-cel, and BMS has stated that the orva-cel platform is an important part of their next generation strategy. We believe that orva-cel's clinical profile is competitive and intend to continue our development in MM with products using the orva-cel CAR construct in China to bring forward meaningful new options for patients in need.*

Nex-G anti-CD19 Product Candidate

We are developing a set of new technologies and platforms to enable the next generation CAR-T product and manufacturing processes with shorter production cycle time, higher quality, better product characterization and improved product efficacy and safety, at a lower cost. We believe that this will establish a foundation for our next-generation autologous anti-CD19 product, as well as other products in our pipeline. We have established a manufacturing cost reduction development strategy that consists of the following elements: (1) near-term (1–2 years) — realize significant cost reduction by implementing technologies and procedures that reduce raw material wastes and scraps; (2) mid-term (2–3 years) — realize further cost reduction by replacing imported materials with domestic supplies; and (3) long-term (3–5 years) — implement new technologies that would simplify and/or replace/combine unit operations and thereby reduce raw material and labor costs; and potentially shorten production cycle time and possibly improve product characteristics and clinical outcome.

We successfully executed our plans to develop processes and procedures to significantly reduce cost of raw materials, and some of these processes and procedures have already been implemented in our GMP operations since the fourth quarter of 2021. Full realization of our cost of sales reduction plans is expected in the second half of 2022, as we expect to have fully utilized legacy inventories associated with less efficient processes by the end of the first half of 2022.

We have also made significant progress in developing foundational unit operations that would enable us to develop our next generation autologous CAR-T manufacturing process platform. Initial process and product characteristic information also enable us to develop a comprehensive next-G product development plan.

JWATM204/214

JWATM204 is a potentially superior autologous, non-HLA-restricted, TCR T-cell therapy candidate built on Eureka's ARTEMIS® and E-ALPHA® platforms and targeting glypican-3 ("**GPC3**") for the treatment of HCC. Treatment of HCC represents a huge unmet medical need in China, and we believe that JWATM204 has the potential to be a promising treatment for patients with GPC3-positive HCC. In June 2020, we in-licensed from Eureka the rights to develop, manufacture and commercialize JWATM204 in Mainland China, Hong Kong, Macau, Taiwan⁴ and the member countries of the Association of Southeast Asian Nations (the "**JW Territory**"). We completed manufacturing process development for the JWATM204 in the third quarter of 2021 by leveraging our relma-cel manufacturing process platform. In the fourth quarter of 2021, we completed an upgrade of our clinical manufacturing facility in Shanghai Waigaoqiao to enhance our capabilities to manufacture multiple products concurrently. In the first quarter of 2022, we completed the technical transfer of JWATM204 manufacturing process from process development laboratory to our Waigaoqiao clinical manufacturing facility, and qualified the facility for GMP manufacturing. We plan to initiate patient enrollment in an investigator-initiated trial in the first half of 2022.

⁴ Mainland China, Hong Kong, Macau and Taiwan refer to Mainland China, Hong Kong (China), Macau (China) and Taiwan (China), respectively.

Management Discussion and Analysis

Through our partnerships with Eureka and Lyell, we also plan to combine Lyell's technology in T-cell anti-exhaustion functionality with JWATM204 to create JWATM214, a next-generation innovative autologous cell therapy for HCC treatment. We are focused on vector manufacturing process development for the JWATM214 program in 2022, and we anticipate that vector manufacturing process development will be based entirely in China. We currently anticipate that clinical studies with respect to JWATM214 will commence in 2023.

JWATM203/213

JWATM203 is a potentially superior autologous T-cell receptor mimic ("**TCRm**") T-cell therapy targeting alpha-fetoprotein ("**AFP**") for the treatment of HCC. In June 2020, we in-licensed from Eureka the rights to develop, manufacture and commercialize JWATM203 in the JW Territory. As with JWATM204, we also plan to combine Lyell's technology in T-cell anti-exhaustion functionality with JWATM203 and Eureka's ARTEMIS® technology platform to create JWATM213, an additional autologous cell therapy for HCC treatment.

Cautionary Statement required by Rule 18A.05 of the Listing Rules: We cannot guarantee that we will be able to successfully develop or ultimately market our pipeline products. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

Potential Pipeline Products

We expect to continue to enrich our pipeline by bringing in novel next generation cell therapy candidates through opportunities to in-license. We have a right of first negotiation on the opportunity to develop and commercialize Juno engineered T-cell products in Mainland China, Hong Kong and Macau. In addition, we have a right to acquire an exclusive license to manufacture, develop and use certain Acepodia Biotechnologies, Ltd. ("**Acepodia**") products targeting human epidermal growth factor receptor 2 ("**HER2**") and an undisclosed target in Mainland China, Hong Kong and Macau.

The following chart sets forth current information about our opportunities to in-license:

	Product	Target	Indication	Commercial Rights	Pre-clinical	IND	Clinical	NDA	Partner
Hematologic Malignancies	JWACE055 [#]	Undisclosed ^{##}	Hematologic tumors	Mainland China, Hong Kong, Macau [*]					Acepodia
	Juno Pipeline Product 1 [^]	CD22	ALL, NHL	Mainland China, Hong Kong, Macau [*]					Juno Bristol Myers Squibb Company
Solid Tumors	JWACE002 [#]	HER2	Solid tumors	Mainland China, Hong Kong, Macau [*]					Acepodia
	Juno Pipeline Product 2 [^]	WT1	AML, NSCLC, Mesothelioma	Mainland China, Hong Kong, Macau [*]					Juno Bristol Myers Squibb Company
	Juno Pipeline Product 3 [^]	L1CAM	Solid tumors	Mainland China, Hong Kong, Macau [*]					Juno Bristol Myers Squibb Company
	Juno Pipeline Product 4 [^]	MUC16	Solid tumors	Mainland China, Hong Kong, Macau [*]					Juno Bristol Myers Squibb Company
	Juno Pipeline Product 5 [^]	ROR1	Solid tumors	Mainland China, Hong Kong, Macau [*]					Juno Bristol Myers Squibb Company

Abbreviations: ALL = acute lymphoblastic leukemia; NHL = non-Hodgkin lymphoma; AML = acute myeloid leukemia; NSCLC = non-small cell lung cancer; HER2 = human epidermal growth factor receptor 2

- * Mainland China, Hong Kong and Macau refer to Mainland China, Hong Kong (China) and Macau (China), respectively.
- [^] We have the right of first negotiation on the opportunity to develop and commercialize these Juno pipeline products in Mainland China, Hong Kong and Macau.
- [#] JWACE055 and JWACE002 will become part of our pipeline when we exercise the related option with Acepodia. Acepodia's IND for JWACE002 was approved by the U.S. Food and Drug Administration in January 2020.
- ^{##} JWACE055 target is not disclosed due to commercial sensitivity.

Manufacturing

In June 2020, we received a production license from Jiangsu Province authorities for our new commercial manufacturing facility in Suzhou. This facility provides approximately 10,000 square meters for commercial and clinical manufacturing in compliance with GMP and Quality Management System (“**QMS**”) standards. It is designed to house four independent modules. The design of these modules can be adapted to support all cell platforms, including those using gene-modified autologous T-cells and NK cells, gene-modified or non-gene-modified tumor-infiltrating lymphocyte and gene-modified allogeneic immune cells, as well as facilities to produce clinical grade viral vectors that are used to genetically modify these cells. Currently, two of these modules have been constructed and qualified and are in full GMP operations, and our manufacturing facility currently has the capacity to support autologous CAR-T treatment of up to 2,500 patients per year.

Our manufacturing facility is designed to address all of the major challenges associated with scaling up from clinical scale to commercial scale manufacturing, which represents a paradigm shift in which product quality, regulatory compliance, process reliability, scalability and cost of goods all become critical factors. We believe the degree of automation that we have designed into our commercial manufacturing processes positions us as a leader in terms of CAR-T manufacturing.

Management Discussion and Analysis

Our Suzhou operations have been executing according to our commercialization plans and have made significant achievements during the last year. In March 2021, we received and passed relma-cel PAI (Pre-approval Inspection) conducted jointly by the NMPA and Jiangsu Province FDA with no critical or major observations. In June 2021, our production license for Suzhou site was renewed with the license type changed from As to As+Cs (A as MAH (Marketing Authorization Holder) owner and manufacturer, C as CMO (contract manufacturing organization), s as bio products).

Since the launch of our first commercial product Carteyva® in September 2021, we continue to maintain the high manufacturing success rate of 99%, which we have maintained since commencement of our LBCL registrational clinical trial. Relma-cel has demonstrated high rates of durable disease response and low rates of CAR-T associated toxicities.

In February 2021, we announced the collaboration with Thermo Fisher to ensure non-exclusive commercial access to Thermo Fisher's Gibco CTS Dynabeads CD3/CD28. This strategic collaboration will support the clinical development and commercial manufacturing of relma-cel as well as future CAR-T therapies in China. As we realize critical milestones in our commercialization strategy, we expect that this partnership will ensure we have the supply to scale up and meet important unmet medical needs of Chinese patients.

Commercialization

2021 is the first commercialization year for cell therapy in China. We are excited to be part of the event to provide breakthrough product to serve Chinese patients. With successful product launch in the last four months of 2021, we are pleased to report that Carteyva® generated 54 prescriptions and completed 30 infusion for r/r LBCL patients. Among the first 27 assessable patients, CRR was 55.6% according to reports from treating physicians regarding their assessment of best response after Carteyva® commercialization. This is similar to the CRR that Carteyva® demonstrated in the registrational clinical trial.

We have built a focused in-house sales and marketing team to market Carteyva® across China. We have established a commercial team consisting of 110 employees with different teams including Sales, Marketing, CAR-T Consultant, Innovative Payment and Hospital Access as of February 2022. These teams are led by experienced commercial leaders with a clear business model. To support hospitals ready to use our products, we conducted training and dry-run for each hospital to help physicians and nurses to understand deeper about relma-cel product itself and the whole vein to vein process. In 2021, we completed training and dry-run for the top 61 hospitals in China, and we certified those hospitals as qualified to administer Carteyva®. Meanwhile, Shanghai Pharma KDL (上藥康德樂) has been selected as our national distributor and will provide professional delivery service for each patient.

As CAR-T therapies are a new and comprehensive treatment process that is unlike any other treatment currently approved in the market, we have made significant efforts to educate physicians and patients on the potential benefits of CAR-T therapies, and to demonstrate the proper process in administering and monitoring the treatment as well as adverse effects management. In January 2022, “Guiding Principles for Clinical Application of relmacabtagene autoleucel injection (2021 version)” was published by Lymphoma Expert Committee of Chinese Society of Clinical Oncology, Hematology Branch of Chinese Medical Association and Hematologist Branch of Chinese Medical Doctor Association. This Guiding Principle was formulated by combining the current status of CAR-T practice and published data from Carteyva® related studies and it is the first clinical guiding principle for commercialized CAR-T product in China in order to further standardize the clinical application of Carteyva® and provide a reference for physicians.

To improve affordability, we are targeting to establish a multi-layer medical care system by cooperating with different partners including city-level complementary medical insurance and health insurance providers. We worked with innovation payment platforms which are able to provide installment payment services or mortgage loans to potential recipients of Carteyva® as a treatment. In addition, Carteyva® has been listed in 44 commercial insurance products and 16 city-level complementary medical insurance programs. We will strive to list Carteyva® into more insurance programs to improve affordability for patients who are eligible to be treated with Carteyva®.

In addition, because physicians are expected to play a key role in this process, not only in administering CAR-T therapies but also in educating patients about the treatment process and adverse effects management, we have designed our marketing and academic education strategy around close and continued engagement with physicians. We will continue to enhance our existing collaboration with these physicians and other stakeholders through establishment of a specialized team to oversee the training and provide support to physicians during CAR-T treatment.

With the efficacy, branding and precision of our commercial strategy, we are confident that Carteyva® will benefit more patients in the medium and longer term.

Impact of the COVID-19 pandemic

In light of the COVID-19 pandemic, we have endeavored to provide a safe work environment. We established a “Pandemic Response Taskforce”, which monitored daily updates on national and local government policy changes. We implemented twice daily temperature checks and daily reporting of health status and travel history for all employees and onsite contractors, as well as a stringent visitors policy. We significantly increased the frequency of disinfections for all our facilities, and implemented policies on social distancing and facility ventilation.

The COVID-19 pandemic may have potential impact on our operations, including but not limited to the clinical trial patients enrollment, regulatory reviews and approval, commercial patients recruitment, procurement of raw materials and delivery of finished products, etc. The extent to which the COVID-19 pandemic will affect our operations cannot be predicted at this stage. We will continue to monitor the situation and adopt various measures to mitigate the impact.

Future and Development

In addition to driving full-scale commercialization of Carteyva[®], we intend to focus on pursuing the following strategies as we pursue our vision of becoming an innovation leader in cell immunotherapy:

Solidify our leadership in hematological cancers by continuing to develop Carteyva[®] for earlier lines of treatment and additional indications, as well as clinical development of other new products

Our approach to expand Carteyva[®]'s indications involves two key pillars: advancing Carteyva[®] into earlier lines of LBCL treatment and developing Carteyva[®] as a potential therapy for other hematological cancers that express the CD19 antigen. If our development plan is realized, we anticipate new sNDA approvals for Carteyva[®] in 2022 and 2023. Furthermore, to expand our product portfolio and solidify our leadership in hematological cancers, we intend to drive clinical development of cell therapy products for MM. As patients with MM are afflicted by frequent complications, for which there continues to be no viable cure, we believe that MM is a market with significant untapped potential.

Leverage our integrated cell therapy platform to expand into the solid tumor market

Our solid tumor portfolio is headlined by JWATM203 and JWATM204. We acquired the rights to develop, manufacture and commercialize these products in the JW Territory from Eureka in June 2020. Moreover, in August 2020, we entered into a collaboration agreement with Lyell pursuant to which we obtained the right to use Lyell's T-cell anti-exhaustion technology in conjunction with Eureka's ARTEMIS[®] platform to create JWATM213 and JWATM214 and to develop, commercialize and manufacture those products in the JW Territory. We believe there is an opportunity to use these technologies as a platform for multiple new cell therapies that can be applied across a broad range of rare and prevalent solid tumors, including HCC as well as others.

Continuously enhance our manufacturing capability and implement cost reduction plan through innovation and scale

We have had a 99% success rate for the manufacturing of Carteyva[®] since commencement of our LBCL registrational clinical trial. However, we intend to invest in further optimizing our manufacturing processes through technological enhancements and achieving economies of scale, with the ultimate goal of making the production of our cell therapies better, faster, and more cost effective.

Grow our business through in-licensing opportunities, partnerships and selective acquisitions, as well as in-house R&D

Since the establishment of our Company, we have used a mix of in-licensing opportunities, selective acquisitions and in-house R&D to fuel our growth into a leading cell therapy player in China. We leveraged our exclusive licenses of certain rights from Juno to introduce relma-cel and JWCAR129 into our pipeline, and we acquired rights from Eureka and Lyell that enabled us to introduce JWATM203/213 and JWATM204/214 into our pipeline.

In addition, in January 2022, we strengthened our in-house R&D capabilities with the appointment of Dr. Shaun Paul Cordoba (“**Dr. Cordoba**”) as our chief scientific officer. Dr. Cordoba is a highly regarded scientist in driving new innovations in cell immunotherapy technology. He is ranked third in the world as patent holder in relation to CAR technology, with over 270 patent filings in relation to enhancing CAR activity, shielding CAR-T cells from immunosuppression, and improving CAR safety. He will oversee the early-stage R&D, and will provide scientific leadership and strategic guidance to develop a robust cell immunotherapy pipeline for the Company.

We believe we have established a reputation in China as a preferred partner in cell therapy due to our proprietary platform and clinical track record, and we plan to leverage our platform and network to focus on potential opportunities in the cell therapy space that we deem to possess high growth or breakthrough technology potential. These potential opportunities include but are not limited to growth opportunities in alternative allogeneic approaches and new cellular targets which we believe represent novel and groundbreaking approaches to the treatment of cancer.

Moreover, we significantly enhanced our discovery platform through acquisition in June 2020 of certain rights to use Eureka’s ARTEMIS® and E-ALPHA® platforms, and we intend to leverage our enhanced discovery platform to potentially identify and develop the next groundbreaking solution in cell therapy.

Finally, we plan to continue to leverage our network of strategic partners, leaders in the cell therapy field and the contract research organization field, respectively, as we continue to advance into new, undiscovered cellular targets and treatment.

FINANCIAL REVIEW

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

IFRS Measure:

	<u>Year ended December 31,</u>	
	2021 <i>RMB'000</i> (Audited)	2020 <i>RMB'000</i> (Audited)
Revenue	30,797	—
Cost of sales	(21,752)	—
Gross profit	9,045	—
General and administrative expenses	(201,518)	(231,294)
Research and development expenses	(414,397)	(225,215)
Selling expense	(170,732)	(13,268)
Other income	6,444	1,322
Other gains/(losses), net	12,075	27,617
Operating loss	(759,083)	(440,838)
Finance income	8,296	3,441
Finance costs	(2,692)	(770)
Finance income/(costs) — net	5,604	2,671
Fair value changes of preferred shares	—	(1,190,797)
Fair value changes of warrants	51,151	(34,839)
Loss before income tax	(702,328)	(1,663,803)
Income tax expense	—	—
Loss for the year	(702,328)	(1,663,803)
Non-IFRS measure:		
Adjusted loss for the year	(664,109)	(303,917)

1. Overview

Our loss for the year decreased from RMB1,663.8 million for the year ended December 31, 2020 to RMB702.3 million for the year ended December 31, 2021. This decrease was primarily due to revenue and gross profit generated from our new product launched in 2021, de-recognition of fair value changes of preferred shares along with the Listing Date, and de-recognition of warrants of upfront payment defined in the BCMA License Agreement with Juno due to the decision made by BMS to discontinue clinical development of orva-cel. The effects of these factors were partially offset by an increase in research and development expenses and selling expenses.

Our adjusted loss increased from RMB303.9 million for the year ended December 31, 2020 to RMB664.1 million for the year ended December 31, 2021, primarily as a result of (i) increased selling expenses associated with headcount increase and commercial activities carried out; (ii) increased cash expenses for staff allocated to research and development; and (iii) increased fees and expenses for materials purchasing and testing and clinical trials. The effects of these factors were partially offset by an increase in our gross profit.

2. Revenue

We successfully commercialized our anti-CD19 autologous CAR-T cell immunotherapy product Carteyva® (relma-cel, R&D code: JWCAR029) for the treatment of adult patients with r/r LBCL after two or more lines of systemic therapy after obtaining the marketing approval for the product from the NMPA on September 3, 2021.

With our product launch in the last four months of 2021, our revenue for the year ended December 31, 2021 was RMB30.8 million, as compared to nil for the year ended December 31, 2020. Revenue was recognized at the point of infusion. We expect that our revenue will continue to increase from the sales of Carteyva® along with our commercialization progress as more patients are treated with Carteyva®.

The following table sets forth a breakdown of revenue from our products for the year indicated:

	Year ended December 31,			
	2021		2020	
	RMB'000 (Audited)	%	RMB'000 (Audited)	%
Carteyva®	30,797	100.0	—	—
Total revenue	30,797	100.0	—	—

3. Cost of Sales

Our cost of sales was RMB21.8 million for the year ended December 31, 2021, as compared to nil for the year ended December 31, 2020. Our cost of sales primarily consists of raw material costs, staff costs, depreciation and amortization, manufacturing overhead and others.

The following table sets forth a breakdown of our cost of sales for the year indicated:

	Year ended December 31,			
	2021		2020	
	RMB'000 (Audited)	%	RMB'000 (Audited)	%
Carteyva®	21,752	100.0	—	—
Total cost of sales	21,752	100.0	—	—

4. Gross Profit and Gross Profit Margin

Our gross profit represents our revenue minus our cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue.

Our gross profit was RMB9.0 million and gross profit margin was 29.4% for the year ended December 31, 2021, compared to nil for the year ended December 31, 2020. With the implementation of cost reduction plan and more patients treated with Carteyva®, we expect that our gross profit margin will grow continuously from the second half of 2022.

5. Research and Development Expenses

The following table provides a breakdown of our research and development expenses for the year ended December 31, 2020 and 2021.

	<u>Year ended December 31,</u>	
	2021 <i>RMB'000</i> (Audited)	2020 <i>RMB'000</i> (Audited)
Employee benefit expenses	192,404	102,051
— <i>Share-based compensation expenses</i>	25,100	22,790
R&D materials	97,488	41,763
Testing and clinical fees	64,230	47,108
Depreciation and amortization	31,931	20,841
Office expenses	17,586	5,988
Others	10,758	7,464
Research and development expenses	414,397	225,215

Our research and development expenses increased from RMB225.2 million for the year ended December 31, 2020 to RMB414.4 million for the year ended December 31, 2021. This increase was primarily due to an increase of RMB90.4 million in staff costs allocated to research and development, which resulted principally from an increase in headcount allocated to research and development. The increase in research and development expenses was also due in part to an increase of approximately RMB55.7 million in research and development materials and approximately RMB17.1 million in testing and clinical fees which resulted principally from pre-clinical research and development activities relating to JWATM204/214 and JWATM203/213 for the treatment of HCC and pediatric and young adult patients with r/r ALL, as well as clinical research activities including on-going clinical trial on third-line LBCL and clinical cost incurred on indications for relma-cel such as FL, MCL and second-line LBCL.

6. General and Administrative Expenses

The following table provides a breakdown of our general and administrative expenses for the year ended December 31, 2020 and 2021.

	Year ended December 31,	
	2021 RMB'000 (Audited)	2020 <i>RMB'000</i> (Audited)
Employee benefit expenses	114,145	148,671
— <i>Share-based compensation expenses</i>	55,909	<i>108,497</i>
Professional service fees	50,587	25,689
Depreciation and amortization	8,126	2,749
Office expenses	15,815	8,777
Auditor's remuneration	2,490	2,356
Non-audit remuneration	1,161	758
Listing expenses	—	35,564
Others	9,194	6,730
General and Administrative Expenses	201,518	231,294

Our general and administrative expenses decreased from RMB231.3 million for the year ended December 31, 2020 to RMB201.5 million for the year ended December 31, 2021. This decrease resulted primarily from a decrease of RMB34.5 million in staff costs allocated to general and administrative, which resulted from a decrease in share-based compensation expenses. The decrease in general and administrative expenses was also due to the fact that no listing expenses were incurred in 2021. The effects of the foregoing factors were partially offset by an increase in other general and administrative expenses.

7. Selling Expenses

The following table provides a breakdown of our selling expenses for the year ended December 31, 2020 and 2021.

	<u>Year ended December 31,</u>	
	2021 <i>RMB'000</i> (Audited)	2020 <i>RMB'000</i> (Audited)
Employee benefit expenses	78,376	8,330
— <i>Share-based compensation expenses</i>	8,361	2,963
Business promotion fees	50,823	3,404
Professional service fees	31,049	1,037
Office expenses	8,995	21
Others	1,489	476
Selling expenses	170,732	13,268

Our selling expenses increased from RMB13.3 million for the year ended December 31, 2020 to RMB170.7 million for the year ended December 31, 2021. This increase was primarily due to an increase of RMB70.0 million in staff costs allocated to sales and marketing and an increase of RMB47.4 million in commercial business promotion fees, as we established our sales and marketing capabilities from the second half of 2020, and carried out commercial activities comprehensively in 2021 to fully support Carteyva® commercialization.

8. Other Income

Our other income amounted to RMB6.4 million for the year ended December 31, 2021, as compared to RMB1.3 million for the year ended December 31, 2020. Our other income in both years was related to government grants.

9. Other Gains and Losses

Our other gains and losses amounted to net other gains of RMB12.1 million for the year ended December 31, 2021, as compared to net other gains of RMB27.6 million for the year ended December 31, 2020. This change resulted primarily from (i) a foreign exchange gain of RMB14.8 million for the year ended December 31, 2021, as compared to a foreign exchange gain of RMB28.9 million for the year ended December 31, 2020 due to an unrealized gain from the changes in foreign currency exchange rates where the transactional currency was different from the functional currency of the operating subsidiary, and the exchange rate fluctuated much more stably during 2021 compared to 2020; (ii) bargain purchase gain, which amounted to nil for the year ended December 31, 2021, as compared to RMB6.0 million for the year ended December 31, 2020 as we completed our business combination with Syracuse Biopharma (Hong Kong) Limited (“**Syracuse Hong Kong**”) and its subsidiaries (“**Syracuse Group**”) on June 30, 2020 (the “**Acquisition Date**”) and recognized one-time gains; and (iii) a fair value loss of contingent consideration for business combination which amounted to RMB2.1 million for the year ended December 31, 2021, compared to a fair value loss of RMB7.9 million for the year ended December 31, 2020, as we recognized at fair value by discounted cash flow model and classified as a financial liability measured at fair value through profit or loss for the contingent consideration and settled by the Syracuse Holdback Shares issued on October 8, 2021 pursuant to the Asset Purchase Agreement with Eureka and Eureka Therapeutics (Cayman), Inc. (collectively, “**Eureka Group**”), and Syracuse Cayman.

10. Fair Value Changes of Preferred Shares

The fair value changes of preferred shares was a non-cash and non-recurring accounting adjustment recognized as of the Listing Date. For the year ended December 31, 2021, we did not record any losses or gains on fair value changes of preferred shares, compared to RMB1,190.8 million of the fair value losses for the year ended December 31, 2020, as all preferred shares were converted to ordinary shares upon the Listing Date.

11. Fair Value Changes of Warrants

Fair value changes of warrants changed from a loss of RMB34.8 million for the year ended December 31, 2020 to a gain of RMB51.2 million for the year ended December 31, 2021. The change was primarily due to our de-recognition of the warrants of upfront payment defined in the BCMA License Agreement with Juno due to the decision made by BMS to discontinue clinical development of orva-cel.

12. Income Tax Expense

For the year ended December 31, 2020 and 2021, we did not incur any income tax expense, as we did not generate taxable income in either year.

13. Loss for the Year

As a result of the foregoing factors, our loss for the year decreased from RMB1,663.8 million for the year ended December 31, 2020 to RMB702.3 million for the year ended December 31, 2021.

14. Non-IFRS Measure

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

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
	(Audited)	(Audited)
Loss for the year	(702,328)	(1,663,803)
Added:		
Fair value changes of warrants	(51,151)	34,839
Fair value changes of preferred shares	—	1,190,797
Share-based compensation expenses	89,370	134,250
Adjusted loss for the year (Non-IFRS)	(664,109)	(303,917)

Selected Data from Statement of Financial Position

	As at December 31,	
	2021 RMB'000 (Audited)	2020 <i>RMB'000</i> (Audited)
Total current assets	1,895,040	2,647,359
Total non-current assets	1,221,566	1,132,133
Total assets	3,116,606	3,779,492
Total current liabilities	198,900	237,045
Total non-current liabilities	126,849	112,712
Total liabilities	325,749	349,757
Net current assets	1,696,140	2,410,314

15. Liquidity and Sources of Funding and Borrowing

As at December 31, 2021, our current assets amounted to RMB1,895.0 million, including bank balances and cash of RMB1,834.4 million and other current assets of RMB60.6 million. As at the same date, our current liabilities amounted to RMB198.9 million, primarily including trade and other payables of RMB178.7 million and lease liabilities of RMB15.2 million. As at December 31, 2020 and December 31, 2021 we have an unsecured bank borrowings in the amount of RMB100.0 million for the construction of our commercial manufacturing facility in Suzhou, PRC.

16. Key Financial Ratios

The following table sets forth the key financial ratios of our Group as of the dates indicated:

	As at December 31, 2021	As at December 31, 2020
Current ratio ⁽¹⁾	9.5	11.2
Ratio of total liabilities to total assets ⁽²⁾	0.1	0.1
Gearing ratio ⁽³⁾	N/A⁽⁴⁾	N/A ⁽⁴⁾

(1) Current ratio equals current assets divided by current liabilities as of the date indicated.

(2) Ratio of total liabilities to total assets equals total liabilities divided by total assets as of the date indicated.

(3) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by total equity and multiplied by 100%.

(4) Gearing ratio is not applicable as our interest-bearing borrowings less cash equivalents was negative.

17. Material Investments

We did not make any material investments during the year ended December 31, 2021.

18. Material Acquisitions and Disposals

We did not engage in any material acquisitions or disposals during the year ended December 31, 2021.

19. Pledge of Assets

As at December 31, 2021, the Group had no pledge of assets.

20. Contingent Liabilities

As at December 31, 2021, we did not have any material contingent liabilities.

21. Foreign Exchange Exposure

The Group mainly operated in Mainland China and a majority of its transactions were settled in Renminbi, the functional currency of the Company's primary subsidiaries. As at December 31, 2021, a significant amount of the Group's bank balances and cash was denominated in U.S. dollars. Except for certain bank balances and cash, other receivables, trade and other payables denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as at December 31, 2021. The Group currently does not have any foreign currency hedging transactions. However, the management monitors the foreign exchange exposure and will consider hedging significant foreign exchange of the Group exposure should the need arise.

22. Employees and Remuneration

As at December 31, 2021, we had 534 employees. The following table sets forth the total number of employees by function as of December 31, 2021:

	Number of Employees	% of total
Technical operations	222	41.6
Quality	92	17.2
Medical	71	13.3
Business development and general administrative	9	1.7
Commercial	98	18.3
Support	42	7.9
Total	534	100.0

The total remuneration cost (including Directors' emoluments) incurred by the Group for the year ended December 31, 2021 was RMB392.0 million, as compared to RMB259.1 million for the year ended December 31, 2020.

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

The Company has also adopted the Pre-IPO Incentivization Scheme, the Restricted Share Unit Schemes and the Post-IPO Incentivization Scheme. Please refer to the section headed "Statutory and General Information — D. Share Incentivization Schemes" in Appendix V to the Prospectus for further details.

EVENTS AFTER THE REPORTING PERIOD

The Group has the following events taken place subsequent to December 31, 2021:

- On January 31, 2022, JW THERAPEUTICS LLC, an indirect wholly-owned subsidiary of the Company, was incorporated in Delaware of the United States.
- On March 6, 2022, the Company, JW Shanghai (上海藥明巨諾) (an indirect wholly-owned subsidiary of the Company) and Dr. Li, an executive Director, the Chairman and the CEO of the Board and the Chief Executive Officer of the Company, entered into a tri-party agreement, pursuant to which JW Shanghai agrees to withhold the individual income tax in China for Dr. Li in respect of the restricted share units and share options granted to Dr. Li by the Company, which will be funded by a loan in an aggregate principal amount of up to HK\$43.0 million at an interest rate of 3.6% per annum for a term of one year provided by the Company to Dr. Li. The loan is secured by certain shares legally and beneficially owned by Dr. Li himself or through companies wholly-owned by him. For more details, please refer to the announcement of the Company dated March 6, 2022 and the supplemental announcement dated April 14, 2022.

RECENT DEVELOPMENTS OF REGULATORY FRAMEWORK

Guiding Principles for Real-World Data Used to Generate Real-World Evidence (Trial)

In order to further guide and standardize sponsors to use real-world data to generate real-world evidence to support drug development, the Center for Drug Evaluation released the *Guiding Principles for Real-World Data Used to Generate Real-World Evidence (Trial)* (《用於產生真實世界證據的真實世界資料指導原則(試行)》) on April 13, 2021. As a supplement to the *Guiding Principles for Drug Development and Evaluation Supported by Real World Evidence (Trial)* (《真實世界證據支持藥物研發與審評的指導原則(試行)》), this guiding principles provide specific requirements and suggestions on interpretation of applicability of real-world data in terms of their source, evaluation, governance, standards, safety compliance, quality assurance and applicability, etc., to help sponsors better manage and evaluate such data and to procure production of valid real-word evidence.

Implementation Opinions of the General Office of the State Council on Comprehensively Strengthening Supervision Capability on Drugs (Guobanfa [2021] No. 16)

This implementation opinion puts forward requirements for drug supervision from many aspects, which includes continuation on improving construction of the legal and regulatory system, enhancing the standard management ability, strengthen the participation of enterprises and society in the construction of the drug standard system, and strengthen the overall coordination between national, industry, technical, group and corporate standards, encourage innovation, strengthen technical guidance and services for innovative drug applicants, incorporate drug regulatory scientific research into relevant national science and technology plans, and focus on supporting regulatory scientific research in the fields of traditional Chinese medicine, biological products (vaccine), genetic medicine, cell medicine, etc., and accelerate new products being developed and launched, continue to improve the information traceability system and formulate unified drug information traceability standards, strengthen the application of large regulatory data on drugs and medical devices, and promote digital management of the entire life cycle.

Pharmacovigilance Quality Control Specifications

In order to regulate and guide the pharmacovigilance activities of drug marketing authorization holders and drug registration applicants, the State Drug Administration released the *Pharmacovigilance Quality Control Specifications* (《藥物警戒質量管理規範》) (hereinafter referred to as the “**Specifications**”) on May 13, 2021. It requires drug marketing authorization holders and drug registration applicants to actively prepare for the implementation of the Specifications, establish and continuously improve the pharmacovigilance system as required, and standardize the pharmacovigilance activities. The drug marketing authorization holder shall complete the information registration in the National Adverse Drug Reaction Monitoring System within 60 days from the publication date of the Specifications. Each provincial drug regulatory authority shall urge drug marketing license holders within its administrative area to actively prepare for the relevant publicity, implementation and interpretation, supervise and guide drug marketing license holders to implement the Specification as required through strengthening routine inspections, and collect feedback on related issues and opinions in a timely manner. The National Adverse Drug Reaction Monitoring Center uniformly organizes and coordinates the publicity, training and technical guidance of the Specifications, and establish the Specifications column on the official website to answer related questions and opinions in a timely manner. The Specifications will be officially implemented on December 1, 2021.

Measures for the Administration of Drug Inspection (Trial)

In order to implement the *Drug Administration Law* (《藥品管理法》) and *Vaccine Administration Law* (《疫苗管理法》), further standardize drug inspection behavior and promote drug supervision work to adapt to the new situation, the State Food and Drug Administration issued the *Measures for the Administration of Drug Inspection (Trial)* (《藥品檢查管理辦法(試行)》) (hereinafter referred to as the “**Measures**”) on May 24, 2021. It requires all provincial drug regulatory authorities shall formulate implementation rules, refine work requirements, organize inspections of drug production, operation and use, and continue to strengthen supervision and management to perform territorial supervision responsibilities according to the actual conditions of their respective administrative regions. The provincial drug regulatory authorities shall urge drug marketing license holders within their administrative regions to establish and improve drug quality assurance systems, strengthen drug quality management and risk prevention and control capabilities, ensure continuance on legal compliance and quality assurance of drug production and operation. The Measures set out general regulations for the inspection of vaccines and blood products. If there are special regulations for the inspection of such drugs, the regulations shall be followed.

Data Security Law of the People’s Republic of China

The *Data Security Law of the People’s Republic of China* (《中華人民共和國數據安全法》) is a law formulated to regulate data processing activities, ensure data security, promote data development and utilization, protect the legitimate rights and interests of individuals and organizations, and safeguard national sovereignty, security and development interests. It was adopted on the 29th meeting of the Standing Committee of the 13th National People’s Congress of the People’s Republic of China on June 10, 2021 and effective from September 1, 2021.

Measures for the Implementation of Early Resolution Mechanisms for Drug Patent Disputes (Trial)

In order to provide relevant patent dispute resolution mechanisms for the parties involved in the review and approval of relevant drug listings, protect the legitimate rights and interests of drug patent holders, and reduce the risk of patent infringement after the listing of generic drugs, the Center for Drug Evaluation issued *Measures for the Implementation of Early Resolution Mechanisms for Drug Patent Disputes (Trial)* (《藥品專利糾紛早期解決機制實施辦法(試行)》) (hereinafter referred to as the “**Implementation Measures**”) on July 4, 2021. The main contents of the Implementation Measures include: platform construction and information disclosure system, patent right registration system, generic drug patent declaration system, judicial connection and administrative connection system, approval waiting period system, drug review and approval classification processing system, and the first generic drug market exclusive period system, etc.

Management Guidelines for Comprehensive Clinical Evaluation of Drugs (2021 edition Trial)

In order to further implement the decision and deployment of the Party Central Committee and the State Council on improving the drug supply guarantee system, and promote the clinical value of drug development, National Health Committee issued the *Management Guidelines for Comprehensive Clinical Evaluation of Drugs (2021 Edition-Trial Implementation)* (《藥品臨床綜合評價管理指南(2021年版試行)》) (hereinafter referred to as the “**Management Guidelines**”). It requires health administrative departments at all levels to consider people’s health as principal and the clinical value of drugs as the orientation, guide and promote the standardization of relevant subjects to carry out comprehensive clinical evaluation of drugs, and continuously promote the standardization, scientification and homogeneity of comprehensive clinical evaluation of drugs to improve the quality of pharmaceutical services, ensure the supply and rational use of basic clinical drugs, and better serve the needs of national drug policy decisions. The Management Guidelines encourage medical and health institutions to independently or take the lead in building work teams, establish technical consultation and special training systems, and organize comprehensive clinical evaluation of drugs. The Management Guideline stressed that no unit or individual is allowed to illegally obtain or disclose data and information on comprehensive clinical evaluation of drugs, and shall not use or release data and information related to comprehensive clinical evaluation of drugs at the national and provincial levels without authorization by the national and provincial organization and management departments.

DIRECTORS

Executive Director

Dr. Li, M.D., aged 58, is an executive Director, Chairman and CEO. He joined our Group on February 15, 2016 as the chief executive officer and was appointed as our Director on November 14, 2017 and was re-designated as an executive Director on August 5, 2020. He is primarily responsible for the overall corporate management, strategic planning, business development, day-to-day management and product research and development of our Group.

Prior to joining our Company, Dr. Li was the founding general manager for Amgen Biotechnology Consulting (Shanghai) Co., Ltd.* (安進生物技術諮詢(上海)有限公司) (“**Amgen**”) in China from January 2012 to July 2015.

From September 2006 to December 2011, Dr. Li was a partner in the life science practice of Kleiner Perkins Caufield & Byers, first in the US Pandemic Fund and later from December 2009 to January 2012, in its China Fund. He managed various investments such as early stage university spin out, growth stage companies and helped a portfolio company to go public in 2010.

From March 1991 to October 2006, Dr. Li served in various positions at Merck & Co. Inc. (“**Merck**”) where he held leadership positions in clinical research and franchise management, both in the US and Asia, including obtaining regulatory approvals of Merck vaccines across the Asia Pacific region, building the foundations of Merck’s medical operations in China and expanding Merck’s franchise in Asia at the time.

Dr. Li obtained his medical degree from Shanghai Medical College of Fudan University* (復旦大學上海醫學院) (previously known as Shanghai Medical University* (上海醫科大學)) in the PRC in July 1987 and a master’s degree in microbiology from the University of Montana in the United States in December 1991.

Non-executive Directors

Dr. Krishnan Viswanadhan (“**Dr. Viswanadhan**”), aged 43, is a non-executive Director of our Group. He joined our Group on November 20, 2019 and was appointed as a non-executive Director on the same date. He is primarily responsible for supervising and providing oversight to the Board.

Dr. Viswanadhan is President and Chief Operating Officer at Be Biopharma. Prior to this role, he was a senior vice president and global cell therapy franchise lead at BMS since August 2019. Prior to that, he served as Vice President of Business Development and Global Alliances at Celgene. Prior to that role, he was as an executive director, global project leader and development leader in 2014. Prior to that, he served at F. Hoffmann-La Roche Ltd. (“**Roche**”) where he first began as program manager in the drug regulatory department in July 2002. In July 2001, Dr. Viswanadhan was appointed as a post-doctoral fellow at Rutgers University for a two-year program in industrial clinical pharmacy.

Dr. Viswanadhan obtained a bachelor of science degree and a doctor of pharmacy degree from Rutgers University in the United States in May 2001. He obtained a master of business administration degree from Cornell University in the United States in May 2010.

Directors and Senior Management

Ms. Xing Gao (高星) (“Ms. Gao”), aged 37, is a non-executive Director of our Group. She joined our Group on May 22, 2020 and was appointed as a non-executive Director on the same date. She is primarily responsible for supervising and providing oversight to the Board.

Ms. Gao has over 10 years of healthcare investment related experience. She currently serves as a principal at Beijing Panmao Consulting Co., Ltd.* (北京磐茂諮詢有限公司), a member of a leading alternative asset manager in the PRC. Prior to that, she worked as associate at N M Rothschild & Sons Limited from October 2011 to June 2013 and as an analyst at the Bank of America Merrill Lynch from June 2007 to September 2011.

Ms. Gao obtained a bachelor’s degree in biochemical engineering from University College London in the United Kingdom in August 2008 and a master of business administration degree from Harvard Business School in the United States in May 2015.

Dr. Ann Li Lee, Ph.D. (“Dr. Lee”), aged 60, is a non-executive Director of our Group. She joined our Group on May 22, 2020 and was appointed as a non-executive Director on the same date. She is primarily responsible for supervising and providing oversight to the Board.

Dr. Lee possesses over 30 years of experience in the biopharmaceutical industry working on vaccines, small molecules, cell therapies and gene editing. She has worked at Prime Medicine as Chief Technical Officer since October, 2021. She was employed by BMS since November 2019 until July 2021 as senior vice president and head of cell therapy development and operations, and she served at Celgene from April 2018 as executive vice president and head of cell therapy development and operations. Prior to that, she joined Juno as executive vice president of technical operations in November 2017. Earlier in her career, she served as vice president and senior vice president in Genentech, Inc. (“**Genentech**”) and as global head of technical development at Roche. She also worked at Merck beginning in 1989 where she worked in vaccines R&D at levels of increasing responsibility, and was vice president of chemical technology and engineering in the Merck manufacturing division.

Dr. Lee obtained a Ph.D. in engineering and applied science from Yale University in the United States in May 1990. She obtained her bachelor of science degree from Cornell University in the United States in May 1983. She is an elected member of the National Academy of Engineering, fellow of the American Academy of Arts and Sciences and fellow of the American Institute for Medical and Biological Engineering.

Mr. Jinyin Wang (王金印) (“Mr. Wang”), aged 45, is a non-executive Director of our Group. He joined our Group on May 22, 2020 and was appointed as a non-executive Director on the same date. He is primarily responsible for supervising and providing oversight to the Board.

Mr. Wang is currently working at Mirae Asset Global Investments (Hong Kong) Limited since March 2020, advising on securities and asset management. He has over 13 years of private investment experience in China. Prior to his employment with Mirae Asset Global Investments (Hong Kong) Limited, he was appointed as the executive director and a chairman of Standard Chartered Corporate Advisory Co., Ltd in July 2012. He also worked as director at Olympus Capital Investment Co., Ltd.* (美岱安投資諮詢(上海)有限公司) from June 2009 to May 2012. He worked as an associate at Lehman Brothers Asia Limited from June 2007 to September 2008.

Mr. Wang obtained his master of business administration degree from Ross School of Business at University of Michigan in the United States in April 2007. He received his bachelor and master of finance degrees from University of International Business and Economics* (對外經濟貿易大學) in the PRC in June 1998 and June 2001, respectively.

Dr. Cheng Liu (“Dr. Liu”), aged 55, is a non-executive Director of our Group. He joined our Group on June 30, 2020 and was appointed as a non-executive Director on the same date. He is primarily responsible for supervising and providing oversight to the Board.

Dr. Liu is the Founder, President and CEO of Eureka Therapeutics. Prior to founding Eureka, Dr. Liu was a principal scientist in antibody drug discovery at Chiron Corporation (now integrated into Novartis). With over 20 years of experience in the field, he holds more than 500 patents and published patent applications of which over 100 patents have issued worldwide and has authored numerous peer-reviewed papers on cancer immunotherapy. He is the inventor of multiple first-in-class, clinical-stage cancer drugs against various tumor targets, including drugs targeting CSF1 for the treatment of bone metastasis, BCMA for multiple myeloma, and AFP and GPC3 for liver cancer. In 2007, he was awarded a Special US Congressional Recognition for his contributions to improving human health. He is the editor of the book “Biosimilars of Monoclonal Antibodies: A Practical Guide to Manufacturing, Preclinical, and Clinical Development”.

Dr. Liu received his bachelor’s degree in cell biology and genetics from Peking University (北京大學) in the PRC in July 1988 and a Ph.D. in molecular cell biology from the University of California, Berkeley in the United States in May 1996.

Independent Non-executive Directors

Mr. Chi Shing Li (李志成) (“Mr. Li”), aged 64, is an independent non-executive Director of our Group. He joined our Group on October 22, 2020 and was appointed as an independent non-executive Director on the same date. He is primarily responsible for providing independent view to the Board.

Mr. Li is currently working as a vice president and general manager of CSL Behring Asia Pacific Limited since March 2015. He was the chief executive officer of Quality Healthcare Medical Services Limited from January 2012 to February 2015. Prior to that, he started as the vice president of the Asia Pacific region in April 2006 at Cephalon Inc. He spent eight years, between 1997 to August 2005, with Merck, where he held positions of as the regional director of Asia North, with responsibility for leading operations in China, Hong Kong, Korea and Taiwan, vice president for Asia as well as president for China and Hong Kong. He served as the commercial director of Abbott Laboratories Taiwan Limited in 1996. From June 1980 to December 1995, he held various positions at Eli Lilly and Company including Human Resources and training manager of the South East Asia region and director of pharmaceutical marketing in Taiwan and China.

Mr. Li is currently the chairman of the board of CSL Asia Pacific Limited. He was a member of the Steering Committee on Electronic Health Record Sharing established by the Secretary for Food and Health of Hong Kong and facilitated the commencement of the operation of the record sharing system in March 2016. He was member of professional services advisory committee of Hong Kong Trade Development Council from 2012 to March 2015.

Mr. Li obtained his diploma in chemistry from Hong Kong Baptist University in November 1980 in Hong Kong. He achieved a master of business administration degree from the University of East Asia in Macau in September 1986. He achieved his post-graduate diploma in management consulting from the University of Hong Kong in October 2006 in Hong Kong.

Mr. Yiu Leung Andy Cheung (張耀樑) (“Mr. Cheung”), aged 62, is an independent non-executive Director of our Group. He joined our Group on October 22, 2020 and was appointed as an independent non-executive Director on the same date. He is primarily responsible for providing independent view to the Board.

Mr. Cheung has many years of auditing and accounting professional experience. Mr. Cheung has served as an independent director of Adagene Inc. (NASDAQ: ADAG) since February 2021. From July 2018 to June 2020, he was deputy area managing partner of Ernst & Young in (“EY”) Asia Pacific overseeing the business operations, finance, information technology and risk management functions. From July 2013 to June 2018, he was the assurance leader for EY in Greater China. From July 2009 to June 2010, he worked as the chief financial officer of EY Far East Area and led the effort to set up EY’s China overseas investment network in 2007.

Mr. Cheung received his bachelor’s degree in accounting and finance from the University of Lancaster in the United Kingdom in June 1982. He obtained a master’s degree in accounting and finance from London School of Economics in the United Kingdom in August 1983. He is a member of Hong Kong Institute of Certified Public Accountants.

Mr. Kin Cheong Kelvin Ho (何建昌) (“Mr. Ho”), aged 54, is an independent non-executive Director of our Group. He joined our Group on October 22, 2020 and was appointed as an independent non-executive Director on the same date. He is primarily responsible for providing independent view to the Board.

Mr. Ho has over 20 years of experience in finance and accounting, company secretary, initial public offering and debt restructuring. He is currently serving as independent non-executive director of MicroTech Medical (Hangzhou) Co., Ltd. (HKSE: 2235) since April 21, 2021, YaDong Group Holdings Limited (HKSE: 1795) since October 21, 2020, Green Leader Holdings Group Limited (HKSE: 0061) since August 5, 2020, Rosan Resources Holdings Limited (HKSE: 0578) since July 1, 2020.

From August 6, 2018 to February 8, 2022, Mr. Ho was an independent non-executive director of CECEP COSTIN New Materials Group Limited (In Provisional Liquidation) (“**CECEP COSTIN**”) (HKSE: 2228). Based on published information, CECEP COSTIN received a winding up petition and a summons for the appointment of joint provisional liquidators dated October 30, 2017. Mr. Ho’s appointment was subsequent to the winding up petition against CECEP COSTIN. The listing of CECEP COSTIN’s shares on The Stock Exchange of Hong Kong Limited has been cancelled on February 14, 2022. Mr. Ho was also a non-executive director of E-rental Car Company Limited (now known as HongDa Financial Holding Limited) (HKSE: 1822) from April 11, 2016 for a one-year term and he was an independent non-executive director of Cheung Tai Hong Holdings Limited (now known as ITC Properties Group Limited) (HKSE: 0199) from October 29, 2001 to May 20, 2003.

Mr. Ho held multiple managerial roles, including as financial controller and company secretary, in Hong Kong listed companies from 1999 to 2022, namely Shenzhen High-Tech Holdings Limited (now known as Landsea Green Properties Co., Ltd) (HKSE: 0106), Hanny Holdings Limited (now known as Master Glory Group Limited) (HKSE: 0275), Garron International Limited (now known as China Investment and Finance Group Limited) (HKSE: 1226), Anhui Tianda Oil Pipe Company Limited (HKSE: 0839 before being privatized in 2016), FU JI Food and Catering Services Holdings Limited (now known as Fresh Express Delivery Holdings Group Co., Ltd) (HKSE: 1175), Greens Holdings Ltd (HKSE: 1318 before delisted in 2020), Richly Field China Development Limited (HKSE: 0313) and China Wood International Holding Co., Limited (formerly known as HongDa Financial Holding Limited) (HKSE:1822).

Mr. Ho obtained his bachelor’s degree in business administration from Hong Kong Baptist University (previously known as Hong Kong Baptist College) in Hong Kong in November 1990. He is an associate member of the Hong Kong Institute of Certified Public Accountants, and a fellow member of the Association of Chartered Certified Accountants.

SENIOR MANAGEMENT

Mr. Xin Fu (傅欣) (“Mr. Fu”), aged 43, is the senior vice president and chief financial officer of our Company. He joined our Group on July 10, 2020. He is primarily responsible for the financial management of our Group companies, financing activities and investor relations management.

Mr. Fu has approximately 20 years of financial management experience including 12 years of experience in healthcare industry. He served various leadership positions at Pfizer China and responsible for finance and compliance. From July 2018 to July 2020, he was the chief financial officer of Pfizer Investment Co., Ltd.* (輝瑞投資有限公司); from April 2017 to June 2018, he served as the chief compliance officer; from April 2016 to April 2017, he was the acting chief financial officer; from June 2011 to March 2016, he worked as head of business finance and tax; from September 2008 to May 2011, he served as the China tax leader.

Prior to joining Pfizer China, Mr. Fu was a tax manager at KPMG Huazhen LLP* (畢馬威華振會計師事務所) from July 2001 to November 2007.

Mr. Fu obtained a bachelor's degree in accounting from Fudan University (復旦大學) in July 2001 in the PRC. He has been a Certified Management Accountant since 2015.

Dr. Lapyuen Harry Lam, Ph.D. (“Dr. Lam”), aged 63, is the executive vice president and chief technology officer of our Company. Before he joined our Group, he started consulting and advisory work for our Group on cell therapy process development, CMC and manufacturing on March 27, 2017. He joined our Group on September 1, 2018, and is primarily responsible for technical operations. Prior to joining our Group in March 2017, he was our consultant primarily responsible for cell therapy process development, CMC and manufacturing.

Dr. Lam is an experienced management executive with over 30 years of experience in biopharmaceutical technical operations. Prior to joining our Company, he worked as the chief technology officer and vice president of CMC development at Affinita Biotech Inc. from May 2016 to March 2017. Prior to that, he was appointed as vice president of biologics manufacturing at Sanofi US Services Inc. in 2015, and this was preceded by his role as vice president of manufacturing operations at Progenitor Cell Therapy LLC, the global contract development and manufacturing services platform of the Hitachi Chemical Regenerative medicine business sector from September 2014. Before joining Progenitor Cell Therapy LLC, he worked as the head of manufacturing of Kalobios Pharmaceuticals Inc. from January 2014 and this was preceded by his role as vice president of manufacturing of Shire Regenerative Medicine Inc. in 2013.

Prior to Shire Regenerative Medicine Inc., Dr. Lam spent 17 years at Genentech, which became a member of the Roche Group in March 2009, in various departments including in Singapore, and where he was ultimately promoted to head of commercial drug substance, contract manufacturing operations of Genentech. Prior to Genentech, Dr. Lam worked from 1985 to March 1996 at Pfizer.

Dr. Lam received his bachelor's degree in chemical engineering from the University of Birmingham in the United Kingdom in July 1981 and his Ph.D. in chemical engineering from Rensselaer Polytechnic Institute in the United States in December 1985.

Mr. Qiong Wu (吳瓊) (“Mr. Wu”), age 49, is the chief commercial officer of the Company. He joined our Group on September 8, 2020. He is primarily responsible for overall commercial functions, including sales, marketing, market access and channel management.

Prior to joining our Group, from February 2020 to September 2020, Mr. Wu was the Associate Vice President, Head of Hospital Specialty Care Business Unit of Merck Sharp & Dohme. Prior to that, from January 2015 to February 2020, Mr. Wu was the Business Unit Head of Baxter International Inc.

Mr. Wu obtained his bachelor degree in pharmaceutical analysis at China Pharmaceutical University* (中國藥科大學) in July 1993 and his executive master of business administration degree at China Europe International Business School in September 2007.

Dr. Shaun Paul Cordoba (“Dr. Cordoba”), aged 42, is the senior vice president and chief scientific officer of the Company. He joined our Group on January 10, 2022. He is primarily responsible for overseeing the early-stage research and development and providing scientific leadership and strategic guidance to develop a robust cell immunotherapy pipeline.

Dr. Cordoba is a highly regarded scientist in driving new innovations in cell immunotherapy technology. He is ranked 3rd in the world as patent holder in relation to CAR technology with well over 270 patent filings in relation to enhancing CAR activity, shielding CAR-T cells from immunosuppression, and improving CAR safety. Prior to joining JW Therapeutics, Dr. Cordoba served as the executive director of synthetic biology and cell signalling at Autolus Therapeutics plc in the United Kingdom, where he led a group of scientists focused on the development of CARs for both haematological and solid tumors. He obtained a Ph.D. in Immunology from the University of Sydney in Australia and held post-doctoral positions at the University of Oxford, Imperial College London, and University College London, respectively, in the United Kingdom.

Dr. Su Yang (楊蘇) (“Dr. Yang”), aged 43, is an executive director of our Group. She joined our Group on May 23, 2017 and was appointed as an executive director³ of clinical research operations on the same date.

Before joining our Group, Dr. Yang worked as a therapeutic area leader at Roche (China) Holding., Ltd.* (羅氏(中國)投資有限公司) from February 2014 to May 2017.

Dr. Yang obtained her medical degree in clinical medicine from Nanjing Medical University* (南京醫科大學) in the PRC in June 2001.

Directors and Senior Management

Mr. Raymond J. Hage, Jr. (“Mr. Hage”), aged 54, is the senior vice president of the Company. He was appointed as senior vice president of corporate development on January 10, 2022. He is primarily responsible for corporate strategy development and business partnerships to enhance and build the near and long-term pipeline for the Company.

Mr. Hage has a strong business acumen and rich experience in the biotechnology and pharmaceutical industry. He is a founder of Hapten Sciences, and an advisor to companies and venture funds in the biotechnology and vaccine industry. Prior to joining JW Therapeutics, he served as senior vice president of commercial operations and as chief operating officer of Novavax, Inc., a NASDAQ-listed vaccine company in the United States (NASDAQ: NVAX). During his career, Mr. Hage has led several functions including product development, corporate strategy, commercial operations and corporate development, and held positions with Cephalon, Inc. (a wholly-owned subsidiary of Teva Pharmaceutical Industries Ltd.) and Eli Lilly & Co. Mr. Hage obtained a masters degree in business administration from Fisher College of Business of the Ohio State University in the United States.

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

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on September 6, 2017 as an exempted company with limited liability under the laws of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange on November 3, 2020.

PRINCIPAL ACTIVITIES

We are a leading clinical stage cell therapy company in China. Since our founding in 2016, we have built an integrated platform focused on developing, manufacturing and commercializing breakthrough cell-based immunotherapies for hematological cancers and solid tumors. Our vision is to become an innovation leader in cell immunotherapy. Analysis of the principal activities of the Group during the year ended December 31, 2021 is set out in the note 36 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended December 31, 2021 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive loss on pages 116 to 117 of this annual report.

FINAL DIVIDEND

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

No Shareholder has waived or agreed to waive any dividends.

BUSINESS REVIEW

Overview and Performance of the Year

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

Principal Risks and Uncertainties

The following list is a summary of certain principal risks and uncertainties involved in our operations, some of which are beyond our control:

Risks Relating to Our Financial Position

- We have incurred significant losses since our inception, and we expect to continue to incur losses for the foreseeable future;
- We had net operating cash outflow during the four financial years of the Company ended December 31, 2018, 2019, 2020 and 2021;
- An impairment in the carrying value of intangible assets could have a material adverse effect on our financial condition and results of operations.

Risks Relating to Our Business

- Changes in international trade or investment policies and barriers to trade or investment, the ongoing conflict and trade tension war between the U.S. and China may have an adverse effect on our business and expansion plans;
- We operate in a rapidly changing industry and we face substantial competition, which may result in others discovering, developing or commercializing competing products before or more successfully than we do, or developing product candidates or treatments that are safer, more effective, more effectively marketed or cost less than ours, or receive regulatory approval or reach the market earlier. As a result, our product candidates may not achieve the sales we anticipate and could be rendered non-competitive or obsolete;
- Our proprietary CAR-T preparation technologies and the manufacturing platform for our CAR-T product candidates represent emerging approaches to cancer treatment that face significant challenges and hurdles;
- Clinical development of biopharmaceutical products 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;
- If clinical trials of our 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;
- We may not be successful in our efforts to build or in-license a pipeline of new product candidates. If we fail to do so, our commercial opportunity will be limited;

- We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or have a greater likelihood of success.

Risks Relating to Extensive Government Regulation

- All material aspects of the research, development, manufacturing and commercialization of biopharmaceutical products are heavily regulated. Any failure to comply with existing regulations and industry standards, or any adverse actions by the NMPA or other comparable regulatory authorities against us, could negatively impact our reputation and our business, financial condition, results of operations and prospects;
- The regulatory approval processes of the NMPA and other comparable regulatory authorities are lengthy, time-consuming and inherently unpredictable. If we are ultimately unable to obtain, or experience delays in obtaining, regulatory approval for our product candidates, our business will be substantially harmed;
- Changes in government regulations or in practices relating to the pharmaceutical and biopharmaceutical industries, including healthcare reform in China, and compliance with new regulations may result in additional costs;
- Even if we are able to commercialize any approved product candidates, the products may become subject to unfavorable pricing regulations, or to unfavorable changes in national or third-party reimbursement practices, which could harm our business.

Risks Relating to Manufacturing of Our Product Candidates

- Our product candidates are cell therapies. The manufacture of our product candidates is complex, and we may encounter difficulties in production, particularly with respect to development or scaling-out of our manufacturing capabilities. If we encounter such difficulties, our ability to provide supply of our product candidates for clinical trials or our products for patients, if approved, could be delayed or stopped, or we may be unable to maintain a commercially viable cost structure;
- Cell-based therapies rely on the availability of reagents, specialized equipment, and other specialty materials, which may not be available to us on acceptable terms or at all. For some of these reagents, equipment, and materials, we rely or may rely on sole source vendors or a limited number of vendors, which could impair our ability to manufacture and supply our products.

Risks Relating to Commercialization of Our Product Candidates

- The market opportunities for our product candidates may be limited to those patients who are ineligible for or have failed prior treatments and may be small, and our projections regarding the size of the addressable market may be incorrect;
- We may not be successful in achieving cost of goods at commercial scale that provide for an attractive margin. We believe that our current, robust manufacturing processes are fit for commercial scale and we anticipate they will enable commercial supply at an economical cost. However, we have not yet established manufacturing capacity at sufficient commercial scale and may underestimate the cost and time required to do so, or overestimate cost reductions from economies of scale that can be realized with our manufacturing processes. We may ultimately be unable to manage the cost of goods for our product candidates to levels that will allow for a margin in line with our expectations and return on investment if and when those product candidates are commercialized;
- Product liability claims or lawsuits could cause us to incur substantial liabilities, and our insurance coverage may be inadequate to protect us from all the liabilities we may incur;
- The increasing use of social media platforms presents new risks and challenges.

Risks Relating to Our Intellectual Property Rights

- We depend on intellectual property licensed from third parties, and termination of any of these licenses or disruption to our business relationship with our licensors could result in monetary damages or the loss of significant rights, which would harm our business;
- If we or our licensors are unable to obtain and maintain adequate patent and other intellectual property protection for our product candidates and other intellectual property, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and our ability to successfully develop and commercialize any of our product candidates or technologies may be adversely affected;
- If we determine that our intellectual property rights (including rights in-licensed from third parties) or other intangible assets are impaired, our results of operations and financial condition may be adversely affected;

- Even if we are able to obtain patent protection for our product candidates, the life of such protection, if any, is limited, and third parties could be able to circumvent our patents by developing similar or alternative products and technologies in a non-infringing manner, or develop and commercialize products and technologies similar or identical to ours and compete directly against us after the expiration of our patent rights, if any, and our ability to successfully commercialize any product or technology would be materially adversely affected.

Risks Relating to Our Doing Business in China

- The biopharmaceutical industry in China is highly regulated and such regulations are subject to change, which may affect approval and commercialization of our product candidates;
- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies;
- Our business benefits from certain financial incentives and preferential policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.

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.

For further details, please refer to the section headed “Risk Factors” in the Prospectus.

Environmental Policies and Performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth.

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

Key Relationship with Stakeholders

The Group recognizes that various stakeholders including employees, medical experts, patients, customers, suppliers and other business associates are key to the Group's success. The Group strives to achieve corporate sustainability through engaging, educating, collaborating, and cultivating strong relationships with them. The Group believes that it is vital to attract, recruit and retain quality employees. To maintain the quality, knowledge and skill levels of the Group's workforce, the Group provides the employees with periodic training, including introductory training for new employees, technical training, professional and management training and health and safety training. The Group believes that it maintains a good relationship with its employees and the Group did not experience any significant labor disputes or any difficulty in recruiting staff for its operations. The Group conducts academic marketing activities to establish and maintain relationships with key opinion leaders in the national medical system. The Group provides these experts with detailed information on its products and helps them make independent comparison among competing products in the market. The Group also maintains long-term cooperative relationships with medical experts to help raise the Group's profile, enhance awareness of Group's products in the medical community and among patients, provide it with valuable clinical data to improve the Group's products, and collect feedback from the real world clinical practices and support on the patients group and comply with physicians to manage the side effects. For details of an account of the Company's key relationships with its main stakeholders, please see the "Environmental, Social and Governance Report" to be published in May 2022.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last four financial years are set out on page 9 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

Our shares were listed on the Main Board of the Hong Kong Stock Exchange on November 3, 2020. The Group received net proceeds (after deducting the underwriting fees and related costs and expenses) from the issue of new shares by the Company in its Listing and the subsequent over-allotment option partially exercised by the Joint Global Coordinators approximately HK\$2,495.8 million. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus as follows and the Company will gradually utilize the residual amount of the net proceeds in accordance with such intended purposes depending on actual business needs.

The net proceeds (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2021:

Intended Applications	Amount of net proceeds (HK\$ million)	Percentage of total net proceed	Net proceeds brought forward for the Reporting Period (HK\$ million)	Actual usage up to December 31, 2021 (HK\$ million)	Unutilized net proceeds as at December 31, 2021 (HK\$ million)
Research and development activities relating to relma-cel	748.74	30%	739.44	400.80	338.64
Building a focused in-house sales and marketing team to market relma-cel across Mainland China	249.58	10%	242.88	184.87	58.01
Research and development activities relating to JWCAR129	149.75	6%	143.85	60.72	83.13
Research and development activities relating to our other pre-clinical product candidates including our JWATM203 Program, our JWATM204 Program and Nex-G	698.82	28%	696.23	79.21	617.02
Acquisition of the Acepodia license through exercising the Acepodia Option	99.83	4%	99.83	—	99.83
New potential acquisitions and in-licensing opportunities	299.50	12%	299.50	—	299.50
Working capital and general corporate purposes	249.58	10%	234.53	110.70	123.83
Total	2,495.80	100.0%	2,456.26	836.30	1,619.96

The 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 market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

During the Reporting Period, the Group derived revenue from sales of our anti-CD19 autologous CAR-T cell immunotherapy product Carteyva®. For the year ended December 31, 2021, the Group's sales to its five largest customers accounted for 100% (2020: nil) of the Group's total revenue and our single largest customer accounted for 100% (2020:nil) of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2021, the Group's five largest suppliers accounted for 20% (2020: 20%) of the Group's total purchases and our single largest supplier accounted for 7% (2020:7%) of the Group's total purchases.

During the Reporting Period, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2021 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2021 are set out in note 24 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended December 31, 2021 are set out in the consolidated statement of changes in equity on page 120 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company's reserves available for distribution, amounted to approximately RMB2.7 billion (as at December 31, 2020: RMB3.4 billion).

TAXATION

Tax position of the Company for the year ended December 31, 2021 is set out in note 12 to the consolidated financial information.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at December 31, 2021 are set out in note 29 to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as otherwise disclosed in this annual report, the Company has no other future plans for material investments or capital assets.

DIRECTORS

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

Executive Director

Dr. Yiping James Li (*Chairman*)

Non-executive Directors

Mr. Hans Edgar Bishop (*resigned on December 3, 2021*)

Dr. Krishnan Viswanadhan

Ms. Xing Gao (高星)

Dr. Ann Li Lee

Mr. Jinyin Wang (王金印)

Dr. Cheng Liu

Independent Non-executive Directors

Mr. Yanling Cao (曹彥凌) (*resigned on December 3, 2021*)

Mr. Chi Shing Li (李志成)

Mr. Yiu Leung Andy Cheung (張耀樑)

Mr. Kin Cheong Kelvin Ho (何建昌)

In accordance with article 16.2 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

In accordance with article 16.19 of the Articles of Association, Ms. Xing Gao (高星), Mr. Chi Shing Li (李志成) and Mr. Yiu Leung Andy Cheung (張耀樑) shall retire by rotation, and being eligible, have offered themselves for re-election at the forthcoming AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders dated May 13, 2022.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 41 to 48 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent throughout the year ended December 31, 2021 and remain so as of the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

(a) Executive Director

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

(b) Non-executive Directors and Independent Non-executive Director

Each of the non-executive Directors and the independent non-executive Directors has entered into an appointment letter with our Company for a period of three years with effect from the date of the Prospectus (i.e. October 22, 2020) or until the third annual general meeting of the Company after the Listing Date, whichever is earlier.

The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association and the applicable Listing Rules.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party for during the year ended December 31, 2021 and up to the date of this annual report.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

The Company has no controlling shareholder.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended December 31, 2021 and up to the date of this annual report.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2021, we had 534 employees. The following table sets forth the total number of employees by function as of December 31, 2021:

	Number of Employees	% of total
Technical operations	222	41.6
Quality	92	17.2
Medical	71	13.3
Business development and general administrative	9	1.7
Commercial	98	18.3
Support	42	7.9
Total	534	100.0

The total remuneration cost (including Directors' emoluments) incurred by the Group for the year ended December 31, 2021 was RMB392.0 million, as compared to RMB259.1 million for the year ended December 31, 2020.

The Company also has adopted the Pre-IPO Incentivization Scheme, the Restricted Share Unit Schemes and the Post-IPO Incentivization Scheme. Please refer to the sections headed "Pre-IPO Incentivization Scheme", "Restricted Share Unit Schemes" and "Post-IPO Incentivization Scheme" in this report for further details.

PENSION AND EMPLOYEE BENEFITS SCHEME

Our employees' remuneration consists of salaries, bonuses, employees' provident fund, and social security contributions, other welfare payments and share-based compensation expenses. In accordance with applicable PRC laws, we have made contributions to social security insurance funds (including pension plan, unemployment insurance, work-related injury insurance, medical insurance and maternity insurance) and housing funds for our employees. Details of the retirement and employee benefits scheme of the Company are set out in note 10 to the consolidated financial statements.

CHANGES IN DIRECTOR'S INFORMATION

Name of Director	Change
Mr. Hans Edgar Bishop	Mr. Bishop resigned as a non-executive Director and a member of the remuneration committee of the Company with effect from December 3, 2021.
Mr. Yanling Cao (曹彥凌)	Mr. Cao resigned as an independent non-executive Director and a member of the nomination committee of the Company with effect from December 3, 2021.
Mr. Yiu Leung Andy Cheung (張耀樑)	Mr. Cheung has been appointed as an independent director of Adagene Inc. (NASDAQ: ADAG) with effect from February 2021.
Mr. Kin Cheong Kelvin Ho (何建昌)	<p>Mr. Ho has been appointed as an independent non-executive director of Yadong Group Holdings Limited (HKSE: 1795) with effect from October 21, 2020 and an independent non-executive director of MicroTech Medical (Hangzhou) Co., Ltd. (HKSE: 2235) with effect from April 21, 2021.</p> <p>Mr. Ho has been appointed as a member of the nomination committee of the Company with effect from December 3, 2021.</p>
Dr. Ann Li Lee	Dr. Lee has been appointed as a member of the remuneration committee of the Company with effect from December 3, 2021.

Save as disclosed above and in the section headed "Directors and Senior Management" in this annual report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at December 31, 2021, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

(i) Interest in Shares and underlying Shares

Name of Director	Capacity/Nature of Interest	Number of Shares/ Underlying Shares	Approximate Percentage of Shareholding in the Company	Long position/ Short position/ Lending pool
Dr. Li ⁽¹⁾	Beneficial interest	18,623,515	4.57%	Long position
	Interest in controlled corporation	3,206,460	0.79%	Long position
	Founder and trustee of discretionary trust	6,000,000	1.47%	Long position
Mr. Liu Cheng	Beneficial interest	7,137,082	1.75%	Long position

Notes:

- (1) Dr. Li held (i) 1,500,000 Shares through his direct interests in JDI Capital Management Limited, (ii) 1,706,460 Shares through his indirect interests in Park Place Capital Management & Consulting Limited and (iii) 6,000,000 Shares held by The Yiping James Li 2020 Grantor Retained Annuity Trust for Dr. Li, with annuity payments to Dr. Li and with remainder interests, if any, to his family members, with Dr. Li as founder and trustee. Park Place Capital Management & Consulting Limited is wholly-owned by JDI Capital Management Limited which in turn is wholly-owned by Dr. Li.

On April 27, 2021, a total of 4,699,530 Restricted Share Units was vested and issued to Dr. Li. On September 30, 2021, the Company granted Dr. Li 4,017,749 share options under the Post-IPO Incentivization Scheme and 2,017,146 restricted share units under the Restricted Share Unit Scheme. As at December 31, 2021, Dr. Li is interested in a total of 10,144,445 underlying Shares in the Company, which comprises 6,126,696 Restricted Share Units granted to him pursuant to the Restricted Share Unit Scheme and 4,017,749 share options granted to him pursuant to the Post-IPO Incentivization Scheme.

Accordingly, Dr. Li is interested in an aggregate of 27,829,975 Shares in the Company.

- (2) The calculation is based on the total number of 407,629,097 Shares in issue as at December 31, 2021.

Save as disclosed above, as at December 31, 2021, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at December 31, 2021, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares/ Underlying Shares	Approximate Percentage of Shareholding in the Company	Long position/ Short position/ Lending pool
Juno ⁽¹⁾	Beneficial interest	70,231,140	17.23%	Long position
Celgene Corporation ⁽¹⁾	Interest in controlled corporation	70,231,140	17.23%	Long position
BMS ⁽¹⁾	Interest in controlled corporation	70,231,140	17.23%	Long position
Dr. Li ⁽²⁾	Beneficial interest, interest in controlled corporation, founder and trustee of discretionary trust	27,829,975	6.83%	Long position
Li Dan ⁽³⁾	Interest of spouse	27,829,975	6.83%	Long position

Notes:

- (1) As at December 31, 2021, Juno directly held 70,231,140 Shares. Pursuant to the BCMA License Agreement, the 4,665,530 Juno Settlement Shares may be issued to Juno upon exercise of the second warrant as part of the second upfront payment in relation to Juno's orva-cel. In February 2021, BMS announced that it would discontinue clinical development of orva-cel and therefore, the 4,665,530 Juno Settlement Shares shall no longer be issued to Juno. Juno is wholly-owned by Celgene which is in turn wholly-owned by BMS. As such, under the SFO, BMS (through its interest in a controlled corporation) is deemed to be interested in 70,231,140 Shares held by Juno.
- (2) As at December 31, 2021, Dr. Li held (i) 1,500,000 Shares through his direct interests in JDI Capital Management Limited, (ii) 1,706,460 Shares through his indirect interests in Park Place Capital Management & Consulting Limited and (iii) 6,000,000 Shares held by The Yiping James Li 2020 Grantor Retained Annuity Trust for Dr. Li, with annuity payments to Dr. Li and with remainder interests, if any, to his family members, with Dr. Li as founder and trustee. Park Place Capital Management & Consulting Limited is wholly-owned by JDI Capital Management Limited which in turn is wholly-owned by Dr. Li.

On April 27, 2021, a total of 4,699,530 Restricted Share Units was vested and issued to Dr. Li. On September 30, 2021, the Company granted Dr. Li 4,017,749 share options under the Post-IPO Incentivization Scheme and 2,017,146 restricted share units under the Restricted Share Unit Scheme. As at December 31, 2021, Dr. Li is interested in a total of 10,144,445 underlying Shares in the Company, which comprises 6,126,696 Restricted Share Units granted to him pursuant to the Restricted Share Unit Scheme and 4,017,749 share options granted to him pursuant to the Post-IPO Incentivization Scheme.

Accordingly, Dr. Li is interested in an aggregate of 27,829,975 Shares in the Company.

- (3) Li Dan's spouse, Dr. Li, was interested in 27,829,975 Shares and therefore Li Dan was deemed to be interested in the same number of Shares.
- (4) The calculation is based on the total number of 407,629,097 Shares in issue as at December 31, 2021.

Save as disclosed above, as at December 31, 2021, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE INCENTIVIZATION SCHEMES

Pre-IPO Incentivization Scheme

In order to attract, retain and motivate employees, Directors and such other eligible persons and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees, directors and other persons to participate in the growth and profitability of the Group, our Company adopted the Pre-IPO Incentivization Scheme on September 4, 2019. The terms of the Pre-IPO Incentivization Scheme are not subject to the provisions of Chapter 17 of the Listing Rules. For more details of the Pre-IPO Incentivization Scheme, please refer to "Statutory and General Information — D. Share Incentivization Schemes — 1. Pre-IPO Incentivization Scheme" of Appendix V to the Prospectus.

The maximum number of Shares in respect of which awards may be granted under the Pre-IPO Incentivization Scheme and the Restricted Share Unit Scheme shall not, in aggregate exceed 36,031,500 Shares (subject to possible adjustments) which is a shared common pool, which represents approximately 8.84% of the total issued share capital of the Company as at December 31, 2021. The Pre-IPO Incentivization Scheme will remain in force for a period of ten years unless terminated sooner, and has a remaining term of approximately 8 years as at the date of this annual report.

Report of Directors

Movement of the options, which were granted under the Pre-IPO Incentivization Scheme during the Reporting Period is as follows:

Category	Grant date	Exercise price (US\$/Share)	Vesting commencement date ⁽¹⁾ and ⁽²⁾	Outstanding as at January 1, 2021	Granted	Exercised	Cancelled	Lapsed	Outstanding as at December 31, 2021
Continuous Contract Employees	September 10, 2020	0.00001	July 1, 2020	3,529,840	0	0	0	0	3,529,840
	June 30, 2020	0.0001	between July 1, 2019 and July 1, 2020	2,165,690	0	147,240	0	690,500	1,327,950
	September 4, 2019	0.1	between April 1, 2016 and July 1, 2019	2,931,540	0	1,014,030	0	422,310	1,495,200
	September 4, 2019	0.655	between April 1, 2018 and April 1, 2019	396,850	0	10,120	0	0	386,730
Total				<u>9,023,920</u>	<u>0</u>	<u>1,171,390</u>	<u>0</u>	<u>1,112,810</u>	<u>6,739,720</u>

Notes:

- (1) Options granted generally vest over a four-year period. There are two types of vesting schedules: (i) with 30% of total options vesting on the second anniversary of the vesting commencement date and the remaining 30% and 40% shall vest on the third anniversary and fourth anniversary of the vesting commencement date, respectively; and (ii) with 25% of total options vesting on the first anniversary of the vesting commencement date and the remaining 25%, 25% and 25% shall vest on the second anniversary, third anniversary and fourth anniversary of the vesting commencement date, respectively.
- (2) The respective offer letter sets out the option period of 10 years for each corresponding grantee.
- (3) The closing price of the Shares immediately before the dates on which the options were granted was not applicable as the Company was not yet listed on the dates of grant during the Reporting Period.
- (4) There are no grants to directors, chief executive or Substantial Shareholders of the Company, or their respective associates. There are no participants with options granted in excess of the individual limit. There are no grants to suppliers of goods and services.

Restricted Share Unit Schemes

In order to attract, retain and motivate employees, Directors and such other eligible persons and to provide a means of compensating them through the grant of RSUs for their contribution to the growth and profits of the Group, and to allow such employees, directors and other persons to participate in the growth and profitability of the Group, our Company adopted the Restricted Share Unit Schemes on September 4, 2019 and October 14, 2020, respectively. The terms of the Restricted Share Unit Schemes are not subject to the provisions of Chapter 17 of the Listing Rules. For more details of the Restricted Share Unit Schemes, please refer to “Statutory and General Information — D. Share Incentivization Schemes — 2. Restricted Share Unit Schemes” of Appendix V to the Prospectus.

The maximum number of Shares in respect of which awards may be granted under the Pre-IPO Incentivization Scheme and the Restricted Share Unit Scheme shall not, in aggregate exceed 36,031,500 Shares (subject to possible adjustments) which is a shared common pool, which represents approximately 8.84% of the total issued share capital of the Company as at December 31, 2021. The Restricted Share Unit Schemes will remain in force for a period of ten years unless terminated sooner, and has a remaining term of approximately 8 years as at the date of this annual report.

As at December 31, 2021, pursuant to the Restricted Share Unit Schemes, the Company had granted to directors, executives and employees of the Group outstanding RSUs representing an aggregate of 5,405,264 Shares, accounting for approximately 1.33% of the total issued share capital of the Company as at December 31, 2021.

Details of RSUs granted under the Pre-IPO Restricted Share Unit Scheme during the Reporting Period are as follows:

Category	Grant date	Outstanding as at January 1, 2021	Number of Shares underlying RSUs during the Reporting Period			Outstanding as at December 31, 2021
			Granted	Vested	Forfeited	
Directors						
Dr. Li	June 30, 2020	8,809,080	0	4,699,530	0	4,109,550
	September 30, 2021	N/A	2,017,146	0	0	2,017,146
Mr. Hans Edgar Bishop (resigned as a director on December 3, 2021 and remains as a senior advisor)	September 10, 2020	757,650	0	378,825	0	378,825
Continuous Contract Employees	September 4, 2019, June 30, 2020 and September 10, 2020	6,151,860	0	1,795,689	998,880	3,357,291
Total		<u>15,718,590</u>	<u>2,017,146</u>	<u>6,874,044</u>	<u>998,880</u>	<u>9,862,812</u>

Report of Directors

Details of RSUs granted under the Post-IPO Restricted Share Unit Scheme during the Reporting Period are as follows:

Category	Grant date	Outstanding as at January 1, 2021	Number of Shares underlying RSUs during the Reporting Period			Outstanding as at December 31, 2021
			Granted	Vested	Forfeited	
Continuous Contract Employees	September 30, 2021	N/A	2,915,936	0	179,002	2,736,934
	December 17, 2021	N/A	472,182	0	0	472,182
Total		N/A	3,388,118	0	179,002	3,209,116

Notes:

- (1) RSUs granted generally vest over a four-year period. There are two types of vesting schedules: (i) with 30% of total options vesting on the second anniversary of the vesting commencement date and the remaining 30% and 40% shall vest on the third anniversary and fourth anniversary of the vesting commencement date, respectively; and (ii) with 25% of total options vesting on the first anniversary of the vesting commencement date and the remaining 25%, 25% and 25% shall vest on the second anniversary, third anniversary and fourth anniversary of the vesting commencement date, respectively.
- (2) There are no participants with options granted in excess of the individual limit. There are no grants to suppliers of goods and services.
- (3) Shares were issued to settle the vested RSUs pursuant to the Pre-IPO Restricted Share Unit Scheme in February, April and July 2021.

Post-IPO Incentivization Scheme

The Company has adopted the Post-IPO Incentivization Scheme by resolutions passed by the Company on October 14, 2020, with effect upon completion of the Listing. For more details of the Post-IPO Incentivization Scheme, please refer to “Statutory and General Information — D. Share Incentivization Schemes — 3. Post-IPO Incentivization Scheme” of Appendix V to the Prospectus.

The purpose of the Post-IPO Incentivization Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Post-IPO Incentivization Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

Under the Post-IPO Incentivization Scheme, the Company is authorized to issue up to 37,617,622 Shares (subject to possible adjustments), which represents approximately 9.23% of the total issued share capital of the Company as at the date of this annual report. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Incentivization Scheme and any other share option scheme of our Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the “**Individual Limit**”). Any further grant of options in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders’ approval in general meeting of our Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders’ approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules. The Post-IPO Incentivization Scheme will remain in force for a period of ten years unless terminated sooner, and has a remaining term of approximately 8 years as at the date of this annual report.

The subscription price per Share under the Post-IPO Incentivization Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of the offer of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations for the five Business Days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five Business Days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any Business Day falling within the period before Listing); and (iii) the nominal value of a Share on the date of grant. A nominal consideration of HK\$1.00 is payable upon acceptance of the grant of an option.

Movement of the options, which were granted under the Post-IPO Incentivization Scheme during the Reporting Period is as follows:

Category	Grant date	Exercise price (HK\$/Share)	Closing price immediately before the date of grant (HK\$/Share)	Outstanding as at January 1, 2021	Granted	Exercised	Cancelled	Lapsed	Outstanding as at December 31, 2021
Director									
Dr. Li	September 30, 2021	16.20	14.74	N/A	4,017,749	0	0	0	4,017,749
Continuous Contract Employees									
	September 30, 2021	16.20	14.74	N/A	3,021,181	0	0	179,602	2,841,579
	December 17, 2021	11.992	11.36	N/A	754,254	0	0	0	754,254
Total				N/A	7,793,184	0	0	179,602	7,613,582

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company or any of its subsidiaries during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at December 31, 2021, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

TAX RELIEF

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

CONTINUING CONNECTED TRANSACTIONS

For the year ended December 31, 2021, the Group had entered into certain partially-exempt continuing connected transactions and non-exempt continuing connected transactions as set out below. For detailed terms of such partially-exempt continuing connected transactions and non-exempt continuing connected transactions, please refer to the section headed "Connected Transactions" in the Prospectus.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Vector Supply Agreements

Principal terms

Our Company entered into vector supply agreements with Juno on June 29, 2020 and June 19, 2020, pursuant to which we agree to procure viral vectors from Juno in connection with the clinical development of relma-cel and JWCAR129, as well as the commercialization of relma-cel, subject to the terms and conditions therein (the "**Vector Supply Agreements**"). The Vector Supply Agreements are effective from the date of the agreement and will expire on the later of (i) three years from the date of agreement or (ii) the completion of services provided under the relevant Vector Supply Agreement prior to the third anniversary of the date of agreement. The terms of the Vector Supply Agreements may be extended only upon mutual agreement.

Reasons for and benefits of the transactions

Juno is a global leading company in the development of cell therapies. Juno procures viral vectors from independent contractors globally for both clinical stage developments as well as anticipated commercialization of its own pipeline products. Our pipeline products, relma-cel and JWCAR129, are developed based on the CAR construct we in-licensed from Juno and share similar characteristics and requirements for viral vector supplies. Accordingly, Juno has been providing the Group with high quality and cost effective supply of viral vectors for our research and development of relma-cel and JWCAR129 during the Track Record Period, as well as the anticipated commercialization of relma-cel.

Annual cap

For the three years ended/ending December 31, 2020, 2021 and 2022, the total amount payable by our Group to Juno under the Vector Supply Agreements is not expected to exceed US\$0.6 million (equivalent to RMB4,027,560), US\$3.2 million (equivalent to RMB21,480,320) and US\$12.8 million (equivalent to RMB85,921,280), respectively.

During the year ended December 31, 2021, the total amount payable by our Group to Juno under the Vector Supply Agreements amounted to US\$1.39 million (equivalent to RMB8,958,000), which falls within the proposed annual cap as set out above.

Listing Rules Implications

As at December 31, 2021, the Company was directly owned as to 17.23% by Juno, Juno is therefore one of the Substantial Shareholders. Pursuant to Rule 14A.07(1) of the Listing Rules, Juno is a connected person of our Company. Therefore, the transactions contemplated under the Vector Supply Agreements constitute continuing connected transactions of the Company under the Listing Rules.

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors and the auditor of the Company have reviewed the transactions in relation to the Vector Supply Agreements on an annual basis and confirmed the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

License and Strategic Alliance Agreement with Juno

Principal terms

The Company entered into the License and Strategic Alliance Agreement with Juno on December 13, 2017, pursuant to which the Company has the right of first negotiation to license or obtain the rights to Juno's engineered T-cell pipeline product candidates in the field of treatment or amelioration of cancer or auto-immune disorders for further development and commercialization in Mainland China, Hong Kong and Macau (the "**Territory**"). Juno also granted us an exclusive, sublicensable, transferable and fee-bearing license under Juno's interest in or Juno's license rights to certain patent rights and know-how, and a non-exclusive, sublicensable, transferable and fee-bearing license under certain patent rights and know-how covering Juno's platform technology, solely to research, develop, commercialize, and manufacture or have manufactured relma-cel in Mainland China, Hong Kong and Macau. For further details, please refer to the section headed "Business — Collaboration and License Agreements — License Agreements with Juno" in the Prospectus. In consideration of the rights granted to us, we are required to make various upfront, milestone, royalty payments and reimbursement to Juno and the Company has set caps for milestone payment, royalty payment and reimbursement under the License and Strategic Alliance Agreement (which does not affect the Company's payment obligations under the License and Strategic Alliance Agreement but merely set for the purpose of complying with the Listing Rules) as follows:

Upfront payment : The Company shall provide Juno upfront share-based payment by (i) issuing Series A1 Preferred Shares to Juno in Series A1 financing with an aggregate value of approximately US\$8.9 million and (ii) issuing such number of Series A2 Preferred Shares to Juno in Series A2 financing such that immediately following closing of the Series A2 financing, Juno will be the holder of such number of Shares, Series A1 Preferred Shares and Series A2 Preferred Shares that together represent an indirect ownership interest of 35% of all of the equity interests in JW Shanghai on a fully-diluted basis.

The Company made the above upfront payment by issuing 641,975 Series A1 Preferred Shares on February 23, 2018 and 3,316,825 Series A2 Preferred Shares to Juno on May 9, 2019. All such Series A1 Preferred Shares and Series A2 Preferred Shares will be converted into ordinary shares upon Listing.

Milestone payment : The Company to provide Juno milestone payment in cash in an amount of US\$5 million based on earlier occurrence of (i) milestone events relating to certain regulatory approvals and (ii) treatment of 100 patients with relma-cel in clinical trials.

For the year ended December 31, 2021, the Company provided Juno milestone payment in cash in an amount of US\$5 million upon the completion of the treatment of 100 patients with relma-cel in clinical trials in January 2021.

Royalty payment : We are required to pay Juno royalty payments in cash for relma-cel and any related diagnostic products based on annual net sales in the Territory, subject to certain adjustments in specified circumstances under the License and Strategic Alliance Agreement.

For the year ended December 31, 2021, royalty payment amounted to US\$0.29 million was accrued in December 2021, and was paid by the Company to Juno in February 2022.

Reimbursement : We are required to pay to Juno in cash the sum of, among others, all milestone payments and royalties owed by Juno to third parties with respect to relma-cel and related diagnostic products in the Territory pursuant to in-license agreements existing at the time of such development or commercialization.

For the year ended December 31, 2021, no reimbursement was made by the Company to Juno.

Caps for milestone payment, royalty payment and reimbursement : The annual cap for the milestone payment to be paid to Juno pursuant to the License and Strategic Alliance Agreement will be US\$5 million, US\$5 million and nil for 2020, 2021 and 2022 respectively taking into account the uncertainties on the precise timing of the one milestone event triggering the milestone payment (i.e. earlier of treating 100 patients with relma-cel in clinical trials or certain regulatory approvals) which is likely to occur in either 2020 or 2021 but in any event, such milestone payment will not be more than US\$5 million in aggregate.

(Note 1)

The annual cap for royalty payment and reimbursement to be paid to Juno pursuant to the License and Strategic Alliance Agreement for 2020, 2021 and 2022 will be determined in accordance with the following formula:

Annual cap for royalty payment and reimbursement = 16% × annual net sales of the relevant products

(1) The caps do not affect the Company's payment obligations under the License and Strategic Alliance Agreement and are merely set for the purpose of complying with the Listing Rules.

The License and Strategic Alliance Agreement became effective on December 13, 2017 and continues until the later of (i) the expiration or termination of all then existing Juno pipeline product licenses; or (ii) the expiration of the royalty term. The royalty term applies on a product-by-product and country-by-country basis commencing upon the first commercial sale of relma-cel or a related diagnostic product in the Territory, with the end date varying depending on the type of royalty owed to Juno. It may also be terminated earlier by mutual agreement, by either party for the other party's uncured material breach that has frustrated the fundamental purpose of this agreement, upon our or JW Shanghai's dissolution, by either party upon the bankruptcy of the other party, or by Juno if either party receives notice from the relevant regulatory authority alleging significant concerns regarding a patient safety issue that Juno reasonably believes would seriously impact the long-term viability of relma-cel. For further details of the License and Strategic Alliance Agreement, please refer to the section headed "Business — License Agreements with Juno — Rights In-licensed from Juno — Relma-cel" in the Prospectus.

Reasons for and benefits of the transactions

As the Company is a clinical and pre-clinical stage cell therapy company in the early stages of development, the licenses, technologies and know-how granted by Juno are essential to our development process. Juno and our Company established a strategic alliance to utilize Shanghai Ming Ju to conduct clinical trials in connection with the research, development, manufacturing and commercialization of certain cellular therapy products, including relma-cel, in China.

The royalty payment is a revenue sharing arrangement which was determined after arm's length negotiations between us and Juno, taking into account that it is common practice to share future sales revenue and proceeds from transfer of sub-licensing rights which in turn lowers the upfront fixed payment payable by the licensee in the Chinese biopharmaceutical market, according to Frost & Sullivan.

Listing Rules Implications and Waivers from the Stock Exchange under the License and Strategic Alliance Agreement with Juno

As at December 31, 2021, the Company was directly owned as to 17.23% by Juno, Juno is therefore one of the Substantial Shareholders. Pursuant to Rule 14A.07(1) of the Listing Rules, Juno is a connected person of our Company. Therefore, the transactions contemplated under the License and Strategic Alliance Agreement with Juno constitute continuing connected transactions of the Company under the Listing Rules.

The Stock Exchange has granted the waiver from strict compliance with the requirement under Rule 14A.53 of the Listing Rules in respect of the continuing connected transactions under the License and Strategic Alliance Agreement subject to the following conditions:

- (1) the Company will comply with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the License and Strategic Alliance Agreement;
- (2) the Company will designate a team to execute and ensure that the transactions in relation to the License and Strategic Alliance Agreement are undertaken in accordance with the terms therein;

- (3) our CEO, Dr. Li, will use his best endeavours to supervise the compliance with the terms of the License and Strategic Alliance Agreement and applicable Listing Rules requirements to the extent not waived by the Stock Exchange on a regular basis;
- (4) the independent non-executive Directors and the auditor of the Company will review the transactions in relation to the License and Strategic Alliance Agreement on an annual basis and confirm in our annual reports the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively;
- (5) the Company will disclose in the Prospectus the background for entering into the License and Strategic Alliance Agreement, the terms of the License and Strategic Alliance Agreement, the grounds for the waiver sought and the Directors' and Joint Sponsors' views on the fairness and reasonableness of the transactions under the License and Strategic Alliance Agreement;
- (6) after three years from the commencement of the commercial sales of relma-cel and related diagnostic products, our Company will set monetary caps by making announcement(s) (where appropriate) for the purpose of Rule 14A.53 of the Listing Rules; and such transaction will be subject to, among others, circular and independent shareholders' approval requirements if the highest applicable percentage ratio is more than 5%. In addition, our Company will disclose in its annual report a clear description of the basis for calculating the fees payable to Juno under the License and Strategic Alliance Agreement and any changes to such basis would be subject to independent shareholders' approval;
- (7) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of the Prospectus on the above continuing connected transactions, the Company will take immediate steps to ensure compliance with such new requirements;
- (8) apart from complying with reporting, announcement and independent Shareholders' approval requirements, setting a term of not exceeding three years and setting fixed monetary annual cap for which waivers are sought, our Company will comply with other requirements under Chapter 14A of the Listing Rules;
- (9) the entering into the License and Strategic Alliance Agreement with Juno, as long as Juno remains as the connected person of the Company, will comply in full with all applicable reporting, annual review, disclosure and independent shareholders' approval requirement under Chapter 14A of the Listing Rules; and
- (10) if there is any material deviation on the arrangement under the License and Strategic Alliance Agreement and the Company has more certainty on the expected milestone, the Company will re-apply for a cap in compliance with Chapter 14A of the Listing Rules.

The waiver set out above is for a term of three years ending on December 31, 2022. The Company will, after taking into account, among other things, the addressable market, the drug pricing and the historical transaction amount of the relevant products, re-assess whether a further waiver is required at the expiry of such initial term.

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors and the auditor of the Company have reviewed the transactions in relation to the License and Strategic Alliance Agreement on an annual basis and confirmed the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively.

BCMA License Agreement with Juno

Principal terms

The Company entered into a license agreement with Juno on April 11, 2019 pursuant to which Juno granted the Company an exclusive, sublicensable, transferable and fee-bearing license under certain patent rights and know-how covering Juno's platform technology, solely to research, develop, commercialize, and manufacture or have manufactured JWCAR129, or related diagnostic products, in the JWCAR129 Field in the Territory. For further details, please refer to the section headed "Business — Collaboration and License Agreements — License Agreements with Juno" in the Prospectus. In consideration of the rights granted to us, we are required to make various upfront, milestone, royalty payments and reimbursement to Juno and the Company has set caps for milestone payment, royalty payment and reimbursement under the BCMA License Agreement (which does not affect the Company's payment obligations under the BCMA License Agreement but merely set for the purpose of complying with the Listing Rules) as follows:

Upfront payment : The Company shall provide Juno upfront payment comprising of (i) issuing 466,553 Series X Preferred Shares to Juno shortly after closing of Series A2 financing and (ii) issuing 4,665,530 (as adjusted after the Share Subdivision) Shares at nil consideration by June 11, 2022 if no product failure as defined in the BCMA License Agreement has occurred prior to April 2022, being to the third anniversary of the date of the BCMA License Agreement.

The Company has issued 466,553 Series X Preferred Shares to Juno on November 20, 2019 under (i) above and in February 2021, BMS announced that it would discontinue clinical development of orva-cel and therefore, as at December 31, 2021, no Shares shall longer be issued under item (ii) above. All such Series X Preferred Shares were converted into ordinary shares upon Listing.

Milestone payment : The Company shall provide Juno milestone payments in cash in an aggregate amount of up to US\$35 million which are contingent on the occurrence of (i) milestone events relating to obtaining regulatory approvals for JWCAR129 and (ii) a milestone event relating to sales in the Territory relating to JWCAR129.

For the year ended December 31, 2021, no milestone payment has been made by the Company to Juno.

Royalty payment : We are required to pay Juno royalty payments in cash for JWCAR129 and any related diagnostic products based on annual net sales in the Territory, subject to certain adjustments in specified circumstances under the BCMA License Agreement.

For the year ended December 31, 2021, no royalty payment was made by the Company to Juno.

Reimbursement : We are required to pay to Juno in cash the sum of, among others, all milestone payments and royalties owed by Juno to third parties with respect to JWCAR129 and related diagnostic products in the Territory pursuant to in-license agreements existing at the time of such development or commercialization.

For the year ended December 31, 2021, no reimbursement was made by the Company to Juno.

Caps for milestone payment, royalty payment and reimbursement : The annual cap for the milestone payment to be paid to Juno pursuant to the BCMA License Agreement will be nil, nil and US\$35 million for 2020, 2021 and 2022 respectively taking into account the estimated timing of the milestone events triggering milestone payments which is likely to occur in 2022 or later.
(Note 1)

Taking into account that setting annual cap formula may not be meaningful for JWCAR129 which is currently under pre-clinical development, the royalty payment and reimbursement to be paid to Juno pursuant to the BCMA License Agreement will not be more than US\$10 million in aggregate for 2020, 2021 and 2022.

(1) The caps do not affect the Company's payment obligations under the BCMA License Agreement and are merely set for the purpose of complying with the Listing Rules.

The BCMA License Agreement became effective on April 11, 2019 and will remain in effect and until the expiration of the royalty term. The royalty term applies on a product-by-product and country-by-country basis commencing upon the first commercial sale of JWCAR129 or a related diagnostic product in the Territory, with the end date varying depending on the type of royalty owed to Juno. It may also be terminated earlier by mutual agreement, by either party for the other party's uncured material breach that has frustrated the fundamental purpose of this agreement, upon our or JW Shanghai's dissolution, by either party upon the bankruptcy of the other party, by Juno if either party receives notice from the relevant regulatory authority alleging significant concerns regarding a patient safety issue that Juno reasonably believes would impact the long-term viability of JWCAR129 if attributable to the CAR construct licensed from Juno, by Juno if the additional preferred shares are not issued by the timeline set forth in the BCMA License Agreement, or by us for Juno's termination, suspension, or clinical hold of development in the United States of the licensed CAR construct related to JWCAR129 for longer than 180 days. For further details of the BCMA License Agreement, please refer to the section headed "Business — License Agreements with Juno — Rights In-licensed from Juno — BCMA License Agreement" in the Prospectus.

Reasons for and benefits of the transactions

As the Company established a stable strategic alliance with Juno, it entered into the BCMA License Agreement to develop JWCAR129 further strengthen such alliance and expand the Company's pipeline products.

The royalty and milestone payment is a revenue sharing arrangement which was determined after arm's length negotiations between us and Juno, taking into account that it is common practice to share future sales revenue and proceeds from transfer of sub-licensing rights which in turn lowers the upfront fixed payment payable by the licensee in the Chinese biopharmaceutical market, according to Frost & Sullivan.

Listing Rules Implications and Waivers from the Stock Exchange under the BCMA License Agreement

As at December 31, 2021, the Company was directly owned as to 17.23% by Juno, Juno is therefore one of the Substantial Shareholders. Pursuant to Rule 14A.07(1) of the Listing Rules, Juno is a connected person of our Company. Therefore, the transactions contemplated under the BCMA License Agreement with Juno constitute continuing connected transactions of the Company under the Listing Rules.

Under Rule 14A.52 of the Listing Rules, a listed issuer is required to set a contractual term not exceeding three years. It is impracticable and extremely difficult for us to set a contractual term not exceeding three years in respect of the BCMA License Agreement. Therefore, the Company applied to the Stock Exchange for, and the Stock Exchange has granted to the Company, a waiver under Rule 14A.52 of the Listing Rules from strict compliance with the contractual term requirements.

The Company has applied for a waiver from strict compliance with the requirement under Rule 14A.52 of the Listing Rules to set a term of not exceeding three years under the BCMA License Agreement for the following reasons:

- (1) the business of research, development, production and commercialization of drug candidates underlying the BCMA License Agreement is the nature of the transaction that requires a longer contractual term. If the renewal of the BCMA License Agreement is subject to the requirements of independent shareholders' approval every three years, even in the absence of any material amendment, change, rescission or re-signing of these agreements, we may face the unnecessary and substantial risks of failing to renew such agreement upon expiry and losing our competitive advantages. This may even prevent us from carrying on our businesses, bringing uncertainty to our continued operation;

- (2) maintaining a long-term, exclusive cooperative relationship with Juno under the BCMA License Agreement is critical to our businesses and developments. The scale of the Chinese biopharmaceutical markets in China is huge. Juno specializes in research, development, production and commercialization of CAR-T product candidates. Our continuous business relationship with Juno provides a strategic advantage for us to expand our drug portfolio covering treatment of immunological diseases to maintain our competitiveness. In addition, the exclusive term to cooperate with Juno under the BCMA License Agreement safeguard the interests of our Company and our Shareholders as a whole by providing our Company with exclusivity in the relevant areas of business. Therefore, a contractual arrangement of indefinite term is necessary and critical to the sustainability of our business and to ensure our smooth and continued operations and also stable revenue and cash flows from the future commercialization of JWCAR129 in terms of indications related to immunological diseases. Subjecting the BCMA License Agreement to independent shareholders' approval will expose our Company to the risks of such agreements not being able to be renewed upon the expiry of a fixed term. This will give rise to unnecessary and substantial uncertainty to our business and therefore will not be in the best interests of our Company and our Shareholders as a whole;
- (3) setting a term of not exceeding three years under the BCMA License Agreement will unduly hinder our development and operation. We engage in the research, development, manufacturing and commercialization of CAR-T product candidates for the treatment of immunological diseases. We rely on the revenue and profits derived from the commercialization of our drug candidates in the upcoming future. A three-year term on the transaction amount under the BCMA License Agreement will place an arbitrary ceiling on our future revenue, hence effectively limiting the scale of our business to meet market demands, which will unduly hinder our development and our ability to grow and create value for all of our Shareholders;
- (4) the BCMA License Agreement is of an indefinite term longer than three years as otherwise normally permitted for the continuing connected transactions under the Listing Rules. Our Directors consider that the terms of the BCMA License Agreement are consistent with normal business practices for agreement of similar nature in the biotechnology pharmaceutical industry and are in the best interest of our Group and our Shareholders as a whole, because (i) the indefinite term of the BCMA License Agreement can secure long-term license rights for us, thus avoiding unnecessary disruptions to our business and enable long-term development and continuity of our operations and (ii) as confirmed by Frost & Sullivan, it is not uncommon in the biotechnology pharmaceutical industry where similar long-term licensing arrangements are adopted;
- (5) the performance of the BCMA License Agreement with Juno will comply in full with all applicable reporting, annual review, disclosure and independent shareholders' approval requirement under Chapter 14A of the Listing Rules; and
- (6) if there is any material deviation on the arrangement under the BCMA License Agreement and the Company has more certainty on the expected milestones, the Company will re-apply for a cap in compliance with Chapter 14A of the Listing Rules.

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors and the auditor of the Company have reviewed the transactions in relation to the BCMA License Agreement on an annual basis and confirmed the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively.

Contractual Arrangements

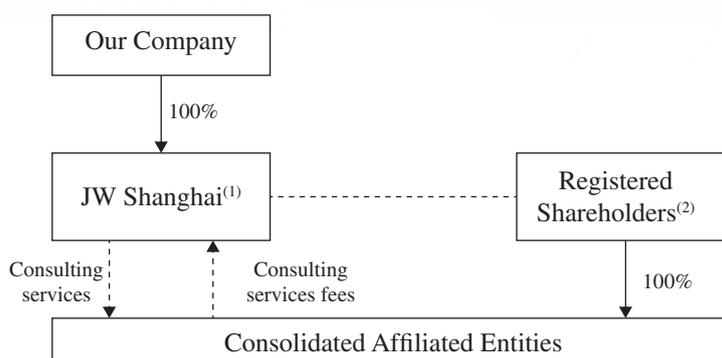
Reasons for Adopting the Contractual Arrangements

Foreign investment activities in the PRC now are mainly governed by the Industry Guidelines on Encouraged Foreign Investment (2020) (《鼓勵外商投資產業目錄(2020年版)》), the *Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020)* (《外商投資准入特別管理措施(負面清單)(2021年版)》) and the *Special Administrative Measures (Negative List) for foreign investment access in the pilot free trade zone (2021)* (《自由貿易試驗區外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Relevant PRC Regulations**”), promulgated jointly by the Ministry of Commerce of the PRC (中華人民共和國商務部) and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會), pursuant to which the industries listed therein are divided into three categories in terms of foreign investment, namely, “encouraged” “restricted” and “prohibited”. According to the Relevant PRC Regulations, foreign investment is prohibited in the development and application of gene diagnostic and therapeutic technologies.

Our Group engages in the clinical trial of CAR-T therapies (the “**Relevant Businesses**”), which involve the development and application of gene diagnostic and therapeutic technologies, and the latter falls into the “prohibited” category of the Relevant PRC Regulations. As such, we currently do not directly or indirectly hold any equity interest in our Consolidated Affiliated Entities which are involved in the Relevant Businesses.

In order to comply with the PRC laws and regulations and maintain effective control over the Relevant Businesses, we, through our wholly-owned subsidiary, JW Shanghai, entered into the Contractual Arrangements with Shanghai Ju Ming and its relevant shareholders, pursuant to which JW Shanghai acquired effective control over the financial and operational policies of our Consolidated Affiliated Entities and has become entitled to all the economic benefits derived from their operations.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



Notes:

“→” denotes legal and beneficial ownership in the equity interest.

“- ->” denotes contractual relationship through the Exclusive Business Cooperation Agreements.

“- -” denotes the control by JW Shanghai over our Consolidated Affiliated Entities through (i) powers of attorney to exercise all shareholders’ rights in Shanghai Ju Ming; (ii) exclusive options to acquire all or part of the equity interest and/or assets in our Consolidated Affiliated Entities; and (iii) equity pledges over the equity interest in Shanghai Ju Ming.

- (1) As of December 31, 2021, JW Shanghai was wholly-owned by JW (Hong Kong) Therapeutics Limited which was in turn wholly-owned by our Company.
- (2) As of December 31, 2021, Shanghai Ju Ming was held by its Registered Shareholders, as to 50% by Mr. Xin Fu and 50% by Ms. Xing Gao, respectively.
- (3) Due to the resignation and departure of Ms. Jing Lv in September 2021, one of the shareholders of Shanghai Ju Ming changed from Ms. Jing Lv to Mr. Xin Fu, a member of the senior management of our Group. The former contractual arrangement that relate to Ms. Jing Lv were terminated and a series of new contractual arrangements were entered into with Mr. Xin Fu, which their terms and conditions substantially the same as those of the former contractual arrangements, save for the identity of the new shareholder of Shanghai Ju Ming.

A brief description of the specific agreements that comprise the Contractual Arrangements is set out below. For details of the specific agreements, please refer to the section headed “Contractual Arrangements” in the Prospectus.

(1) Exclusive Business Cooperation Agreements

JW Shanghai and Shanghai Ju Ming entered into the exclusive business cooperation agreement on November 2, 2017 and the supplemental exclusive business cooperation agreements on July 29, 2020 and on September 15, 2020 (collectively, the “**Exclusive Business Cooperation Agreements**”), pursuant to which our Consolidated Affiliated Entities agreed to engage JW Shanghai as its exclusive provider of technical support, consulting services, and other related services, including but not limited to (i) software and technology licensing, (ii) technical services, (iii) network support, (iv) human resource support, (v) collection and research of technology and market information, (vi) business and management consultation, (vii) marketing and promotional services, (viii) development and testing of new products, (ix) equipment or properties leasing and (x) other related services requested by our Consolidated Affiliated Entities from time to time to the extent permitted under PRC law.

Pursuant to the Exclusive Business Cooperation Agreements, the service fee shall be paid on annual basis or any other timing as separately agreed between JW Shanghai and our Consolidated Affiliated Entities. The annual service fees shall consist of a management fee and a fee for services provided, which shall be reasonably determined by JW Shanghai based on certain factors, including, among other things, complexity and difficulty of such services, time commitment to such services, actual service scope, the market price of the same type of services and the operation conditions of Consolidated Affiliated Entities. In addition, the service fee shall be at a reasonable level in accordance with the nature of the services and shall consist of 100% of the total consolidated profit of the Consolidated Affiliated Entities, after deduction of any accumulated deficit in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. Apart from the service fee, if JW Shanghai transfers, licenses or develops technology for our Consolidated Affiliated Entities, or leases equipment or properties to our Consolidated Affiliated Entities, such fee shall be determined by JW Shanghai and our Consolidated Affiliated Entities separately. For the year ended December 31, 2021, no service fee was made by the Consolidated Affiliated Entities to JW Shanghai.

(2) Powers of Attorney

JW Shanghai and Shanghai Ju Ming entered into, with Ms. Xing Gao the power of attorney and the supplemental power of attorney on July 29, 2020, and with Mr. Xin Fu the power of attorney on September 9, 2021 (collectively, the “**Powers of Attorney**”). Pursuant to the Powers of Attorney, each of the Registered Shareholders irrevocably and exclusively grant JW Shanghai or its designee(s) (being the directors or senior management of JW Shanghai’s direct or indirect offshore parent company and liquidators and other successors replacing such directors or senior management) the power to exercise all rights of the Registered Shareholders as set out in the then-valid articles of association of Shanghai Ju Ming and relevant laws and regulations, including but not limited to the rights:

- (i) to convene and attend shareholders’ meeting;
- (ii) to exercise all the shareholders’ rights and shareholders’ voting rights pursuant to the relevant PRC laws and regulations and the articles of association of Shanghai Ju Ming;
- (iii) to handle the sale, transfer, pledge, or disposal of all or part of the equity interest in Shanghai Ju Ming;
- (iv) to execute any resolutions and minutes as a shareholder of Shanghai Ju Ming and to file any required document to relevant government authorities;
- (v) on behalf of the Registered Shareholders, to nominate, elect, designate, appoint or remove the legal representative, directors, supervisors, general managers, chief executive officer and other senior management members of Shanghai Ju Ming;
- (vi) to approve the amendments to the articles of association of Shanghai Ju Ming; and
- (vii) to deal with any asset of Shanghai Ju Ming, including but not limited to managing its asset-related business and accessing and acquiring its revenue and assets.

(3) *Exclusive Option Agreements*

JW Shanghai and Shanghai Ju Ming entered into, with Ms. Xing Gao entered into the exclusive option agreement and the supplemental exclusive option agreement on July 29, 2020, and with Mr. Xin Fu the exclusive option agreement on September 9, 2021 (collectively, the “**Exclusive Option Agreements**”), pursuant to which the Registered Shareholders and Shanghai Ju Ming irrevocably and unconditionally granted JW Shanghai irrevocable and exclusive rights (the “**Exclusive Option Rights**”), provided that it is permitted under the PRC laws and regulations, to acquire the equity interest in our Consolidated Affiliated Entities from the Registered Shareholders and Shanghai Ju Ming and/or to acquire the assets of our Consolidated Affiliated Entities by JW Shanghai or its designee(s), in whole or in part at any time at the sole and absolute discretion of JW Shanghai.

The equity interest purchase price shall be equal to the amount of registered capital contributed in our Consolidated Affiliated Entities by their shareholders respectively or any other amount as separately agreed between JW Shanghai or its designee(s) and the Registered Shareholders, or the minimum price legally required under the PRC laws and regulations if such minimum price is higher than the aforementioned purchase price. The purchase price received by the Registered Shareholders shall be used to offset their respective loan due to JW Shanghai under the Loan Agreements (as defined below) (the “**Offset Debts**”). If PRC laws impose mandatory requirements on the equity interest purchase price, such that the minimum equity interest purchase price permitted under PRC laws exceeds the price already offset with the Offset Debts, the Registered Shareholders shall promptly gift all of the amount exceeding the Offset Debts they received to JW Shanghai or its designee(s) in the manner permitted under the applicable PRC laws. For further details, please see “— Loan Agreements” in this section.

The asset purchase price shall be free or at a nominal price or the minimum price legally required under the PRC laws and regulations. Upon the assets being duly transferred to JW Shanghai or its designee(s) and after deducting necessary tax expenses, JW Shanghai or its designee(s) shall pay the consideration within seven days to the designated bank accounts of our Consolidated Affiliated Entities. Our Consolidated Affiliated Entities has also undertaken that, subject to the relevant PRC laws and regulations, they will return to JW Shanghai or its designee(s) any consideration they received within seven days in the event that JW Shanghai exercises the Exclusive Option Rights to acquire the assets of our Consolidated Affiliated Entities. If such return is not permissible under the PRC laws, the returned consideration will be in escrow by our Consolidated Affiliated Entities for JW Shanghai and our Consolidated Affiliated Entities shall cooperate with JW Shanghai to sign a custody agreement or other relevant legal documents.

Pursuant to the Exclusive Option Agreements, our Consolidated Affiliated Entities and the Registered Shareholders, covenant, among other things, that:

- (i) without the prior consent of JW Shanghai, they shall not supplement, change, or amend the articles of association of our Consolidated Affiliated Entities, or increase or reduce the registered capital of our Consolidated Affiliated Entities, or otherwise change the structure of the registered capital of our Consolidated Affiliated Entities;
- (ii) they shall maintain the corporate existence of our Consolidated Affiliated Entities in accordance with the good financial and business standards and practices;
- (iii) without the prior consent of JW Shanghai, they shall not sell, transfer, mortgage or dispose of any material assets or legal or beneficial interest in the material business or revenues of our Consolidated Affiliated Entities, or allow to place encumbrances thereon;
- (iv) without the prior consent of JW Shanghai, our Consolidated Affiliated Entities shall not incur, inherit, guarantee or suffer any debt, unless the debts incurred in the ordinary course of business other than through loans;
- (v) they shall operate our Consolidated Affiliated Entities in the ordinary course of business so as to maintain our Consolidated Affiliated Entities' asset value, and shall not take or omit to take any actions which may adversely affect the operating status and asset value of our Consolidated Affiliated Entities;
- (vi) without the prior consent of JW Shanghai, our Consolidated Affiliated Entities shall not enter into any material contracts other than in the ordinary course of business;
- (vii) without the prior consent of JW Shanghai, our Consolidated Affiliated Entities shall not provide any person with any loan or credit;
- (viii) upon request of JW Shanghai, they shall provide JW Shanghai with information regarding the operations and financial condition of our Consolidated Affiliated Entities;
- (ix) our Consolidated Affiliated Entities shall purchase and maintain insurance over the assets and business of our Consolidated Affiliated Entities from an insurance carrier acceptable to JW Shanghai, at an amount and type of coverage typical for companies carrying on similar businesses;
- (x) without the prior written consent of JW Shanghai, our Consolidated Affiliated Entities shall not merge, consolidate with, acquire or invest in any person;
- (xi) they shall immediately inform JW Shanghai if assets, business, revenue or equity interest of our Consolidated Affiliated Entities involve in any litigation, arbitration or administrative proceeding;
- (xii) our Consolidated Affiliated Entities shall sign all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints, and raise necessary and appropriate defenses against all claims to maintain the ownership of their assets;

- (xiii) without the prior written consent of JW Shanghai, they shall not distribute any dividend to its shareholders. However, upon request of JW Shanghai, our Consolidated Affiliated Entities shall immediately distribute all distributable profits to their shareholders;
- (xiv) at the request of JW Shanghai, they shall appoint any persons designated by JW Shanghai as the director or executive director of our Consolidated Affiliated Entities;
- (xv) without the prior consent of JW Shanghai, they shall not engage in any business in competition with JW Shanghai or its affiliates;
- (xvi) without written consent of JW Shanghai, our Consolidated Affiliated Entities shall not be dissolved or liquidated, unless otherwise mandatorily required by the PRC laws;
- (xvii) once foreign investors are permitted to invest in the principal business of our Consolidated Affiliated Entities in China, and the competent government authorities of China begin to approve such investments, upon JW Shanghai's exercise of this option, the Registered Shareholders shall immediately transfer to JW Shanghai or its designee(s) the equity interest in our Consolidated Affiliated Entities held by them; and
- (xviii) they shall procure the subsidiary and any subsidiary subsequently established, acquired or actually controlled by our Consolidated Affiliated Entities to exercise rights and perform the same obligations as our Consolidated Affiliated Entities and comply with covenants made by our Consolidated Affiliated Entities in accordance with the Exclusive Option Agreements.

(4) *Loan Agreements*

JW Shanghai entered into, with Ms. Xing Gao the loan agreement and the supplemental loan agreement on July 29, 2020, and with Mr. Xin Fu the loan agreement on September 9, 2021 (collectively, the “**Loan Agreements**”), pursuant to which JW Shanghai agreed to lend each Registered Shareholder RMB500,000 (the “**Loans**”) for capital contribution to Shanghai Ju Ming or for the payment of the consideration of the equity interest of Shanghai Ju Ming. Such Loans will become immediately due and payable under any of the following circumstances: (i) 30 days after the Registered Shareholders receives a written notice from JW Shanghai requesting repayment of the Loan (and all interest thereon); (ii) death, lack or limitation of civil capacity of the Registered Shareholders; (iii) the Registered Shareholders cease to be a shareholder of Shanghai Ju Ming; (iv) the Registered Shareholders engage in criminal act or is involved in criminal activities; (v) once foreign investors are permitted to invest in the Relevant Businesses in China, with a controlling stake and/or in the form of wholly foreign-owned enterprises, and the competent government authorities of China begin to approve such investments; or the Registered Shareholders or Shanghai Ju Ming breach of the representations, warranties, covenants or other obligations under the Exclusive Option Agreements; and (vi) Shanghai Ju Ming failed to obtain or renew any governmental approval or license necessary for the operation of its core business.

(5) *Equity Interest Pledge Agreements*

JW Shanghai and Shanghai Ming Ju entered into, with Ms. Xing Gao the equity interest pledge agreement and the supplemental equity pledge agreement on July 29, 2020, and with Mr. Xin Fu the equity interest pledge agreement on December 2, 2021 (collectively, the “**Equity Interest Pledge Agreements**”), pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interest in Shanghai Ju Ming to JW Shanghai as a security for their and Shanghai Ju Ming’s performance of the contractual obligations under the Contractual Arrangements.

Under the Equity Interest Pledge Agreements, the Registered Shareholders agree that, the rights of JW Shanghai with respect to the pledge thereunder shall not be interrupted or harmed by the Registered Shareholders or their successors, heirs or representatives, or any other persons through any legal proceedings. If Shanghai Ju Ming declares any dividend during the term of the pledge, JW Shanghai is entitled to receive all such dividends distributed on the pledged equity interest, if any. In addition, pursuant to the Equity Interest Pledge Agreements, each of the Registered Shareholders has undertaken to JW Shanghai, among other things, not to transfer the interest in their respective equity interest in Shanghai Ju Ming or allow any encumbrance to be placed thereon without the prior written consent of JW Shanghai.

(6) *Spouse Undertakings*

The spouses of each the Registered Shareholders have executed an undertaking (the “**Spouse Undertakings**”), to the effect that (i) he/she acknowledges and consents the execution of the Contractual Arrangements by the respective Registered Shareholder, and the performance, amendments and termination of the Contractual Arrangements do not require his/her further authorization or consents; (ii) he/she undertake not to make any assertions in connection with the equity interest of Shanghai Ju Ming held by the respective Registered Shareholder; (iii) he/she undertakes to execute all necessary documents and to take all necessary actions to ensure the proper performance of the Contractual Arrangements; and (iv) in the event that he/she obtains any interests in Shanghai Ju Ming, he/she shall be bound by the Contractual Arrangements and comply with the obligations thereunder as a shareholder of Shanghai Ju Ming, and upon JW Shanghai’s request, he/she shall sign any document in the form and content substantially same as the Contractual Arrangements.

Development in the PRC Legislation on Foreign Investment

The Foreign Investment Law (the “FIL”)

The FIL was adopted at the Second Session of the Thirteenth National People’s Congress of the PRC on March 15, 2019 and came into force on January 1, 2020. The FIL replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law (《外資企業法》), and became the legal foundation for foreign investment in the PRC. For further details, please refer to the section headed “Regulatory Overview — Laws and Regulations Relating to Foreign Investment” in the Prospectus.

The FIL stipulates the implementation of the management systems of pre-establishment national treatment and “negative list” for foreign investment. The “negative list” issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in the PRC. A foreign investor shall not invest in any field in the “negative list” which is prohibited from foreign investment. A foreign investor shall meet the investment conditions stipulated under the “negative list” for any field in the “negative list” which is restricted from foreign investment. Concerning fields not mentioned in the “negative list” management shall be conducted under the principle of consistency between domestic and foreign investment. The FIL does not contain or quote the stipulation of the “negative list”.

The definition of “foreign investors” in FIL includes foreign natural persons, enterprises and other organizations.

Moreover, the FIL does not stipulate that the “foreign investment” as defined thereunder shall include contractual arrangements. Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes “investments through other means stipulated under laws or administrative regulations or by the State Council” without elaboration on “other means”.

Impact of FIL on Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our Consolidated Affiliated Entities, through which we operate the Relevant Businesses in the PRC. The FIL stipulates four forms of foreign investment, but does not mention concept “actual control”, nor does it explicitly stipulate the contractual arrangements as a form of foreign investment. Besides, it does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. Provided that no additional laws, administrative regulations, departmental rules or other regulatory documents on contractual arrangements has been issued and enacted, the coming into effect of the FIL does not, by itself, have any material adverse operational and financial impact on the legality and validity of our Contractual Arrangements.

If the operation of our Relevant Businesses is not on the “negative list” and we can legally operate such businesses under PRC laws, JW Shanghai will exercise the option under the Exclusive Option Agreement to acquire the equity interest of our Consolidated Affiliated Entities and unwind the contractual arrangements subject to re-approval by the relevant authorities.

Furthermore, the FIL stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council”. Although its implementing rules do not expressly stipulate the contractual arrangements as a form of foreign investment, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and Regulations. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. For further details, please refer to the section headed “Risk Factors — Risks Relating to Contractual Arrangements” in the Prospectus.

Sustainability of our Relevant Businesses

If any ancillary regulations or implementation rules of the FIL and the negative list subsequently issued mandates further actions for us to retain the Contractual Arrangements, we will take all reasonable measures and actions to comply with the FIL or such ancillary regulations or implementation rules then in force and to minimize the adverse effect of such laws on our Company. However, there is no assurance that we can fully comply with such law. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have material adverse effect on the trading of our Shares. If, after the Global Offering, we fail to comply with the new foreign investment law as finally promulgated, we may be required to dispose of our Relevant Businesses operated through our Consolidated Affiliated Entity under the Contractual Arrangements or make necessary corporate structure adjustments so as to comply with the new foreign investment law as finally promulgated.

In the worst case scenario, if any new foreign investment law subsequently promulgated is refined or deviates from the FIL, resulting in the Contractual Arrangements becoming invalid and illegal, we may not be able to operate the Relevant Businesses through the Contractual Arrangements and may lose our rights to receive the economic benefits of the Consolidated Affiliated Entities and the financial results of the Consolidated Affiliated Entities may no longer be consolidated into our Group’s financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If our Group does not receive any compensation, an investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely, if any ancillary regulations or implementation rules of the FIL is promulgated, that the relevant authorities will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. However, there is no guarantee that the PRC government will not take a relatively cautious attitude towards the supervision of foreign investments and the enactment of laws and regulations impacting them and make decisions according to different situations in practice.

Our Company will, after the Global Offering, timely announce (i) any updates or material changes to any ancillary regulations or implementation rules of the FIL that will materially and adversely affect us as and when they occur and (ii) in the event that any ancillary regulations or implementation rules of the FIL or any new foreign investment law has been promulgated, a clear description and analysis of law, specific measures adopted by our Company to comply with the law (supported by advice from PRC legal advisor), as well as its material impact on our business operation and financial position.

Risks relating to the Contractual Arrangements

- If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences and the relinquishment of our interests in the Consolidated Affiliated Entities.
- There is substantial uncertainty with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance, and business operations.
- The Contractual Arrangements may not be as effective in providing operational control as direct ownership, and the Registered Shareholders and the Consolidated Affiliated Entities may fail to perform their obligations under the Contractual Arrangements.
- The Company may lose the ability to use the permits, licenses, and intellectual properties held by the Consolidated Affiliated Entities that are important to the operation of our business if the Consolidated Affiliated Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.
- The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of the Shares.
- The Registered Shareholders of Shanghai Ju Ming may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.
- Certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.
- If the Company exercise the option to acquire equity ownership of Shanghai Ju Ming, the ownership transfer may subject us to certain limitations and substantial costs.

For details, please refer to the section headed “Risk Factors — Risks Relating to Contractual Arrangements” in the Prospectus.

Compliance with the Contractual Arrangements

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) as part of the internal control measures, major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board, particularly our independent non-executive Directors, will review the overall performance of and compliance with the Contractual Arrangements at least once a year, and the confirmation from our independent non-executive Directors will be disclosed in our annual report;
- (iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports and interim reports to update the Shareholders and potential investors;
- (iv) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding (a) our status of compliance with the FIL, and (b) the latest regulatory development in relation with the FIL;
- (v) our Company will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the implementation of the Contractual Arrangements, review the legal compliance of JW Shanghai and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements;
- (vi) Our Company will comply with the conditions to be prescribed by the Stock Exchange under the waiver given; and
- (vii) our Group will adjust or unwind (as the case may be) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Businesses to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations which allow the Relevant Businesses to be conducted and operated by owned subsidiaries of our Company without such arrangements in place.

Listing Rules Implications and Waivers from the Hong Kong Stock Exchange relating to the Contractual Arrangements

Ms. Xing Gao is one of our non-executive Directors. Pursuant to Rule 14A.07(1) of the Listing Rules, Ms. Xing Gao is a connected person of our Company. As at December 31, 2021, Shanghai Ju Ming is held by Ms. Xing Gao as to 50%. Pursuant to Rule 14A.07(4) of the Listing Rules, Shanghai Ju Ming is an associate of our Director and therefore a connected person of our Company. Therefore, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules.

In respect of the Contractual Arrangements, the Stock Exchange has granted a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject however to the following conditions:

- (a) There shall be no change without independent non-executive Directors' approval;
- (b) There shall be no change without independent Shareholders' approval;
- (c) The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived from the Consolidated Affiliated Entities;
- (d) The Contractual Arrangements may be renewed and/or reproduced (i) upon expiry of the existing arrangements or (ii) in relation to any existing, newly established or acquired wholly foreign-owned enterprise or operating company (including a branch company) engaging in the same business as that of the Group, without obtaining approval of the Shareholders, on substantially the same terms and conditions as the Contractual Arrangements; and
- (e) The Group shall disclose details relating to the Contractual Arrangements on an ongoing basis.

For details, please refer to the section headed "Connected Transactions — 8. Contractual Arrangements — Waiver relating to Contractual Arrangements" in the Prospectus.

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors, upon review of the overall performance of and compliance with the Contractual Arrangements, confirmed that:

- (a) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements;
- (b) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, which is confirmed by the auditor of the Company; and
- (c) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entity during the Reporting Period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Company and the Shareholders as a whole.

Further, the Consolidated Affiliated Entities undertakes that, for so long as the Shares are listed on the Hong Kong Stock Exchange, the Consolidated Affiliated Entities will provide our Group's management and our auditor with full access to its relevant records for the purpose of procedures to be carried out by our auditor on the connected transactions.

Report of Directors

Save as disclosed above, there is no change in the Contractual Arrangements for the period from the Listing Date to December 31, 2021.

Save as disclosed above, the related party transactions as disclosed in note 35 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, and except the continuing connected transactions that were granted full exemptions on the requirements under Chapter 14A of the Listing Rules by the Stock Exchange, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company during the Reporting Period in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

DONATIONS

During the Reporting Period, the Group made no charitable and other donations.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2021, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office; be indemnified and secured harmless out of the assets of the Company; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty.

The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

AUDIT COMMITTEE

The Audit Committee of the Company had, together with the management and external auditor of the Company, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2021.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 92 to 110 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the Reporting Period and as of the latest practicable date prior to the issue of this annual report.

AUDITOR

PricewaterhouseCoopers was appointed as the Auditor for the year ended December 31, 2021. The accompanying financial statements prepared in accordance with IFRSs have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire at the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as Auditor will be proposed at the AGM.

On behalf of the Board

Yiping James Li

Chairman and Executive Director

Shanghai, PRC, March 23, 2022

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 of the Listing Rules as its own code of corporate governance during the year ended December 31, 2021.

Save as disclosed in this annual report, the Company has complied with all applicable code provisions of the CG Code during the year ended December 31, 2021.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, overseeing the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board Committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

As of the date of this annual report, the Board comprises 1 executive Director, 5 non-executive Directors and 3 independent non-executive Directors as follows:

Executive Director

Dr. Yiping James Li (*Chairman*)

Non-executive Directors

Dr. Krishnan Viswanadhan

Ms. Xing Gao (高星)

Dr. Ann Li Lee

Mr. Jinyin Wang (王金印)

Dr. Cheng Liu

Independent Non-executive Directors

Mr. Chi Shing Li (李志成)

Mr. Yiu Leung Andy Cheung (張耀樑)

Mr. Kin Cheong Kelvin Ho (何建昌)

The biographies of the Directors are set out under the section headed “Directors and Senior Management” of this annual report.

Save as disclosed in the Directors’ biographies set out in the section headed “Directors and Senior Management” in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

For the year ended December 31, 2021, the Board has met at all times the requirements under rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

For the year ended December 31, 2021, the Company has also complied with rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

As each of the independent non-executive Directors has confirmed his/her independence pursuant to rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties.

Board Diversity Policy

We recognize and embrace the benefits of having a diverse Board to capture different talents so as to further bolster our Board's performance. This would also enable us in achieving a sustainable and balanced development in the long run. Our Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve and maintain its diversity. The Board Diversity Policy provides that the selection of Board candidates should be based on a range of diversity considerations, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, biotechnology, clinical research, life science, finance, investment, and accounting. They obtained degrees in various areas including microbiology, chemistry, pharmacy, biochemical engineering, chemical engineering, business administration, economics, mathematics, accounting and business law. Our board diversity policy is well implemented as evidenced by the fact that there are two female and seven male Directors ranging from 37 years old to 64 years old with experience from different industries and sectors.

We will continue to implement measures and steps to promote and enhance gender diversity at all levels of our Company. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into account our Board Diversity Policy and other factors, including but not limited to, his/her integration into our management mindset and business model and any specific requirements from time to time.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director.

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended December 31, 2021 is as follows:

Name of Directors	Nature of Continuous Professional Development Programs
Executive Director	
Dr. Yiping James Li (<i>Chairman</i>)	A & B
Non-Executive Directors	
Mr. Hans Edgar Bishop (<i>resigned on December 3, 2021</i>)	A & B
Dr. Krishnan Viswanadhan	A & B
Ms. Xing Gao (高星)	A & B
Dr. Ann Li Lee	A & B
Mr. Jinyin Wang (王金印)	A & B
Dr. Cheng Liu	A & B
Independent Non-Executive Directors	
Mr. Yanling Cao (曹彦凌) (<i>resigned on December 3, 2021</i>)	A & B
Mr. Chi Shing Li (李志成)	A & B
Mr. Yiu Leung Andy Cheung (張耀樑)	A & B
Mr. Kin Cheong Kelvin Ho (何建昌)	A & B

Notes:

- A: Attending training relevant to the Company's business conducted by lawyers
- B: Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances

Chairman and Chief Executive Officer

Dr. Li is currently the Chairman and CEO. We consider that having Dr. Li acting as both the Chairman and CEO will provide a strong and consistent leadership to us and allow for more effective planning and management of our Group. Pursuant to co-de provision C.2.1 of the CG Code, the roles of the chairman of the Board and CEO should be separate and should not be performed by the same individual. However, in view of Dr. Li's extensive experience in the industry, personal profile and critical role in our Group and our historical development, we consider that it is beneficial to the business prospects of our Group that Dr. Li continues to act as both the Chairman of the Board and CEO upon Listing.

Appointment and Re-election of Directors

a) Executive Director

The executive Director has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date. The service contract may be terminated by not less than one month's notice served by either party to the other.

b) Non-executive Director and independent non-executive Director

Each of our non-executive Director and our independent non-executive Director has entered into an appointment letter with our Company. The initial term of their appointment shall be three years from the date of the Prospectus (i.e. October 22, 2020) or until the third annual general meeting of the Company after the Listing Date, whichever is earlier (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 or by either party giving to the other not less than one month's prior notice in writing.

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

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

During the Reporting Period, five Board meetings and one general meeting were held and the attendance of each Director at these meetings is set out in the table below:

Directors	Attended/ Eligible to attend the Board meeting(s)	Attended/ Eligible to attend the general meeting(s)
Executive Director		
Dr. Yiping James Li (<i>Chairman</i>)	5/5	1/1
Non-Executive Directors		
Mr. Hans Edgar Bishop (<i>resigned on December 3, 2021</i>)	5/5	0/1
Dr. Krishnan Viswanadhan	5/5	0/1
Ms. Xing Gao (高星)	5/5	1/1
Dr. Ann Li Lee	5/5	1/1
Mr. Jinyin Wang (王金印)	5/5	1/1
Dr. Cheng Liu	5/5	1/1
Independent Non-Executive Directors		
Mr. Yanling Cao (曹彦凌) (<i>resigned on December 3, 2021</i>)	5/5	0/1
Mr. Chi Shing Li (李志成)	5/5	1/1
Mr. Yiu Leung Andy Cheung (張耀樑)	5/5	1/1
Mr. Kin Cheong Kelvin Ho (何建昌)	5/5	1/1

Model Code for Securities Transactions

We have also adopted our own code of conduct regarding securities transactions, namely the Code for Securities Transactions by Directors (the “**Securities Transactions Code**”), which applies to all Directors of the Company on terms no less than the required standard indicated by the Model Code.

Specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Securities Transactions Code during the year ended December 31, 2021.

The Company’s employees, who are likely to be in possession of unpublished inside information of the Company, are subject to the Model Code. No incident of non-compliance of the Model Code was noted by the Company as at the date of this report.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes but not limited to the following:

- (a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
- (d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;
- (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and
- (f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises three members and is chaired by an independent non-executive Director, Mr. Yiu Leung Andy Cheung (張耀樑), and consists of one independent non-executive Director, Mr. Kin Cheong Kelvin Ho (何建昌), and one non-executive Director, Ms. Xing Gao (高星). Among the members, both Mr. Yiu Leung Andy Cheung (張耀樑) and Mr. Kin Cheong Kelvin Ho (何建昌) have seasoned finance and risk management expertise, and Ms. Xing Gao (高星) has over 10 years of healthcare investment related experience.

The principal duties of the Audit Committee include but not limited to:

1. making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor;
2. reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
3. reviewing the financial statements, reports and accounts and consider any significant or unusual items raised by the Company's qualified accountant, compliance officer or auditor before submission of the Board;
4. reviewing the Company's financial controls and, unless expressly addressed by a separate Board risk committee or by the Board itself, reviewing the Company's risk management and internal control systems;
5. discussing the risk management and internal control system with the Senior Management and to ensure that the Senior Management has performed its duties in establishing and maintaining effective systems, including adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
6. ensuring co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness; and
7. considering any other topics, as defined by the Board.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

For the year ended December 31, 2021, four meetings of the Audit Committee were held to discuss and consider the following matters:

- reviewed annual results of the Company and its subsidiaries for the year ended December 31, 2020 as well as the audit report prepared by the auditor relating to accounting issues and major findings in course of audit;

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- reviewed interim results of the Company and its subsidiaries for the six months ended June 30, 2021;
- reviewed the 2020 internal control and risk management report, and discussed the risk management and internal control system with the Senior Management;
- reviewed the representation letters for 2020 consolidated financial statement and connected party transactions;
- reviewed the connected transactions, including continuing connected party transactions;
- ensured the internal audit function is adequately resourced, periodically conducted meetings to review and monitor the effectiveness of internal audit function;
- reviewed the financial reporting system, compliance procedures, risk management and internal control systems (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function) and the re-appointment of the Auditor; the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the auditor;
- reviewed the Company's audit plans in 2021 prepared by the internal audit and external auditor of the Company; and
- conducted separate discussion with external auditor.

Attendance of each Audit Committee member is set out in the table below:

Directors	Attended/ Eligible to attend
Mr. Yiu Leung Andy Cheung (張耀樑) (<i>Chairman</i>)	4/4
Ms. Xing Gao (高星)	4/4
Mr. Kin Cheong Kelvin Ho (何建昌)	4/4

Nomination Committee

The Nomination Committee comprises three members and is chaired by an independent non-executive Director, Mr. Chi Shing Li (李志成), and consists of one non-executive Director, Dr. Krishnan Viswanadhan, and one independent non-executive Director, Mr. Kin Cheong Kelvin Ho (何建昌).

The principal duties of the Nomination Committee include the following:

1. reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. making recommendations to the board on the appointment or re-appointment of directors and succession planning for directors in particular the chairperson and the chief executive;
3. identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; and
4. assessing the independence of independent non-executive Directors.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

Director Nomination Policy

The Board has adopted a nomination policy which sets out the selection criteria and process in relation to the selection, appointment and re-appointment of the Directors and aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the Company's business.

The nomination policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- reputation for integrity;
- skills, qualification and experiences;
- commitment in respect of available time and relevant interest;
- independence of proposed independent non-executive Directors; and
- diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service.

The Nomination Committee shall identify, consider and recommend to the Board appropriate candidates to serve as Directors and to make recommendations to the Shareholders. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

For the year ended December 31, 2021, two meetings of the Nomination Committee were held to discuss and consider the following matters:

- reviewed the structure, size, and composition of the Board;
- confirmed the independence of the independent non-executive Directors;
- considered the qualifications of the retiring Directors standing for election at the annual general meeting; and

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- reviewed the resignation of the non-executive Directors and the independent non-executive Directors and proposed new composition of the Nomination Committee and the Remuneration Committee.

Attendance of each Nomination Committee member is set out in the table below:

Directors	Attended/ Eligible to attend
Mr. Chi Shing Li (李志成) (<i>Chairman</i>)	2/2
Dr. Krishnan Viswanadhan	2/2
Mr. Yanling Cao (曹彥凌) (<i>resigned on December 3, 2021</i>)	2/2
Mr. Kin Cheong Kelvin Ho (何建昌) (<i>appointed as a member of the Nomination Committee on December 3, 2021</i>)	2/2

Remuneration Committee

The Remuneration Committee comprises three members and is chaired by an independent non-executive Director, Mr. Chi Shing Li (李志成), and consists of one non-executive Director, Dr. Ann Li Lee and one independent non-executive Director, Mr. Yiu Leung Andy Cheung (張耀樑).

The principal duties of the Remuneration Committee include the following:

1. making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, and proper human resources review process is in place to ensure that no Director, senior management or any of his associate is involved in deciding his own remuneration;
2. reviewing and approving management's remuneration proposals with reference to the Board's goals and objectives;
3. determining with delegated responsibility and making recommendations to the Board on the remuneration packages of individual executive Directors, non-executive Directors and senior management;
4. considering salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;
5. reviewing and approving the compensation payable to executive Directors and senior management for any loss or termination of office or appointment in order to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive; and
6. reviewing and approving compensation arrangements relating to dismissal or removal of executive Directors and senior management for misconduct in order to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

For the year ended December 31, 2021, nine meetings of the Remuneration Committee were held to discuss and consider the following matters:

- reviewed and made recommendation to the Board on the remuneration policy;
- reviewed and made recommendation to employees merit increase and bonus budget;
- reviewed and made recommendation to the Board on the remuneration packages of the Directors and senior management; and
- reviewed and made recommendation to the Board on the share incentivization schemes and arranged regular signing on the grant documents.

Attendance of each Remuneration Committee member is set out in the table below:

Directors	Attended/ Eligible to attend
Mr. Chi Shing Li (李志成) (<i>Chairman</i>)	9/9
Mr. Hans Edgar Bishop (<i>resigned on December 3, 2021</i>)	7/9
Dr. Ann Li Lee (<i>appointed as a member of Remuneration Committee on December 3, 2021</i>)	0/0
Mr. Yiu Leung Andy Cheung (張耀樑)	9/9

Emolument Policy

The Company has established the Remuneration Committee to review the Company's policy and structure for the remuneration of all Directors and senior management and formulate remuneration policy. The remuneration of the Directors and senior management are determined based on their individual performance, responsibilities, qualification, position and seniority. The remuneration of all Directors and senior management is recommended by the Remuneration Committee.

Remuneration of Directors and Senior Management

The remuneration payable to the senior management of the Company (who are not the Directors) is shown in the following table by band:

Remuneration band (in RMB)	Year ended December 31,	
	2021 no. of individuals	2020 no. of individuals
Less than RMB1,000,000	—	—
RMB1,000,001 to RMB1,500,000	—	—
RMB1,500,001 to RMB3,000,000	—	—
RMB3,000,001 to RMB4,500,000	1	1
RMB4,500,001 to RMB6,000,000	—	1
RMB6,000,001 to RMB7,500,000	1	1
RMB7,500,001 to RMB9,000,000	—	—
RMB10,500,001 to RMB12,000,000	2	1
	4	4

Details of the remuneration payable to the Directors and the five highest paid individuals for the year ended December 31, 2021 are set out in note 10 to the consolidated financial statements.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended December 31, 2021 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

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

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 111 to 115 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and reviewing the effectiveness of such system on an annual basis. The risk management and internal control 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 misstatements or loss.

The Board had conducted a review of the effectiveness of the risk management and internal control systems of the Group for the year ended December 31, 2021 and considered them effective and adequate.

Risk Management

We have adopted a series of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. Risks identified by the management will be analyzed on the basis of likelihood and impact, and will be properly followed up, mitigated and rectified by the Group then reported to the Directors. Our Audit Committee, and ultimately the Directors supervise the implementation of the Company's risk management policies. The Directors and the senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control. The following key principles outline our approach of risk management:

- Our Audit Committee will oversee and manage the overall risks associated with our business operation, including (i) reviewing and approving our risk management policies to ensure that it is consistent with our corporate objectives; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring the most significant risks associated with our business operation and our management's handling of such risks; (iv) reviewing our corporate risk in light of our corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of our risk management framework across the Group.
- Our chief finance officer, Mr. Xin Fu, will be responsible for (i) formulating and updating our risk management policy and targets; (ii) reviewing and approving major risk management issues of our Company; (iii) promulgating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments in our Company; (v) reviewing the relevant departments' reporting on key risks and providing feedback; (vi) supervising the implementation of our risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competencies are in place across our Group; and (viii) reporting to our Audit Committee on our material risks.
- The Company has established the corporate risk management committee chaired by our CEO and composed of critical department heads as the primary corporate governance structure. There are regular meetings held for the risk management committee to review and discuss the corporate annual risk assessment, supervise the mitigation to the risks associated with our business, and review the ESG related work, to ultimately ensure to achieve the company objectives.

- The Internal Audit department of the Group will assist the Board and the Audit Committee in their review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit function will drive the corporate risk management committee execution, independently examine key risks in relation to those material controls, and conduct supervision on the Company's daily operations, to reasonably ensure the Company's business operations continue to meet the Company's system requirements and the external regulatory requirements.
- The relevant departments in our Company, including but not limited to the finance department, the legal & compliance department and the human resources department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to standardize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) continuously monitor the key risks relating to their operation or function; (iv) implement appropriate risk responses where necessary; and (v) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

Internal Control

Our Board of Directors is responsible for establishing and ensuring effective internal controls to safeguard our Shareholder's investments at all times. Our Audit Committee assists the Board in leading the management and overseeing the design, implementation and monitoring of the internal control systems.

During the Reporting Period, we regularly reviewed and enhanced our internal control system designed to manage the risks and uncertainties that may cause the Group's financial conditions or business performance to be materially different from the expected results.

Below is a summary of the internal control policies, measures and procedures we have implemented:

- We adopted various measures and procedures regarding each aspect of our business operation, such as company code of conduct, policies of protection of intellectual property, environmental protection, legal and compliance, pharmacovigilance, product quality and safety, and occupational health and safety, etc. We provided periodic training on these measures and procedures to our employees as part of our employee training program. We also constantly monitor the implementation of those measures and procedures during each stage of the business development process.
- Our Directors (who are responsible for monitoring the corporate governance of our Group), with help from our legal advisors, conducted periodically review on our compliance status with all relevant laws and regulations.

- Our Audit Committee assists the Board to monitor the effectiveness of the risk management and internal control systems, regularly review the results and effectiveness of the Company's internal audit team, and provide recommendation regarding the risk management and internal control system. Our Audit Committee also (i) makes recommendations to our Directors on the appointment and removal of external auditors; (ii) reviews the financial information and renders advice in respect of financial reporting as well as oversee internal control procedures of our Group; and (iii) maintains regular dialogue with the Company's external auditors and internal audit.
- Our Internal Audit function independently conducts audit programs per the annual plan endorsed by the management and Audit Committee, perform annual risk assessment and accordingly monitors the remediation status and reports the result to the management and our Audit Committee.
- We have engaged Guotai Junan Capital Limited as our Compliance Advisor to provide advice to our Directors and management team. Upon our consultation, our Compliance Advisor provides advice and guidance in respect of compliance with the applicable laws and Listing Rules including various requirements of directors' duties and internal control in a timely fashion.
- To ensure compliance to applicable laws and regulations, we have engaged a law firm, Fangda Partners to advise us on and keep us abreast of Hong Kong laws and regulations. We continuously arrange various trainings sessions provided by external legal advisors from time to time when necessary, and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the latest Hong Kong laws and regulations.
- We maintain strict anti-fraud, anti-corruption and medical compliance policies on personnel conducts business activities and external communications. We also provided periodic trainings to our commercial team to ensure them to comply with applicable promotion and advertising requirements, which include restrictions on promoting products for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities.
- We have put in place an internal policy for the handling and disclosure of inside information in compliance with the SFO. The internal policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in 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.
- We have developed standard operating procedures governing our activities including an integrated procurement-to-payment process, standardized financial reporting and accounting manual, expense accrual methodology, overall budgeting and tracking mechanism.
- Our Directors believe that compliance creates value for our stakeholders and dedicate to cultivating a compliance culture among all of our employees. To ensure such compliance culture is embedded into everyday workflow and set the expectations for individual behavior across the organization, we regularly conduct internal compliance checks and inspections, adopt strict accountability internally and deliver ongoing compliance training.

Corporate Governance Report

The Audit Committee, on behalf of the Board, continuously reviews the risk management and internal control systems. The review process comprises, among other things, meetings with management of business groups, internal audit team, legal personnel and the external auditors, reviewing the relevant work reports and information of key performance indicators, and discussing the major risks with the senior management of the Company.

During the Reporting Period, among other things, the Board and the Audit Committee have reviewed the Group's financial operation and compliance controls, the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions. The corporate risk management committee would review the reporting of the internal audit function from time to time. The Audit Committee has reviewed the Company's internal audit function and the internal control systems for the year ended December 31, 2021. A confirmation regarding the effectiveness of these systems has been provided to the Board for the year ended December 31, 2021.

In addition, the Board believes that the Company's accounting and financial reporting functions have been performed by staff of the appropriate qualifications and experience and that such staff receives appropriate and sufficient training and development. There were no material internal control defects or significant areas of concerns identified during the Reporting Period. The Board is of the opinion that the Group's risk management and internal control systems were effective and adequate during the Reporting Period.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the auditor to the Group during the year ended December 31, 2021 was approximately as follows:

Type of Services	Amount (RMB'000)
Audit services	2,490
Non-audit services related to interim financial review and tax	1,161
Total	3,651

COMPANY SECRETARY

The company secretary of the Company is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company engages Ms. Ng Ka Man (吳嘉雯) ("**Ms. Ng**"), a manager of the Listing Services Department of TMF Hong Kong Limited (a company secretarial service provider), as the company secretary. Mr. Xin Fu, the chief financial officer of the Company, is the primary corporate contact person at the Company whom Ms. Ng contacts.

For the year ended December 31, 2021, Ms. Ng has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The annual general meeting of the Company provides opportunity for the Shareholders to communicate directly with the Directors. The Chairman of the Company and the chairmen of the Board Committees of the Company will attend the AGMs to answer Shareholders' questions. The Auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

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

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

General meetings shall be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Corporate Governance Report

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Shareholders may put forward proposals at general meetings by sending written notice of their proposals to the headquarters of Company at 5F, Building B, No. 699 Zhong Ke Road, Pudong New District, Shanghai, PRC, or by email to IR_JW@jwtherapeutics.com.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at 5F, Building B, No. 699 Zhong Ke Road, Pudong New District, Shanghai, PRC (email address: IR_JW@jwtherapeutics.com).

DIVIDEND POLICY

With respect to dividend policy, the Group currently intends to retain all available funds and earnings, if any, to fund the development of its business and it does not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be made at the discretion of the Directors and may be based on a number of factors, including the Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Directors may deem relevant.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company adopted amended and restated memorandum and articles of association adopted on October 14, 2020, which has been effective from the Listing Date. For the year ended December 31, 2021, the said amended and restated memorandum and articles of association did not have any change.

Independent Auditor's Report

To the Shareholders of JW (Cayman) Therapeutics Co. Ltd

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of JW (Cayman) Therapeutics Co. Ltd (the "Company") and its subsidiaries (the "Group"), which are set out on pages 116 to 188, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarized as follows:

- Impairment assessment of intangible assets not ready for use

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Impairment assessment of intangible assets not ready for use</i></p> <p>Refer to notes 2.11 and 16 to the consolidated financial statements.</p> <p>The Group recorded intangible assets not ready for use of approximately RMB665,878,000, which represent 21% of the Group's total assets as of that date.</p> <p>Management conducted an annual impairment assessment with the assistance of an independent external valuer and concluded no impairment charge was necessary as at 31 December 2021. Management has determined the recoverable amounts of the intangible assets not ready for use based on value in use calculations using the discounted cash flow model. The key assumption used in estimating the recoverable amounts of related intangible assets not ready for use include revenue growth rates, gross margins and discount rates.</p> <p>We focused on auditing the impairment assessment of intangible assets not ready for use because of the involvement of significant management's judgments and assumptions involved, which are subject to high degree of estimation uncertainty and level of subjectivity.</p>	<p>We performed the following procedures to address the key audit matter:</p> <ol style="list-style-type: none"> (1) Obtained an understanding of the management's internal control and assessment process of impairment assessment of intangible assets not ready for use and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of subjectivity; (2) Assessed the competence, capabilities and objectivity of the independent external valuer; (3) Assessed the appropriateness of the valuation methodologies used to determine the value-in-use calculations; (4) Assessed the reasonableness of key assumptions including revenue growth rates, gross margins and discount rates applied by management, based on approved budget and observable market data of the industry; (5) Assessed management's sensitivity analysis on the key assumptions, to consider the extent to which adverse changes, would result in the intangible assets not ready for use impaired. <p>Based on the audit procedures performed, we found the significant management's judgments and assumptions used in the impairment assessment of intangible assets not ready for use to be supported by available evidence.</p>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THE AUDIT COMMITTEE 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 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 Mang, Kwong Fung Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Revenue	6	30,797	—
Cost of sales	9	(21,752)	—
Gross profit		9,045	—
Other income	7	6,444	1,322
Other gains — net	8	12,075	27,617
Selling expenses	9	(170,732)	(13,268)
General and administrative expenses	9	(201,518)	(231,294)
Research and development expenses	9	(414,397)	(225,215)
Operating loss		(759,083)	(440,838)
Finance income	11	8,296	3,441
Finance costs	11	(2,692)	(770)
Finance income — net	11	5,604	2,671
Fair values loss of preferred shares		—	(1,190,797)
Fair values gain/(loss) of warrants	31	51,151	(34,839)
Loss before income tax		(702,328)	(1,663,803)
Income tax expense	12	—	—
Loss for the year and attribute to the equity holders of the Company		(702,328)	(1,663,803)
Loss per share for the loss attributable to owners of the Company			
— Basic and diluted (in RMB)	13	(1.76)	(12.61)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Loss

For the year ended 31 December 2021

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Loss for the year		(702,328)	(1,663,803)
Other comprehensive loss: <i>Items that will not be reclassified to profit or loss</i>			
— Exchange differences on translation	25	(83,539)	(80,829)
Other comprehensive loss for the year, net of tax		(83,539)	(80,829)
Total comprehensive loss for the year and attribute to the equity holders of the Company		(785,867)	(1,744,632)

The above consolidated statement of comprehensive loss should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 December 2021

	Note	As at 31 December	
		2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	319,894	285,224
Right-of-use assets	15	45,784	22,636
Intangible assets	16	816,289	774,974
Prepayment for license	17	6,376	6,525
Other non-current assets	18	33,223	42,774
		1,221,566	1,132,133
Current assets			
Inventories	19	31,402	955
Other current assets	21	17,405	9,750
Other receivables and prepayments	20	11,834	2,794
Restricted bank deposits	22	—	3,262
Cash and cash equivalents	22	1,834,399	2,630,598
		1,895,040	2,647,359
Total assets		3,116,606	3,779,492

Consolidated Balance Sheet

As at 31 December 2021

	Note	As at 31 December	
		2021 RMB'000	2020 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	27	26
Reserves	25	6,142,033	6,078,584
Accumulated losses		(3,351,203)	(2,648,875)
Total equity		2,790,857	3,429,735
LIABILITIES			
Non-current liabilities			
Borrowings	29	95,000	100,000
Lease liabilities	30	31,849	12,712
Total non-current liabilities		126,849	112,712
Current liabilities			
Borrowings	29	5,000	—
Lease liabilities	30	15,186	10,881
Trade and other payables	28	178,714	119,053
Contingent consideration for business combination	34	—	55,369
Warrants	31	—	51,742
Total current liabilities		198,900	237,045
Total liabilities		325,749	349,757
Total equity and liabilities		3,116,606	3,779,492

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on Page 116 to 188 were approved by the Board of Directors on 23 March 2022 and were signed on its behalf.

Dr. Yiping James Li
Director

Ms. Xing Gao
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Note	Attributable to equity holders of the Company			Total RMB'000
		Share capital RMB'000	Reserves RMB'000	Accumulated losses RMB'000	
Balance at 1 January 2020		4	42,729	(985,072)	(942,339)
Loss for the year		—	—	(1,663,803)	(1,663,803)
Other comprehensive loss	25	—	(80,829)	—	(80,829)
Total comprehensive loss		4	(38,100)	(2,648,875)	(2,686,971)
Transactions with owners					
Allotment of shares for Eagle	24,25	3	628,211	—	628,214
Issue of shares by converting preferred shares into ordinary share	24,25	10	3,214,022	—	3,214,032
Issue of shares by initial public offering	24,25	8	2,140,201	—	2,140,209
Issue of shares held in trust	24	1	—	—	1
Share-based compensation expenses	10	—	134,250	—	134,250
Total transactions with owners		22	6,116,684	—	6,116,706
Balance at 31 December 2020		26	6,078,584	(2,648,875)	3,429,735
Balance at 1 January 2021		26	6,078,584	(2,648,875)	3,429,735
Loss for the year		—	—	(702,328)	(702,328)
Other comprehensive loss	25	—	(83,539)	—	(83,539)
Total comprehensive loss		—	(83,539)	(702,328)	(785,867)
Transactions with owners					
Issuance of ordinary shares	24,25	1	57,618	—	57,619
Share-based compensation expenses	10	—	89,370	—	89,370
Total transactions with owners		1	146,988	—	146,989
Balance at 31 December 2021		27	6,142,033	(3,351,203)	2,790,857

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Cash flows used in operating activities			
Cash used in operations	32(a)	(569,494)	(264,446)
Interest received		8,296	3,441
Net cash used in operating activities		(561,198)	(261,005)
Cash flows used in investing activities			
Purchases of property, plant and equipment		(73,087)	(124,238)
Purchases of intangible assets		(64,043)	(5,972)
Prepayment for license		—	(7,007)
Cash acquired from acquisition of subsidiaries	34	—	45,308
Net cash used in investing activities		(137,130)	(91,909)
Cash flows from financing activities			
Proceeds from issuance of preferred shares		—	709,132
Proceeds from issues of shares and other equity securities	24	697	2,140,209
Payment for listing expenses		(15,651)	(22,055)
Payment of lease liabilities	32(d)	(13,020)	(11,795)
Interest paid for lease liabilities	32(d)	(1,086)	(770)
Proceeds from bank borrowings	32(d)	—	49,177
Interest paid for bank borrowings		(4,823)	(4,471)
Decrease in restricted bank deposits		3,262	—
Net cash (used in)/generated from financing activities		(30,621)	2,859,427
Net (decrease)/increase in cash and cash equivalents		(728,949)	2,506,513
Cash and cash equivalents at beginning of the year		2,630,598	254,866
Exchange loss on cash and cash equivalents		(67,250)	(130,781)
Cash and cash equivalents at end of the year		1,834,399	2,630,598

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1 GENERAL INFORMATION

JW (Cayman) Therapeutics Co. Ltd (the “Company”) was incorporated in the Cayman Islands, with its registered office situate at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, on 6 September 2017 as an exempted company with limited liability.

The Company and its subsidiaries, hereinafter collectively referred to as the “Group” are primarily engaged in research and development (“R&D”), manufacturing, and marketing of anti-tumor drugs in the People’s Republic of China (the “PRC”).

The Company’s shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 3 November 2020 (the “Listing”).

The consolidated financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

These consolidated financial statements have been approved by the Directors on 23 March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group has been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by International Accounting Standards Board (“IASB”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 (“HKCO”).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial liabilities at fair value through profit or loss, which are carried at fair value.

2.2 New standards, amendments and interpretation adopted by the Group

A number of new standards, amendments and interpretation became applicable for the current reporting period and the Group changed its accounting policies and make adjustments as a result of adopting these new standards, amendments and interpretation set out below:

- Interest Rate Benchmark Reform Phase 2 — amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16
- Covid-19-Related Rent Concessions beyond 30 June 2021

The adoption of the above new standards, amendments and interpretation to existing standards do not have a material impact on the Group.

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.3 New standards and interpretations not yet adopted**

The following standards, amendments, interpretation and improvements to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2022 but have not been early adopted by the Group:

Standards	Key requirements	Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IFRS 17		January 1, 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 16	Property, plant and equipment: Proceeds before intended use	January 1, 2022
Amendments to IAS 37	Onerous contract — cost of fulfilling a contract	January 1, 2022
Annual improvements	Annual improvements to IFRS standards 2018–2020	January 1, 2022
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023

None of these is expected to have a significant effect on the consolidated financial statements of the Group.

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Contractual arrangements

Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in the gene therapy business carried out by subsidiaries of the Group, namely Shanghai Ju Ming Medical Technology Co., Ltd (上海炬明醫療技術有限公司) (“Shanghai Juming”) and its wholly owned subsidiary, Shanghai Ming Ju Biotechnology Co., Ltd (上海明聚生物科技有限公司), JW Therapeutics (Shanghai) Co., Ltd. (上海藥明巨諾生物科技有限公司) (“JW Shanghai”) entered into the contractual arrangements (the “Contractual Arrangements”) with Shanghai Juming and its equity holders on 2 November 2017 and 29 July 2020, which enable JW Shanghai and the Group to:

- expose, or have rights, to variable returns from their involvement with the investee and have ability to affect those returns through its power over Shanghai Juming;
- exercise equity holders’ controlling voting rights of Shanghai Juming;
- receive substantially all of the economic interest returns generated by Shanghai Juming in consideration for the business support, technical and consulting services provided by Shanghai Juming;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in Shanghai Juming from its equity holders at the same amount of its registered capital, which was loaned from JW Shanghai. JW Shanghai may exercise such options at any time until it has acquired all equity interests and/or all assets of Shanghai Juming. In addition, Shanghai Juming is not allowed to sell, transfer, or dispose of any assets, or make any distributions to its equity holders without prior consent of JW Shanghai; and
- obtain a pledge over the entire equity interest of Shanghai Juming from its equity holders as collateral security to guarantee performance of their contractual obligations under the Contractual Arrangements.

The Group does not have any equity interest in Shanghai Juming Group. However, as a result of the Contractual Arrangements, the Group has power over Shanghai Juming Group, has rights to variable returns from its involvement with Shanghai Juming Group and has the ability to affect those returns through its power over Shanghai Juming Group and is considered to have control over Shanghai Juming Group. Consequently, the Company regards Shanghai Juming Group as indirect subsidiaries for accounting purpose. The Company consolidates the assets, liabilities, income and expenses of Shanghai Juming Group upon the execution of the Contractual Arrangements.

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.6).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

2.6 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Business combinations (Continued)

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is United States Dollars ("USD"); however, the consolidated financial statements are presented in RMB. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in consolidated statements of comprehensive loss in the period in which they arise.

Monetary assets and liabilities denominated in foreign currencies at the year end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

All foreign exchange gains and losses are presented in the consolidated statements of comprehensive loss within "Other gains — net".

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rate; and
- (iii) All resulting exchange differences are recognized in other comprehensive income and accumulated as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs incurred during the construction period are capitalized.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance expenses are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Machinery	5 years
Electronic equipment	5–10 years
Leasehold improvements	Over the shorter of the lease term or the estimated useful life

The assets' residual value and useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognized as "Other gains — net" in the consolidated statements of comprehensive loss.

Construction in progress represents unfinished construction and equipment under construction or pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. Construction in progress is not depreciated but it is tested for impairment annually, or more frequently if events or changes in circumstances indicated that it might be impaired and is carried at cost less accumulated impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purpose, being the operating segments.

(b) Software

Computer software contains research and development software and financial software, which is recognized at historical cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. The Group amortized on a straight-line basis over their estimated useful lives of 5–10 years based on the current functionalities and the daily operation needs of the software.

(c) Licenses

Intangible assets acquired separately are measured on initial recognition at cost.

Certain intangible assets are for license of intellectual properties in development, with non-refundable upfront payment, milestone payment and royalty payment. Upfront payment is capitalized when paid. The milestone payment is capitalized as intangible assets when incurred, unless the payment is for outsourced research and development work which would follow the capitalization policy in Note 2.10 (d). Royalty payment would be accrued for in line with the underlying sales and recognized as a cost of sales. However, if the intangible asset is acquired in a business combination, it is measured at fair value at initial recognition.

In-licenses with finite useful life are amortized using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production after approval of biologics license application, which is determined by certain factors of the underlying products, including the life cycles, the technology innovation, the stability of CAR-T industry and actions by the Company's competitors, etc..

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Intangible assets (Continued)

(d) *Research and development*

The Group incurs significant costs and efforts on research and development activities, which include expenditures on drug products. Research expenditures are charged to the profit or loss as an expense in the period the expenditures are incurred. Development costs are recognized as assets if they can be directly attributable to a newly developed drug products and all the following can be demonstrated:

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

The cost of an internally generated intangible asset is the sum of the expenditures incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalized in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads. The Group generally considers capitalization criteria for internally generated intangible assets is met when obtaining regulatory approval of new drug license.

Capitalized development expenditures are amortized using the straight-line method over the life of the related drug products. Amortization shall begin when the asset is available for use. Subsequent to initial recognition, internally generated intangible assets are reported as cost less accumulated amortization and accumulated impairment losses (if any).

Development expenditures not satisfying the above criteria are recognized in the profit or loss as incurred and development expenditures previously recognized as an expense are not recognized as an asset in a subsequent period.

(e) *Construction in progress*

Construction in progress represents unfinished production system, and is stated at cost less impairment losses. Cost comprises direct purchase cost and capitalized borrowing costs, if any. Construction in progress is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of non-financial assets

Intangible assets, right-of-use assets and property, and plant and equipment that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash flows (cash generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Goodwill and intangible assets with indefinite useful lives or not ready for use will not be amortized but tested for impairment annually either individually or at the cash-generating unit level. The impairment test would compare the recoverable amount of the cash generating unit to its carrying value. 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.

2.12 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in income using the effective interest method.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in “other gains/losses”. Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses and impairment expenses are presented in “Other gains/(losses) — net”.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statements of comprehensive loss within “Other gains/(losses) — net”, net in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(b) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) — net in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.13 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.14 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

Impairment on other receivables is measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

2.15 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.17 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

Shares held for the share award scheme are disclosed as “Shares held for Share Award Scheme” and deducted from equity until the shares are vested or cancelled.

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Preferred shares

The preferred shares issued by the Company are redeemable upon occurrence of certain future events. These instruments can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering (“IPO”) of the Company.

The Group designated the preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value.

Subsequent to initial recognition, the preferred shares are carried at fair value with changes in fair value recognized in the consolidated statements of comprehensive loss.

If the Company’s own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts.

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Warrants

The Group issued warrants for the upfront payments to purchase license as cash-settled share-based payments. The warrants can be exercised and settled with preferred shares upon certain conditions. The fair value of the warrants for cash-settled transaction is remeasured at each reporting date and at the date of settlement. Any changes in fair value of warrants are recognized in profit or loss. Upon exercise of the warrants, the share-based payments are settled with preferred shares and accounted for as financial liabilities measured at fair value (Note 2.19).

2.21 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in consolidated statements of comprehensive loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed as incurred.

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheets date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the employee leaves.

(c) Housing funds, medical insurance and other social insurance

Employees in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contribution payable.

(d) Bonus plan

The expected cost of bonus is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Share-based payment

(a) Equity-settled share-based payment transactions

The Group operates stock options and restricted share units (“RSUs”) granted to employees, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments (options and RSUs) is recognized as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- (i) including any market performance conditions;
- (ii) excluding the impact of any service and non-market performance vesting conditions (for example, the requirement for employees to serve); and
- (iii) including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options and RSUs that are expected to vest based on the non-market vesting performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense in full on grant date as these equity instruments granted can be vested immediately.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

(b) Share-based payment transaction among Group entities

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Government grants

Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants related to costs are recognized in consolidated statements of comprehensive loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortized to consolidated statements of comprehensive loss over the estimated useful lives of the related assets using the straight-line method.

2.26 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.27 Revenue recognition

Revenues are recognised when, or as, the control of the goods or services is transferred to the customer.

Revenue from goods are recognised when control of the goods are transferred, being when the goods are delivered to the customers, and the customers have accepted the goods in accordance with the sales contracts, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Leases and right of use assets

The Group leases various properties. Property leases are typically made for fixed periods of one to five year. Lease terms are negotiated on an individual basis and contain various different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets comprise equipment and small items of office furniture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

2.30 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's directors or shareholders, where applicable.

2.31 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cashflow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Company's functional currency is USD. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Certain bank balances and other receivables and other payables are denominated in foreign currencies of respective Group entities which are exposed to foreign currency risk. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. The Group has entities operating in USD, Hong Kong Dollar (“HKD”) and RMB, and the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

Most foreign exchange transactions were denominated in USD for the Group companies that have functional currency in RMB. At 31 December 2021, if the USD strengthened/weakened by 5% against the RMB with all other variables held constant, net loss for the year would have been RMB742,093 (2020:RMB1,445,155) lower/higher.

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s interest-bearing borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. The Group does not anticipate significant impact to interest to interest-bearing borrowings with floating interest rate.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, restricted bank deposits, other receivables included in the statements of financial position represent the Group’s maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2021, cash and cash equivalents were all deposited in high quality financial institutions without significant credit risk.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited with state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Management has assessed that during the reporting period, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The Group does not expect any losses from nonperformance by the counterparties of other receivables and no loss allowance provision for other receivables was recognized.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents or adjust financing arrangements to meet the Group's liquidity requirements.

The table below analyzes the Group's non-derivative financial liabilities that will be settled into relevant maturity Grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2021					
Trade and other payables	131,326	—	—	—	131,326
Borrowings (including interest payables)	9,672	16,323	87,951	—	113,946
Lease liabilities	16,519	10,430	13,058	12,803	52,810
	<u>157,517</u>	<u>26,753</u>	<u>101,009</u>	<u>12,803</u>	<u>298,082</u>
As at 31 December 2020					
Trade and other payables	85,477	—	—	—	85,477
Borrowings (including interest payables)	4,900	9,819	104,559	—	119,278
Lease liabilities	11,701	10,516	2,473	—	24,690
	<u>102,078</u>	<u>20,335</u>	<u>107,032</u>	<u>—</u>	<u>229,445</u>

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For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the net debt equity ratio. This ratio is calculated as "net debt" divided by "total equity". Net debt is calculated as total borrowings, total lease liabilities and preferred shares less cash and cash equivalents and restricted bank deposits. The net debt ratio was summarized as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Borrowings	100,000	100,000
Lease liabilities	47,035	23,593
Less: cash and cash equivalents	(1,834,399)	(2,630,598)
Less: restricted bank deposits	—	(3,262)
Net debts	(1,687,364)	(2,510,267)
Total equity	2,790,857	3,429,735
Net debt equity ratio	N/A	N/A

3.3 Fair value estimation

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, restricted bank deposits, other receivables and prepayments (excluding prepayments), borrowings and accruals and other payables) approximate their fair values.

The Group applies IFRS 13 for financial instruments that are measured in the consolidated balance sheets at fair value, which requires disclosure of fair value measurements by levels of the following fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)**3.3 Fair value estimation** (Continued)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's liabilities that are measured at fair value at 31 December 2020.

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Liabilities				
Contingent consideration for business combination	—	—	55,369	55,369

Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for similar instruments or discounted cash flow analysis.

There were no changes in valuation techniques during the year ended 31 December 2021 (2020 :nil).

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2021 (2020: nil).

The changes in level 3 instruments of contingent consideration for business combination for the year ended 31 December 2021 are presented in Note 34.

For the year ended 31 December 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Intangible assets acquired in a business combination

If an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date. The fair value of an intangible asset will reflect market participants' expectations at the acquisition date about the probability that the expected future economic benefits embodied in the asset will flow to the entity. In other words, the entity expects there to be an inflow of economic benefits, even if there is uncertainty about the timing or the amount of the inflow. If an asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information exists to measure reliably the fair value of the asset.

An acquirer recognizes at the acquisition date, separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognized by the acquiree before the business combination. This means that the acquirer recognizes as an asset separately from goodwill an in-process research and development project of the acquiree if the project meets the definition of an intangible asset. An acquiree's in-process research and development project meets the definition of an intangible asset when it:

- (i) meets the definition of an asset; and
- (ii) is identifiable, i.e., is separable or arises from contractual or other legal rights.

If an intangible asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information exists to measure reliably the fair value of the asset. Determination of the fair value is an area involving management judgment in order to assess whether the carrying value of the intangible assets not ready for use can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of (i) timing of commercialization, productivity and market penetration rate; (ii) revenue growth rate; (iii) costs and operating expenses; (iv) the selection of discount rates; and (v) success rate of commercialization to reflect the risks involved.

An intangible asset acquired in a business combination might be separable, but only together with a related contract, identifiable asset or liability. In such cases, the acquirer recognizes the intangible asset separately from goodwill, but together with the related item.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(b) Impairment of property, plant and equipment

The Group assesses impairment based on its subjective judgment and determines the separate cash flows of a specific Group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

(c) Impairment testing of intangible assets not ready for use

Intangible assets not ready for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Group obtained in-licenses through separate acquisition or business combination to continue research and development work and commercialize the products, which are classified as intangible assets not ready for use.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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.

(d) Deferred income tax

The Group recognises deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses. During the year ended 31 December 2021, deferred tax assets have not been recognised in respect of these accumulated tax losses and other deductible temporary differences based on the fact that there were several drug candidates of the Company and most of them were in earlier research and development stage and the future taxable profits would be uncertain.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(e) Research and development expenses

Development costs incurred on the Group's drug product pipelines are capitalized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalized requires management to make judgment regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the year ended 31 December 2021, all expenses incurred for research and development activities were regarded as research expenses and therefore were expensed when incurred.

5 SEGMENT INFORMATION

The Group's business activities are regularly reviewed and evaluated by the chief operating decision-makers.

As a result of this evaluation, the executive directors of the Group consider that the Group's operations are operated and managed as a single reportable segment. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

6 REVENUE

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue from sales of goods — at a point of time	30,797	—

7 OTHER INCOME

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Government grants — cost related (<i>Note</i>)	6,444	1,322

Note:

The government grants and subsidies related to funding received to compensate for the Group's research and development expenses. Some of the grants received are related to future costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. When the required conditions set by the government for such grants are met, the proportion of the qualified funds is recognized as "other income" and the remaining balance is recorded as "Trade and other payables — deferred income".

Notes to the Consolidated Financial Statements

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8 OTHER GAINS — NET

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Net foreign exchange gain	14,842	28,903
Bargain purchase gain (Note 34)	—	6,016
Fair value loss of contingent consideration for business combination (Note 34)	(2,089)	(7,897)
Others	(678)	595
Total	12,075	27,617

9 EXPENSES BY NATURE

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Employee benefit expenses (including Directors' emoluments) (Note 10)	386,915	259,052
Materials and consumables	109,051	41,763
Professional service expenses	81,791	26,726
Testing and clinical expenses	64,285	47,108
Business Promotion fee	52,523	5,655
Office expenses	33,852	9,408
Depreciation of property, plant and equipment (Note 14)	27,084	13,819
Depreciation-right of use assets (Note 15)	13,314	9,349
Short term lease and low value lease expenses	9,168	5,378
Auditors' remuneration-audit service	3,651	3,114
— Audit service	2,490	2,356
— Non-audit service	1,161	758
Amortization of license	3,563	—
Royalty fee	1,857	—
Amortization of other intangible assets	1,687	422
Listing expenses	—	35,564
Other expenses	19,658	12,419
Total cost of sales, selling expenses, general and administrative expenses and research and development expenses	808,399	469,777

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10 EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Wages and salaries	197,295	84,493
Share options granted to directors and employee (Note 26)	89,370	134,250
Other post-employment benefits	100,250	40,309
	386,915	259,052

(a) Pensions — defined contribution plans

During the year ended 31 December 2021, no forfeited contributions were utilized by the group to reduce its contributions for the current year (2020: Nil).

(b) Directors' and senior management's emoluments

Directors and chief executives' emoluments for the reporting period is set out as follows:

	Fees RMB'000	Basic salaries, housing allowances, other allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Year ended 31 December 2021						
<i>Chairman and executive director</i>						
Yiping James Li	—	1,826	2,461	—	36,617	40,904
<i>Non-executive Director</i>						
Hans Edgar Bishop (i)	—	—	—	—	5,399	5,399
Krishnan Viswanadhan	99	—	—	—	—	99
Xing Gao (vi)	—	—	—	—	—	—
Ann Li Lee (vi)	99	—	—	—	—	99
Jinyin Wang (vi)	—	—	—	—	—	—
Cheng Liu (vii)	25	—	—	—	—	25
<i>Independent Director</i>						
Yanling Cao (ii)	—	—	—	—	—	—
Yiu Leung Andy Cheung (viii)	253	—	—	—	—	253
Kin Cheong Kelvin Ho (viii)	131	—	—	—	—	131
Chi Shing Li (viii)	253	—	—	—	—	253
	860	1,826	2,461	—	42,016	47,163

For the year ended 31 December 2021

10 EMPLOYEE BENEFIT EXPENSE (Continued)**(b) Directors' and senior management's emoluments** (Continued)

	Fees RMB'000	Basic salaries, housing allowances, other allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Year ended 31 December 2020						
<i>Chairman and executive director</i>						
Yiping James Li	—	2,629	2,565	—	94,199	99,393
<i>Non-executive Director</i>						
Hans Edgar Bishop (i)	—	—	—	—	3,207	3,207
Edward Hu (iii)	—	—	—	—	—	—
Ge Li (iii)	—	—	—	—	—	—
Yang Yunxia (iv)	—	—	—	—	—	—
Miao Jingwen (v)	—	—	—	—	—	—
Krishnan Viswanadhan	—	—	—	—	—	—
Xing Gao (vi)	—	—	—	—	—	—
Ann Li Lee (vi)	—	—	—	—	—	—
Jinyin Wang (vi)	—	—	—	—	—	—
Cheng Liu (vii)	—	—	—	—	—	—
<i>Independent Director</i>						
Yanling Cao (vi)	—	—	—	—	—	—
Yiu Leung Andy Cheung (viii)	50	—	—	—	—	50
Kin Cheong Kelvin Ho (viii)	32	—	—	—	—	32
Chi Shing Li (viii)	50	—	—	—	—	50
	<u>132</u>	<u>2,629</u>	<u>2,565</u>	<u>—</u>	<u>97,406</u>	<u>102,732</u>

- (i) Mr. Hans Edgar Bishop resigned as a director on 3 December 2021
- (ii) Mr. Yanling Cao resigned as a director on 3 December 2021.
- (iii) Mr. Edward Hu and Mr. Ge Li resigned as directors on 22 March 2020.
- (iv) Ms. Yang Yunxia resigned as a director on 20 September 2020.
- (v) Ms. Miao Jingwen resigned as a director on 18 September 2020.
- (vi) Ms. Xing Gao, Dr. Ann Li Lee, Mr. Jinyin Wang and Mr. Yanling Cao were appointed as directors on 22 May 2020.
- (vii) Dr. Cheng Liu was appointed as director on 30 June 2020.
- (viii) Mr. Yiu Leung Andy Cheung, Mr. Kin Cheong Kelvin Ho and Mr. Chi Shing Li were appointed as directors on 22 October 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10 EMPLOYEE BENEFIT EXPENSE (Continued)

(c) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2021 (2020: nil).

(d) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2021 (2020: nil).

(e) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2021, the Company did not pay consideration to any third parties for making available directors' services (2020: nil).

(f) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2021 (2020: nil).

(g) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2021 (2020: nil).

(h) Emolument as an inducement to join or upon joining the Company

None of the directors received any emolument from the Company as an inducement to join or upon joining the Company as compensation for loss of office during the year ended 31 December 2021 (2020: nil)

(i) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one director (2020: one), whose emolument is reflected in the analysis shown above. The emoluments payable to the remaining four individuals during the year are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	29,282	25,376
Discretionary bonuses	3,440	1,197
Contribution to pension scheme	550	105
	33,272	26,678

For the year ended 31 December 2021

10 EMPLOYEE BENEFIT EXPENSE (Continued)**(i) Five highest paid individuals** (Continued)

The emoluments to the four (2020: four) individuals fell within the following bands:

	Year ended 31 December	
	2021	2020
	no. of	no. of
	individuals	individuals
Emolument bands (in RMB)		
Less than RMB1,000,000	—	—
RMB1,000,001 to RMB1,500,000	—	—
RMB1,500,001 to RMB3,000,000	—	—
RMB3,000,001 to RMB4,500,000	1	1
RMB4,500,001 to RMB6,000,000	—	1
RMB6,000,001 to RMB7,500,000	1	1
RMB7,500,001 to RMB9,000,000	—	—
RMB10,500,001 to RMB12,000,000	2	1
	4	4

11 FINANCE INCOME — NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Finance income:		
Interest income on bank deposits	8,296	3,441
Total finance income	8,296	3,441
Finance costs		
Interest expense on bank borrowings	(4,823)	(4,471)
Less: amounts capitalized in property, plant and equipment	3,217	4,471
Interest expense on lease liabilities	(1,606)	—
	(1,086)	(770)
Total finance costs	(2,692)	(770)
Finance income — net	5,604	2,671

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12 INCOME TAX EXPENSE

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 operated.

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. There is no income tax in the Cayman Islands and accordingly, the operating results reported by the Company, is not subject to any income tax in the Cayman Islands.

(b) Hong Kong income tax

No provision for Hong Kong profits tax has been provided for at the rate of 16.5% as the Company has no estimated assessable profit.

(c) The PRC corporate income tax

No provision for Mainland China income tax has been provided for at a rate of 25% pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), as the Group's PRC entities have no estimated assessable profits.

The taxation of the Group's profit before taxation differs from the theoretical amount that would arise using the rates prevailing in the jurisdictions in which the Group operates as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Loss before income tax	(702,328)	(1,663,803)
Tax calculated at applicable tax rate of 25%	(175,582)	(415,951)
Effect of different tax rate	(8,316)	311,391
Expenses not deductible for taxation purposes	24,317	32,915
Super deduction in respect of research and development expenditures	(44,126)	(40,582)
Tax loss not recognized as deferred tax assets	203,707	112,227
Income tax expense	—	—

For the year ended 31 December 2021

12 INCOME TAX EXPENSE (Continued)**(d) Deferred tax assets not recognized:**

The Group has not recognized any deferred tax assets in respect of the following items:

	<u>Year ended 31 December</u>	
	2021	2020
	RMB'000	RMB'000
Deductible losses	1,763,945	983,493

(e) Deductible losses that are not recognized as deferred tax assets will be expired as follows:

	<u>Year ended 31 December</u>	
	2021	2020
	RMB'000	RMB'000
2021	—	34,376
2022	64,115	64,115
2023	161,340	161,340
2024	274,756	274,756
2025	448,906	448,906
2026	814,828	—
	1,763,945	983,493

Notes to the Consolidated Financial Statements

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13 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss of the Group attribute to owners of the Company by weighted average number of ordinary shares issued during the year ended 31 December 2021.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Loss attributable to the ordinary equity holders of the Company (RMB'000)	(702,328)	(1,663,803)
Weighted average number of ordinary shares in issue (in thousand) (<i>Note</i>)	399,749	131,901
Basic loss per share (RMB)	(1.76)	(12.61)

Note:

On 21 August 2020, the Company underwent a subdivision of shares whereby each issued and unissued share of par value US\$0.0001 each in our Company's authorized share capital shall be subdivided into 10 shares of US\$0.00001 par value each.

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

For the year ended 31 December 2021, the Company had one category of potential ordinary shares: the stock options granted to employees (2020: the Company had one category of potential ordinary shares: the stock options granted to employees). As the Group incurred losses for the year ended 31 December 2021 and 2020, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2021 and 2020 are the same as basic loss per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

14 PROPERTY, PLANT AND EQUIPMENT

	Machinery <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2020					
Cost	30,327	10,699	24,771	123,554	189,351
Accumulated depreciation	(5,069)	(2,181)	(3,169)	—	(10,419)
Net book amount	25,258	8,518	21,602	123,554	178,932
Year ended 31 December 2020					
Opening net book amount	25,258	8,518	21,602	123,554	178,932
Additions	2,973	4,503	380	104,522	112,378
Transfer	10,108	—	445	(10,553)	—
Acquisition of subsidiaries	—	7,733	—	—	7,733
Depreciation charges (<i>Note 9</i>)	(5,632)	(3,149)	(5,038)	—	(13,819)
Closing net book amount	32,707	17,605	17,389	217,523	285,224
At 31 December 2020					
Cost	43,408	22,935	25,596	217,523	309,462
Accumulated depreciation	(10,701)	(5,330)	(8,207)	—	(24,238)
Net book amount	32,707	17,605	17,389	217,523	285,224
Year ended 31 December 2021					
Opening net book amount	32,707	17,605	17,389	217,523	285,224
Additions	1,458	2,042	514	60,226	64,240
Transfer	71,739	6,580	182,270	(260,589)	—
Disposals	(57)	(63)	—	—	(120)
Depreciation charges (<i>Note 9</i>)	(9,562)	(5,798)	(14,090)	—	(29,450)
Closing net book amount	96,285	20,366	186,083	17,160	319,894
At 31 December 2021					
Cost	116,514	30,952	208,380	17,160	373,006
Accumulated depreciation	(20,229)	(10,586)	(22,297)	—	(53,112)
Net book amount	96,285	20,366	186,083	17,160	319,894

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Depreciation of the Group charged to profit or loss is analyzed as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Cost of Sales (Note 9)	1,780	—
Selling expenses (Note 9)	3	—
General and administrative expenses (Note 9)	2,808	2,346
Research and Development expenses (Note 9)	22,493	11,473
	27,084	13,819

(b) Capitalized borrowing cost was RMB3,217,000 during the year ended 31 December 2021 (2020: RMB4,471,000). The capitalization rate of borrowings was 4.70% for the year ended 31 December 2021 (2020: 4.90%).

15 RIGHT-OF-USE ASSETS

The Group leases offices for its own use. Information about leases for which the Group is a lessee is presented below:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Cost	80,393	43,931
Accumulated depreciation	(34,609)	(21,295)
Net book amount	45,784	22,636
Opening net book amount	22,636	23,784
Additions	36,462	8,428
Exemption on rental fee (Note)	—	(227)
Depreciation charge	(13,314)	(9,349)
Closing net book amount	45,784	22,636

Note:

Due to COVID-19, rental expenses from 1 February 2020 to 31 March 2020 for certain locations were exempted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

15 RIGHT-OF-USE ASSETS (Continued)

The consolidated statement of profit or loss and the consolidated statement of cash flows contain the following amounts relating to leases:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Depreciation charge of right-to-use assets	(13,314)	(9,349)
Interest expenses	(1,086)	(770)
The cash outflow for leases as operating activities	(9,168)	(5,378)
The cash outflow for leases as financing activities	(13,020)	(11,795)

16 INTANGIBLE ASSETS

	Computer software RMB'000	Licenses RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2020				
Cost	2,021	144,477	10,737	157,235
Accumulated amortization	(288)	—	—	(288)
Net book amount	1,733	144,477	10,737	156,947
Year ended 31 December 2020				
Opening net book amount	1,733	144,477	10,737	156,947
Additions	72	—	5,900	5,972
Transfer	3,132	—	(3,132)	—
Acquisition of subsidiaries (Note 34)	1	674,676	—	674,677
Amortization charges (Note 9)	(422)	—	—	(422)
Currency translation differences	—	(62,200)	—	(62,200)
Closing net book amount	4,516	756,953	13,505	774,974
At 31 December 2020				
Cost	5,226	756,953	13,505	775,684
Accumulated amortization	(710)	—	—	(710)
Net book amount	4,516	756,953	13,505	774,974

Notes to the Consolidated Financial Statements

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16 INTANGIBLE ASSETS (Continued)

	Computer software RMB'000	Licenses RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2021				
Opening net book amount	4,516	756,953	13,505	774,974
Additions	—	31,879	32,164	64,043
Transfer	44,092	—	(44,092)	—
Amortization charges (Note 9)	(1,898)	(3,563)	—	(5,461)
Currency translation differences	—	(17,267)	—	(17,267)
Closing net book amount	46,710	768,002	1,577	816,289
At 31 December 2021				
Cost	49,318	771,565	1,577	822,460
Accumulated amortization	(2,608)	(3,563)	—	(6,171)
Net book amount	46,710	768,002	1,577	816,289

(a) Amortization of intangible assets has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Cost of Sales (Note 9)	3,748	—
Selling expenses (Note 9)	61	—
Administrative expenses (Note 9)	1,017	403
Research and development Expenses (Note 9)	424	19
	5,250	422

For the year ended 31 December 2021

16 INTANGIBLE ASSETS (Continued)**(b) Licenses****Recognition***(i) License and Strategic Alliance Agreement*

In December 2017, the Group entered into License and Strategic Alliance Agreement (“**License and Strategic Alliance Agreement**”) with Juno to develop and commercialize Relma-cel in Mainland China, Hong Kong and Macau. The Group recognized a total amount of USD11,570,000 (equivalent to RMB75,601,000) as intangible assets based on the fair value in year 2017.

In January 2021, the Group completed the treatment of 100 patients with Relma-cel in clinical trials. As such, the Group provided Juno milestone payment in cash in an amount of USD5,000,000 (equivalent to RMB32,462,000) in connection with the License and Strategic Alliance Agreement and further recognized it as intangible assets.

(ii) BCMA license

In April 2019, the Group entered into License Agreement — BCMA (“BCMA License Agreement”) with Juno to develop and commercialize JWCAR129 in Mainland China, Hong Kong and Macau. The Group recognized a total amount of USD9,140,000 (equivalent to RMB61,318,000) as intangible assets based on the fair value in year 2019.

(iii) Eureka licenses

Licenses acquired in a business combination (Note 34) are recognized at fair value at the acquisition date (“Eureka Licenses”), which includes certain licenses under development and commercialization in Mainland China, Hong Kong, Macau, Taiwan and the member countries of Association of South East Asia Nation. The Group recognized a total amount of USD95,300,000 (equivalent to RMB674,676,000) as intangible assets based on the fair value.

The Company has engaged an independent valuer to determine the fair value of the licenses. The discounted cash flow method was used to determine the value. Key assumptions are listed below:

	June 2020
Gross margin	79.1%–81.4%
Revenue growth rate	3.1%–229.4%
Discount rate	24%

As at 31 December 2021, BCMA license and Eureka license with total net book value of RMB665,878,000 were not ready for use.

Notes to the Consolidated Financial Statements

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16 INTANGIBLE ASSETS (Continued)

(b) Licenses (Continued)

Impairment

The impairment test of intangible assets not ready for use was performed by engaging an independent valuer to estimate the value in use as the recoverable amount of each drug. The fair value is based on value in use calculations using the discounted cash flow model. The estimated revenue of each drug is based on management's expectations of timing of commercializing related products to respective drug. The cost and operating expenses are estimated by considering margins levels of the Group's business, expected revenue contribution of respective drug to the Group's total revenue and appropriate adjustments to reflect the characteristics of respective license. The discount rates used are pre-tax and reflect specific risks relating to the relevant drug that would be considered by market participants.

The key assumption used for recoverable amount calculation is as followed:

JWCAR 129:

	As at 31 December	
	2021	2020
Gross margin	78.8%–83.7%	72.6%–75.9%
Pre-tax discount rate	23.9%	23.9%
Revenue growth rate	3%–135.9%	3.5%–135.9%
Recoverable amount (in RMB million)	178	156

Eureka licenses:

	As at 31 December	
	2021	2020
Gross margin	83.7%–87.5%	79.1%–81.2%
Pre-tax discount rate	24.8%	24.7%
Revenue growth rate	3.1%–229.4%	3.1%–229.4%
Recoverable amount (in RMB million)	728	726

Based on the result of above assessment, there was no impairment for the intangible asset during the year ended 31 December 2021 (2020: nil).

For the year ended 31 December 2021

16 INTANGIBLE ASSETS (Continued)**(b) Licenses** (Continued)**Impairment test-sensitivity**

The Company performed sensitivity test by increasing 1% of pre-tax discount rate or decreasing 1% of revenue growth rate, which are the key assumptions determine the recoverable amount of each intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

JWCAR 129:

	As at 31 December	
	2021	2020
Headroom	120	68
Impact by increasing pre-tax discount rate	(17)	(16)
Impact by decreasing revenue growth rate	(2)	(4)

Eureka licenses:

	As at 31 December	
	2021	2020
Headroom	121	104
Impact by increasing pre-tax discount rate	(111)	(99)
Impact by decreasing revenue growth rate	(8)	(17)

Considering there was still sufficient headroom based on the assessment, management believes that a reasonably possible change in any of the key assumptions on which management has based its determination of each CGU's recoverable amount would not cause its carrying amount to exceed its recoverable amount.

17 PREPAYMENT FOR LICENSE

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Prepayment for license (<i>Note</i>)	6,376	6,525

Note:

In January 2020, the Company entered into an Option and License Agreement with Acepodia Biotechnologies, Ltd. ("Acepodia"), pursuant to which, the Company was granted an exclusive option to acquire an exclusive right and license to manufacture, develop, use, sell, offer for sale, import and otherwise commercialize certain products. On 3 February 2020, the Company paid first instalment of USD1,000,000 to Acepodia.

Notes to the Consolidated Financial Statements

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18 OTHER NON-CURRENT ASSETS

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Prepayments for property, plant and equipment	15,292	1,245
Value-added tax recoverable	13,359	37,097
Rental deposits	4,452	3,452
Others	120	980
	33,223	42,774

19 INVENTORIES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Raw materials	22,643	955
Work in progress	8,759	—
	31,402	955

20 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Prepayments to suppliers	7,580	1,928
Receivables on behalf of employees	2,860	—
Deposits	695	863
Others	699	3
Total	11,834	2,794

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

20 OTHER RECEIVABLES AND PREPAYMENTS (Continued)

The carrying amounts of the Group's other receivables and prepayments are denominated in following currencies.

	As at 31 December	
	2021 RMB'000	2020 RMB'000
RMB	11,812	2,761
USD	22	33
Total	11,834	2,794

None of the above assets is past due or impaired. The financial assets included in the above balances related to deposits for which there was no history of default and the expected credit losses are considered minimal.

The carrying amounts of the Group's other receivables approximate their fair values.

Note: The amounts are non-traded, unsecured, interest-free and repayable on demand.

21 OTHER CURRENT ASSETS

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Value-added tax recoverable	15,825	9,750
Other	1,580	—
	17,405	9,750

22 CASH AND CASH EQUIVALENTS

(a) Restricted bank deposits

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Restricted cash deposit for hedging arrangement (<i>Note</i>)	—	3,262

Note:

The Group had placed USD500,000 cash deposits with a bank for hedging arrangement in 2020, which terminated in 2021. As at 31 December 2021, no hedging had been arranged (2020: nil).

Notes to the Consolidated Financial Statements

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22 CASH AND CASH EQUIVALENTS (Continued)

(b) Cash and cash equivalents

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Cash at bank		
— RMB	251,698	47,312
— USD	1,567,555	2,250,668
— HKD	15,145	332,617
Cash at hand		
— RMB	1	1
Total	1,834,399	2,630,598

The carrying amount of bank deposits approximates their fair value.

23 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Financial assets at amortized costs:		
— Cash and cash equivalents	1,834,399	2,630,598
— Receivables on behalf of employees	2,860	—
— Deposit	3,438	4,315
— Restricted cash	—	3,262
Total	1,840,697	2,638,175

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Liabilities		
Financial liabilities at fair value:		
— Contingent consideration for business combination	—	55,369
Financial liabilities at amortized costs:		
— Trade and other payables	131,326	85,478
— Borrowings — current	5,000	—
— Borrowings — non-current	95,000	100,000
Lease liabilities — current	15,186	10,881
Lease liabilities — non-current	31,849	12,712
Total	278,361	264,440

For the year ended 31 December 2021

24 SHARE CAPITAL**Authorized:**

	Number of shares <i>In thousands</i>	Nominal value of shares <i>USD</i>	RMB equivalent value <i>RMB'000</i>
As at 31 December 2020 and 2021	500,000	50,000	332

Issued and fully paid:

	Number of shares <i>In thousands</i>	Nominal value of shares <i>USD</i>	RMB equivalent value <i>RMB'000</i>
As at 31 December 2020	387,906	3,878	26
Issue of shares for share based compensation (<i>Note (a)</i>)	14,860	149	1
Issue of shares for settle contingent consideration of business combination (<i>Note (b)</i>)	4,864	49	—
As at 31 December 2021	407,630	4,076	27

Note (a):

During the year ended 31 December 2021, the Group issued a total of 14,859,664 ordinary shares to the Group's employees as the result of exercise of stock option and RSU after vesting period with a total exercise price of USD108,000 (equivalent to RMB704,000).

Note (b):

On January 27 and October 8, 2021, the group issued 23,050 and 4,840,654 ordinary shares to Syracuse Biopharma (Cayman) Limited to settle USD117,000 (equivalent to RMB760,000) and USD9,117,000 (equivalent to RMB56,154,000) of the contingent consideration for business combination.

Notes to the Consolidated Financial Statements

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25 RESERVES

	Share premium RMB'000 Note (a)	Share-based compensation reserve RMB'000 Note (b)	Treasury shares held in trust RMB'000	Foreign currency translation RMB'000 Note (c)	Capital reserve RMB'000 Note (d)	Total RMB'000
Balance at 1 January 2020	40,615	15,443	—	(25,554)	12,225	42,729
Share based compensation expenses (Note 10)	—	134,250	—	—	—	134,250
Currency translation differences	—	—	—	(80,829)	—	(80,829)
Allotment of shares	628,211	—	—	—	—	628,211
Issue of shares held in trust	—	—	(1)	—	1	—
Issue of shares by initial public offering	2,140,201	—	—	—	—	2,140,201
Issue of shares by converting preferred shares into ordinary share	3,214,022	—	—	—	—	3,214,022
Balance at 31 December 2020	6,023,049	149,693	(1)	(106,383)	12,226	6,078,584
Balance at 1 January 2021	6,023,049	149,693	(1)	(106,383)	12,226	6,078,584
Share based compensation expenses (Note 10)	—	89,370	—	—	—	89,370
Currency translation differences	—	—	—	(83,539)	—	(83,539)
Issuance of ordinary shares (Note 24)	57,618	—	—	—	—	57,618
Balance at 31 December 2021	6,080,667	239,063	(1)	(189,922)	12,226	6,142,033

Note:

- Share premium arose from the issuance of the Company in excess of their par value.
- Share-based compensation reserve arises from share-based payment granted to employees of the Group.
- Foreign currency translation represents the difference arising from the translation of financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.
- Capital reserve represents the difference of aggregate consideration paid by the Group and the aggregate capital of the subsidiaries acquired before the year ended 31 December 2020.

26 SHARE-BASED PAYMENTS

(a) Stock option and restricted share unit of the Company

Pursuant to a resolution dated 30 June 2020, the Company adopted a 2020 June Stock Option and a 2020 June RSU (together, "2020 June Plan"). The Company granted 248,441 stock options and 1,371,925 RSUs to certain directors, senior management and employees of the Group as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries. In addition, the Company granted 96,662 RSUs to three consultants, as reward of their past services.

On 21 August 2020, the Company underwent a subdivision of shares whereby each issued and unissued share of par value US\$0.0001 each in our Company's authorized share capital shall be subdivided into 10 shares of US\$0.00001 par value each.

Pursuant to a resolution dated 10 September 2020, the Company adopted 2020 September Stock Option and 2020 September RSU (together, "2020 September Plan"). The Company granted 3,529,840 stock options and 1,078,170 RSUs to certain directors, senior management and employees of the Group as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries. In addition, the Company granted 808,480 RSUs to two consultants, as reward of their past services.

Pursuant to a resolution dated 30 September 2021, the Company adopted 2021 September Stock Option and 2021 September RSU (together, "2021 September Plan"). The Company granted 6,812,000 stock options and 4,819,617 RSUs to certain directors, senior management and employees of the Group as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries. In addition, the Company granted 226,930 stock options and 113,465 RSUs to one consultant, as reward of his past services.

Pursuant to a resolution dated 17 December 2021, the Company adopted 2021 December Stock Option and 2021 December RSU (together, "2021 December Plan"). The Company granted 754,254 stock options and 472,182 RSUs to certain directors, senior management and employees of the Group as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries.

Pursuant to the 2020 June Plan, certain directors and senior managements' stock options and RSUs were vested on the grant date to compensate for their past services before the date of grant.

There are two types of vesting schedules for the remaining 2020 June Plan, 2020 September Plan, 2021 September Plan and 2021 December Plan (i) with 30% will vest on the second anniversary of the vesting commencement date and the remaining 30% and 40% will vest on the third anniversary and fourth anniversary of the vesting commencement date, respectively; and (ii) with 25% will vest on each anniversary of the vesting commencement date, respectively.

Notes to the Consolidated Financial Statements

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26 SHARE-BASED PAYMENTS (Continued)

(a) Stock option and restricted share unit of the Company (Continued)

The following table summarizes the Group's stock option activities:

	Year ended 31 December			
	2021		2020	
	Weighted average exercise price (in USD)	Number of stock options	Weighted average exercise price (in USD)	Number of stock options
As at beginning of year	0.12	9,023,920	1.57	386,630
Granted from 2019 Plan	—	—	—	—
Granted from 2020 June Plan	—	—	0.001	248,441
Subdivision of shares	—	—	0.0956	5,715,639
Granted from 2020 September Plan	—	—	0.00001	3,529,840
Granted from 2021 September Plan	2.08	7,038,930	—	—
Granted from 2021 December Plan	1.54	754,254	—	—
Exercised during the year	0.09	(1,171,390)	—	—
Forfeited during the year	0.32	(1,292,412)	0.06	(856,630)
As at end of year	1.14	14,353,302	0.12	9,023,920
Vested and exercisable at end of year	0.12	1,202,485	0.10	1,020,215

The following table summarizes the Group's restricted shares activities:

	Year ended 31 December	
	2021 Numbers of shares	2020 Numbers of shares
As at beginning of year	21,968,420	685,242
Granted from 2019 Plan	—	—
Granted from 2020 June Plan	—	1,468,587
Subdivision of shares	—	19,384,461
Granted from 2020 September Plan	—	1,886,650
Granted from 2021 September Plan	4,933,082	—
Granted from 2021 December Plan	472,182	—
Exercised during the year	(8,262,974)	—
Forfeited during the year	(1,177,882)	(1,456,520)
As at end of year	17,932,828	21,968,420
Vested and exercisable at end of year	5,425,110	6,249,830

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26 SHARE-BASED PAYMENTS (Continued)**(b) Fair value of stock option and RSU granted of the Company**

Fair value of RSU is measured based on the fair value of the Group's ordinary shares, which is USD7.26 for 2019 Plan, USD19.16 for 2020 June Plan (before subdivision) and USD2.43 for 2020 September Plan (after subdivision). The fair value of ordinary shares is determined by discounted cash flow method. The key assumption for discounted cash flow model is the discount rate, which is 18% for 2019 Plan, 17% for 2020 June Plan and 16.5% for 2020 September Plan.

Fair value of RSU is HKD14.92 for 2021 September Plan and HKD11.48 for 2021 December Plan, which is the closing price of the grant shares in the stock market on the grant date.

Based on fair value of the underlying ordinary shares, the Group has used Binomial option-pricing model to determine the fair value of the stock option as of the grant date. Key assumptions are set as below:

	2021 December Plan (after subdivision)	2021 September Plan (after subdivision)	2020 September Plan (after subdivision)	2020 June Plan (before subdivision)	2019 Plan (before subdivision)
Risk-free interest rate	1.14%	1.14%	0.69%	0.66%	1.47%
Volatility	58%	58%	45%	47%	47%
Grant date option fair value per share	HKD5.472	HKD6.928	USD2.43	USD19.16	USD3.32–USD6.31
	HKD5.779	HKD7.336			
Exercise price	HKD11.9	HKD16.2	USD0.00001	USD0.001	USD1, USD6.55

(c) Stock option of Syracuse Cayman

Pursuant to a resolution dated 27 March 2020 of Syracuse Cayman, Syracuse Cayman adopted a stock option scheme (the "Syracuse 2020 Plan"), which allows Syracuse Cayman to grant share options to employees of the Syracuse Group to subscribe for an aggregate of 3,375,000 ordinary shares of Syracuse Cayman.

Under the Syracuse 2020 Plan, one senior management's options were immediately vested on the grant date to compensate for his past service. For the remaining options, 25% shall vest on the first anniversary of the vesting commencement date and 75% shall vest on 16 June 2021. Within the exercise period of the share options, and subject to the fulfilment of the vesting conditions and the exercise arrangement of the share options, grant of each share option entitles the grantee to subscribe for one share of Syracuse Cayman at relevant exercise price.

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26 SHARE-BASED PAYMENTS (Continued)

(c) Stock option of Syracuse Cayman (Continued)

Movements of the share options granted by Syracuse Cayman to the employees of the Syracuse Group for the year ended 31 December 2021 are set out below:

	Year ended 31 December			
	2021		2020	
	Weighted average exercise price (in RMB)	Number of stock options	Weighted average exercise price (in RMB)	Number of stock options
As at beginning of year	0.40	3,375,000	—	—
Granted from Syracuse 2020 Plan	—	—	0.40	3,375,000
Forfeited	0.40	(167,000)	—	—
As at end of year	0.40	3,208,000	0.40	3,375,000
Vested at end of year	0.40	3,208,000	0.40	787,500

(d) Fair value of stock option of Syracuse Cayman

Syracuse Cayman has used the discounted cash flow method to determine the underlying equity fair value of Syracuse Cayman and adopted discounted cash flow model to determine the fair value of the underlying ordinary shares. Key assumptions, such as discount rate and projections of future performance, are determined by Syracuse Cayman with best estimate.

Based on fair value of the underlying ordinary shares, Syracuse Cayman has used Black-Scholes model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

Share Options	
Risk-Free Rate	0.5%
Volatility	75.0%
Black Scholes Option Value	RMB0.26
Exercise price	RMB0.40

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26 SHARE-BASED PAYMENTS (Continued)**(e) Expenses arising from share-based payment transactions**

On 30 June 2020, the Group acquired 100% equity interest of Syracuse Biopharma (Hong Kong) Limited (“Syracuse HK”) and its subsidiaries (“Syracuse Group”) from Syracuse Biopharma (Cayman) Ltd., (“Syracuse Cayman”). Expenses arising from stock option of Syracuse Cayman related to Syracuse Group was consolidated into the Group since the acquisition date.

Expenses for the share-based payments have been charged to the consolidated statements of profit or loss as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Administrative expenses	55,909	108,497
Research and development expenses	25,100	22,790
Selling expenses	8,361	2,963
Total	89,370	134,250

27 DIVIDEND

No dividend has been paid or declared by the Company or the companies now comprising the Group during the year ended 31 December 2021 (2020: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

28 TRADE AND OTHER PAYABLES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade payables	2,565	902
Accrued expenses	42,313	28,892
Staff salaries and welfare payables	40,479	24,904
Payables for purchase of services and R&D materials	69,514	23,475
Payables for purchase of property, plant and equipment	16,934	16,557
Payroll tax	5,468	1,881
Deferred income	1,441	6,791
Listing expenses	—	15,651
Total	178,714	119,053

The aging of trade payables based on the demand note are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Less than 1 year	2,565	902

The carrying amounts of trade and other payables (excluding accrued expenses) of the Group are denominated in the following currencies:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
RMB	119,306	67,602
USD	17,095	22,559
	136,401	90,161

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

29 BORROWINGS

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Total non-current unsecured bank borrowings	95,000	100,000
Total current unsecured bank borrowings	5,000	—
	100,000	100,000

For the year ended 31 December 2021, the Group's borrowings were repayable as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 1 year	5,000	—
Between 1 and 2 year	12,000	5,000
Between 2 and 3 year	31,000	12,000
Between 3 and 4 year	52,000	31,000
Between 4 and 5 year	—	52,000
	100,000	100,000

The weighted average effective interest rates at each balance sheet date were as follows:

	As at 31 December	
	2021	2020
Bank borrowings — RMB	4.70%	4.90%

The fair values of borrowings equal to their carrying amounts as the discounting impact is not significant.

As at 31 December 2021, the Group has no unutilized bank facility (2020: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

30 LEASE LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	<i>RMB'000</i>
Minimum lease payments due		
— Within 1 year	16,519	11,701
— Between 1 and 2 year	10,430	10,516
— Between 2 and 5 year	13,058	2,473
— Over 5 year	12,803	—
	52,810	24,690
Less: future finance charges	(5,775)	(1,097)
Present value of lease liabilities	47,035	23,593
Less: Current portion		
Lease liabilities	(15,186)	(10,881)
Non-current portion of lease liabilities	31,849	12,712

	As at 31 December	
	2021	2020
	RMB'000	<i>RMB'000</i>
— Within 1 year	15,186	10,881
— Between 1 and 2 year	9,336	10,295
— Between 2 and 5 year	10,730	2,417
— Over 5 year	11,783	—
Present value of lease liabilities	47,035	23,593

The Group leases properties and lease liabilities were measured at net present value of the lease payments to be paid during the lease terms.

Lease liabilities were discounted at incremental borrowings rates of the Group.

For the total cash outflows for leases including payments of lease liabilities and payments of interest expenses on leases are disclosed in Note 15.

For the year ended 31 December 2021

31 WARRANTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Warrants	—	51,742

In connection with the BCMA License Agreement (Note 16), two warrants were issued to the related preferred shareholder — Juno (“BCMA Warrants”), which the Company will issue preferred shares at two aggregate value of USD10,000,000 each for Series X.

The Group recognized BCMA Warrants as a cash-settled share-based payments based on the fair value of JWCAR129 at the grant date, which is recorded in “Warrants” in the consolidated balance sheet. The initial fair value of USD8,545,000 (equivalent to RMB57,327,000) for the first BCMA warrant and USD595,000 (equivalent to RMB3,991,000) for the second BCMA warrant at the grant date is recorded immediately as cash-settled share-based payments and classified as liabilities. The warrants were remeasured at each reporting date and at the date of settlement with changes in fair value recorded in profit or loss.

In November 2019, Juno exercised the first BCMA Warrant, and the Company issued 466,553 Series X preferred shares at a price of USD21.43 per share for a total amount of USD10,000,000 (equivalent to RMB70,118,000).

As at 31 December, 2021, the Group was no longer obliged to settle the second BCMA Warrant as agreed by June due to its discontinued clinical development of related product.

Movements of warrants for the year ended 31 December 2020 and 2021 are set out below:

	<i>RMB'000</i>
At 1 January 2020	19,317
Change in fair value	34,839
Currency translation difference	(2,414)
At 31 December 2020	51,742
At 1 January 2021	51,742
Derecognition	(51,151)
Currency translation difference	(591)
At 31 December 2021	—

The fair value of warrant as at 31 December 2020 was determined by the stock price of the Group’s ordinary shares listed on the HKEx and the possibility of successful issuance by Juno, with assessment from an independent valuer.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

32 CASH FLOW INFORMATION

(a) Reconciliation of loss before income tax to cash used in operation

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Loss before income tax	(702,328)	(1,663,803)
Adjustments for		
— Depreciation (Notes 14 and 15)	42,764	23,168
— Amortization (Note 16)	5,461	422
— Share-based compensation expenses (Note 26)	89,370	134,250
— Finance income — net (Note 11)	(5,604)	(2,671)
— Other gain-bargain purchase gain	—	(6,016)
— Fair value change on preferred shares	—	1,190,797
— Fair value change on warrants (Note 31)	(51,151)	34,839
— Fair value change on contingent liabilities (Note 34)	2,089	7,897
— Disposal loss of property plant and equipment	120	—
	(619,279)	(281,117)
Changes in working capital:		
— (Decrease)/increase in prepayments and other receivable	(9,040)	23,407
— Increase/(decrease) in other assets	15,943	(21,383)
— Increase in accruals and other payable	71,666	15,602
— Increase in inventories	(28,784)	(955)
Cash used in operations	(569,494)	(264,446)

(b) In consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Net book amount	120	—
Losses on disposal of property plant and equipment	(120)	—
Proceeds from the disposal	—	—

For the year ended 31 December 2021

32 CASH FLOW INFORMATION (Continued)**(c) Major non-cash transactions**

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Issuance of ordinary shares	56,914	628,214
Decrease of warrants (Note 31)	(51,742)	—
Conversion of redeemable convertible preferred shares into ordinary shares	—	3,214,032

(d) Changes in liabilities from financing activities

	Lease Liabilities RMB'000	Borrowings RMB'000	Preferred shares RMB'000
1 January 2020	26,960	50,823	1,420,454
Cash flows	(11,795)	49,177	709,132
Interest expenses	(770)	—	—
Impact of changes in foreign exchange rate	—	—	(106,351)
Changes in fair value	—	—	1,190,797
Other non-cash movement	9,198	—	(3,214,032)
At 31 December 2020	<u>23,593</u>	<u>100,000</u>	<u>—</u>
	Lease Liabilities RMB'000	Borrowings RMB'000	Preferred shares RMB'000
1 January 2021	23,593	100,000	—
Cash flows	(13,020)	—	—
Interest expenses	(1,086)	—	—
Other non-cash movement	37,548	—	—
At 31 December 2021	<u>47,035</u>	<u>100,000</u>	<u>—</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

33 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for by the Group at the balance sheet date but not yet incurred is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Intangible assets	679	17,674
Property, plant and equipment	13,925	1,089
	14,604	18,763

(b) Operating lease commitments — where the Group is the lessee

At the balance sheet dates, lease commitments of the Group for leases not yet commenced for short-term lease and low-value lease are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
No later than 1 year	920	1,994
Later than 1 year and no later than 2 year	92	190
Later than 2 year and no later than 5 year	49	41
	1,061	2,225

For the year ended 31 December 2021

34 BUSINESS COMBINATION

On 30 June 2020, the Group acquired 100% equity interest of Syracuse Biopharma (Hong Kong) Limited (“Syracuse HK”) and its subsidiaries (“Syracuse Group”) from Syracuse Biopharma (Cayman) Ltd., (“Syracuse Cayman”), which is engaged in research and development (“R&D”), manufacturing, and marketing of anti-tumor drugs. As part of the acquisition, the Group also entered into a License Agreement (“Eureka License Agreement”) with Eureka Therapeutics Inc., Eureka Therapeutics (Cayman), Inc. and Syracuse Cayman. The total consideration for the acquisition including Eureka License Agreement is USD96,053,000 (equivalent to RMB680,007,000), which consists of 4,631,374 shares issued by the Company and contingent consideration to be settled by ordinary shares within 12 months after acquisition date. The fair value of the ordinary shares issued as the consideration was based on the share price on 30 June 2020 of USD19.16 per share valued by an independent valuer. Issue costs directly attributable to the issue of the shares was not material. The acquisition is a business combination not under common control.

The Group controlled the board and business of Syracuse Group through the appointment of director to the board of Syracuse Hong Kong effective from 30 June 2020. Accordingly, the acquisition date was determined on 30 June 2020.

The following table summarize the consideration paid for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date.

	As at 30 June 2020 RMB'000
Fair value of ordinary shares issued	628,214
— Share capital	3
— Reserves	628,211
Fair value of contingent consideration	51,793
Total consideration	680,007

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

34 BUSINESS COMBINATION (Continued)

Recognized amounts of identifiable assets acquired and liabilities assumed

	As at 30 June 2020 RMB'000
Cash and cash equivalents	45,308
Licenses (<i>Note 16</i>)	674,676
Other assets	9,273
Trade and other payables	<u>(43,234)</u>
Total identifiable net assets	686,023
Bargain purchase gain	<u>(6,016)</u>
	<u>680,007</u>

The total cash flows from business combination were the net cash inflows derived from the cash and cash equivalents acquired from Syracuse Group, as the consideration for the acquisition are ordinary shares granted to the then equity holders of Syracuse Group.

The acquired business contributed no revenue and net loss of RMB12,493,899 of the Group since the date of acquisition for the year ended 31 December 2021.

If the acquisitions had occurred on 1 January 2020, the comprehensive loss for the year ended 31 December 2020 would have been increased by RMB48,020,000.

For the year ended 31 December 2021

34 BUSINESS COMBINATION (Continued)**Contingent consideration for business Combination**

The contingent consideration is recognized at fair value by discount cash flow model and classified as a financial liability measured at fair value through profit or loss on date of acquisition and at year end. The fair value of contingent consideration for business combination is determined by discount cash flow model.

Key valuation assumptions used for discount cash flow as at 30 June 2020:

	As at 30 June 2020
Discount rate	17%

In January and October 2021, the group issued 23,050 and 4,840,654 ordinary shares to settle the contingent consideration of business combination.

Movements of contingent consideration for business combination for the year ended 31 December 2021 is set out below:

	RMB'000
At 1 January 2021	55,369
Settle by shares	(56,824)
Change in fair value	2,089
Currency translation difference	(634)
At 31 December 2021	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

35 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the report, the major related parties that had transactions and balances with the Group were as follows:

Name of related parties	Relationship with the Group
WuXi AppTec Group (<i>Note</i>)	Shareholder and its affiliates
Juno	Shareholder

Note: The Group considers that WuXi AppTec Co., Ltd and its affiliate ("WuXi AppTec Group") ceased to be a related party of the Group upon the Company's listing as WuXi AppTec Group does not have significant influence over the Group since then.

(a) Key management compensation

The directors are regarded as the key management of the Group. The compensation paid or payable to the key management for employment services is disclosed in Note 10.

(b) Transactions with related parties

(i) Short-term lease and low value lease expenses

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
WuXi AppTec Group	—	2,248

(ii) Receiving services

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Juno	—	506
WuXi AppTec Group	—	3,632
	—	4,138

(iii) Purchase of materials

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Juno	8,990	3,963
WuXi AppTec Group	—	145
	8,990	4,108

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

35 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

(iv) Purchase of property, plant and equipment

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
WuXi AppTec Group	—	69

(v) Purchase of license

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Juno	31,879	—

(vi) Royalty fee

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Juno	1,857	—

(c) Balances with related parties

(i) Trade and other payables

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Juno	11,766	6,095

Note: The balances due to Juno were unsecured, trade in nature and non-interest bearing. These balances were due within 15 to 30 days.

Their fair values approximated their carrying amounts due to their short maturities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The Group's subsidiaries are as follows:

Company name	Country/place and date of incorporation	Principal activities	Type of legal entity	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Group	
					2021	2020
JWS Therapeutics Investment Co. Ltd.	Cayman Islands, 19 June 2020	Holding company	Exempted company with limited liability	US\$50,000	100%	100%
JW (Hong Kong) Therapeutics Limited	Hong Kong, 3 October 2017	Holding company	Limited liability company	USD6,200,000 & HKD10,000	100%	100%
JW Therapeutics (Shanghai) Co., Ltd. (上海藥明巨諾生物科技有限公司)	the PRC, 18 February 2016	Drug research and development and import and export handling	Limited liability company	USD40,500,000	100%	100%
Shanghai Ju Ming Medical Technology Co., Ltd. (上海炬明醫療技術有限公司)	the PRC, 10 July 2017	Medical research and experimental development	Limited liability company	RMB1,000,000	100%	100%
Shanghai Ming Ju Biotechnology Co., Ltd. (上海明聚生物科技有限公司)	the PRC, 30 August 2017	Clinical trial and CRO	Limited liability company	RMB1,000,000	100%	100%
Suzhou Ming Ju Biotechnology Co., Ltd. (蘇州明聚生物科技有限公司)	the PRC, 30 August 2018	Drug research and development	Limited liability Company	RMB500,000	—	100%
JW Therapeutics R&D (Shanghai) Co., Ltd. (上海藥明巨諾生物醫藥研發有限公司)	the PRC, 5 December 2018	Drug research and development	Limited liability company	USD15,000,000	100%	100%
JW Therapeutics (Suzhou) Co., Ltd. (蘇州藥明巨諾生物科技有限公司)	the PRC, 12 September 2018	Drug research and development and manufacturing and import and export handling	Limited liability company	USD30,000,000	100%	100%
Syracuse Biopharma (Hong Kong) Limited (Note a)	Hong Kong, 7 June 2018	Holding company	Limited liability company	USD13,894,000	100%	100%
Eureka (Beijing) Biotechnology Co., Ltd. (優瑞科(北京)生物技術有限公司) (Note a)	The PRC, 2 April 2007	Conducts clinical studies of T-cell therapies in China	Limited liability company	RMB40,000,000	100%	100%
Syracuse Biopharma (Jiangsu) Co., Ltd. (賽諾思遠生物科技(江蘇)有限公司) (Note a)	The PRC, 18 September 2018	Conducts clinical studies of T-cell therapies in China	Limited liability company	RMB100,000,000	100%	100%
Aeon Therapeutics (Beijing) Limited (頤昂生物科技(北京)有限公司) (Note a)	The PRC, 8 March 2017	Conducts clinical studies of T-cell therapies in China	Limited liability company	RMB40,000,000	100%	100%
Wuhan Guanggu Aeon Therapeutics Limited (武漢光谷頤昂生物科技有限公司) (Note a)	The PRC, 28 August 2018	Conducts clinical studies of T-cell therapies in China	Limited liability company	RMB10,000,000	100%	100%

Note (a): These subsidiaries were acquired on 30 June 2020 (Note 34).

Note (b): The principally operating country of all the companies mentioned above is PRC.

For the year ended 31 December 2021

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Intangible assets	160,398	135,131
Prepayment for license	6,376	6,525
Investments in subsidiaries	850,536	760,985
	1,017,310	902,641
Current assets		
Other receivables and prepayments	1,746,338	1,211,161
Cash and cash equivalents	1,553,447	2,190,956
	3,299,785	3,402,117
Total assets	4,317,095	4,304,758
EQUITY		
Equity attributable to owners of the Company		
Share capital	27	26
Reserves	6,115,399	6,047,511
Accumulated losses	(1,839,874)	(1,865,541)
Total equity	4,275,552	4,181,996
LIABILITIES		
Non-current liabilities	—	—
Total non-current liabilities	—	—
Current liabilities		
Trade and other payables	41,543	15,651
Contingent consideration for business combination	—	55,369
Warrants	—	51,742
Total current liabilities	41,543	122,762
Total liabilities	41,543	122,762
Total equity and liabilities	4,317,095	4,304,758

The balance sheet of the Company were approved by the Board of Directors on 23 March 2022 and were signed on its behalf.

Dr. Yiping James Li
Director

Ms. Xing Gao
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

	Share premium RMB'000	Share-based compensation reserve RMB'000	Treasury Shares held in trust RMB'000	Foreign currency translation RMB'000	Capital reserve RMB'000	Total RMB'000
Balance at 1 January 2020	40,615	15,443	—	(7,527)	—	48,531
Share based compensation expenses	—	133,673	—	—	—	133,673
Currency translation differences	—	—	—	(117,127)	—	(117,127)
Allotment of shares	628,211	—	—	—	—	628,211
Issue of shares held in trust	—	—	(1)	—	1	—
Issue of shares by initial public offering	2,140,201	—	—	—	—	2,140,201
Issue of shares by converting preferred shares into ordinary share	3,214,022	—	—	—	—	3,214,022
Balance at 31 December 2020	6,023,049	149,116	(1)	(124,654)	1	6,047,511
Balance at 1 January 2021	6,023,049	149,116	(1)	(124,654)	1	6,047,511
Share based compensation expenses	—	89,015	—	—	—	89,015
Currency translation differences	—	—	—	(78,745)	—	(78,745)
Issuance of ordinary shares	57,618	—	—	—	—	57,618
Balance at 31 December 2021	6,080,667	238,131	(1)	(203,399)	1	6,115,399

38 SUBSEQUENT EVENTS

Save as disclosed elsewhere in the report, there are no material subsequent events undertaken by the Group after 31 December 2021 except below:

On January 31, 2022, JW THERAPEUTICS LLC, an indirect wholly-owned subsidiary of the Company, was incorporated in Delaware of the United States.

On March 6, 2022, the Company, JW Shanghai and Dr. Li, the Chairman of the Company entered into a tri-party agreement (the "Agreement"). Pursuant to the Agreement, JW Shanghai provides Dr. Li one year loan facility of up to HK\$43 million for the purpose to withhold the individual income tax in relation to the restricted share units and share options granted to Dr. Li by the Company. This loan is secured by certain shares legally and beneficially owned by Dr. Li himself or through companies wholly-owned by him and bearing an interest rate of 3.6% per annum.

Definitions and Glossary of Technical Terms

In this report, unless the context otherwise requires, the following expressions have the meanings set out below. These expressions and their definitions may not correspond to any industry standard definitions, and may not be directly comparable to similarly titled expressions adopted by other companies operating in the same industries as our Company.

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“AGM(s)”	annual general meeting(s) of the Company
“Articles of Association”	the seventh amended and restated articles of association of the Company adopted on October 14, 2020 with effect from the Listing Date
“Audit Committee”	the audit committee of the Board
“BCMA License Agreement”	the license agreement entered into between our Company and Juno dated April 11, 2019
“Board”, “our Board” or “Board of Directors”	the board of Directors of our Company
“Board Committees”	the Audit Committee, the Nomination Committee and the Remuneration Committee
“CAR”	chimeric antigen receptor
“CAR-T”	chimeric antigen receptor T-cell
“CEO”	the chief executive officer of our Group
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	the chairman of the Board
“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”, “our Company”, “the Company” or “JW Therapeutics”	JW (Cayman) Therapeutics Co. Ltd (Stock code: 2126), an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 6, 2017, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely Shanghai Ju Ming and its subsidiaries Shanghai Ming Ju and Suzhou Ming Ju Biotechnology Co., Ltd. (蘇州明聚生物科技股份有限公司)

Definitions and Glossary of Technical Terms

“Contractual Arrangements”	a series of contractual arrangements entered into among Shanghai Ju Ming, JW Shanghai and the Registered Shareholders for control over the Consolidated Affiliated Entities, details of which are described in the section headed “Contractual Arrangements” in this report
“Director(s)”	the director(s) of the Company
“Dr. Li”	Dr. Yiping James Li, our executive Director, the Chairman and the CEO
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an independent industry consultant
“Global Offering”	the Hong Kong public offering and the international offering of the Shares
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiaries and the Consolidated Affiliated Entities from time to time
“HKD” or “HK\$” or “HK dollars”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“IND”	investigational new drug or investigational new drug application, also known as clinical trial application in China
“Joint Global Coordinators”	Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch, China International Capital Corporation HongKong Securities Limited and CLSA Limited
“Joint Sponsors”	Goldman Sachs (Asia) L.L.C. and UBS Securities Hong Kong Limited
“Juno”	Juno Therapeutics, Inc., a company incorporated in Delaware, the United States on August 5, 2013 under its former name, FC Therapeutics, Inc., a wholly-owned subsidiary of Celgene which is in turn wholly-owned by BMS, and is one of our Substantial Shareholders
“JW Shanghai”	JW Therapeutics (Shanghai) Co., Ltd. (上海藥明巨諾生物科技股份有限公司), a limited liability company established under the laws of the PRC on February 18, 2016, and one of the Company’s subsidiaries
“License and Strategic Alliance Agreement”	the license and strategic alliance agreement entered into between our Company and Juno in December 2017
“Listing”	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	November 3, 2020, being the date on which the Shares were listed on the Main Board

Definitions and Glossary of Technical Terms

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the seventh amended and restated memorandum of association of the Company adopted on October 14, 2020 with effect from the Listing Date
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“NDA”	new drug application
“NMPA”	National Medical Products Administration (國家藥品監督管理局) and its predecessor, China Food and Drug Administration (國家食品藥品監督管理總局)
“Nomination Committee”	the nomination committee of the Board
“Post-IPO Incentivization Scheme”	the Post-IPO Share Incentivization Scheme adopted by the Company on October 14, 2020
“Post-IPO Restricted Share Unit Scheme”	the Post-IPO Restricted Share Unit Scheme adopted by the Company on October 14, 2020
“Pre-IPO Incentivization Scheme”	the Pre-IPO Incentivization Scheme adopted by the Company on September 4, 2019
“Prospectus”	the prospectus of the Company dated October 22, 2020
“R&D”	research and development
“Registered Shareholders”	the registered shareholders of Shanghai Ju Ming, being Mr. Fu Xin (傅欣), an employee of our Group and Ms. Xing Gao (高星), our non-executive Director, as at the date of this annual report
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the one-year period from January 1, 2021 to December 31, 2021
“Restricted Share Unit Scheme”	the Restricted Share Unit Scheme adopted by the Company on September 4, 2019
“Restricted Share Unit Schemes”	the Restricted Share Unit Scheme and the Post-IPO Restricted Share Unit Scheme
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“RSU(s)”	the restricted share unit(s) granted pursuant to the Restricted Share Unit Scheme
“Series A2 Preferred Shares”	the series A2 preferred shares of the Company

Definitions and Glossary of Technical Terms

“Series X Preferred Shares”	the series X preferred shares of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Ming Ju”	Shanghai Ming Ju Biotechnology Co., Ltd.* (上海明聚生物科技有限公司), a limited liability company established under the laws of the PRC on August 30, 2017 and our Consolidated Affiliated Entity
“Shanghai Ju Ming”	Shanghai Ju Ming Medical Technology Co., Ltd.* (上海炬明醫療技術有限公司), a limited liability company established under the laws of the PRC on July 10, 2017 and our Consolidated Affiliated Entity
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of US\$0.00001 each
“Share Incentivization Schemes”	our Pre-IPO Incentivization Scheme, Restricted Share Unit Schemes and Post-IPO Incentivization Scheme
“Shareholder(s)”	holder(s) of Share(s)
“sNDA”	supplemental new drug application
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Syracuse Cayman”	Syracuse Biopharma (Cayman) Ltd., a limited liability company established under the laws of Cayman Islands on December 7, 2017 under its former name, Warrior Biopharma (Cayman) Ltd., and one of our Substantial Shareholders
“United States”, “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars”, “U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“WuXi AppTec” or “WXAT”	WuXi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司), a joint stock company with limited liability incorporated under the laws of PRC in December 2000 and whose H shares are listed on the Stock Exchange (SEHK: 2359) and A shares are listed on the Shanghai Stock Exchange (SSE: 603259)
“WXAT Shanghai”	WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司), a company incorporated under the laws of PRC on April 2, 2002, and a directly wholly-owned subsidiary of WXAT, and directly owns WXAT HK
“%”	per cent