东曜药业
TOT BIOPHARM

2022 Annual Report

東曜藥業股份有限公司

TOT BIOPHARM International Company Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 1875

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTOR
Dr. Liu, Jun *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS
Mr. Fu, Shan *(Chairperson of the Board)*
Ms. Yeh-Huang, Chun-Ying
(Vice Chairperson of the Board; re-designated from an executive Director to a non-executive Director with effect from 1 January 2023)
Mr. Qiu, Yu Min

INDEPENDENT NON-EXECUTIVE DIRECTORS
Ms. Hu, Lan
Mr. Chang, Hong-Jen
Dr. Wang, De Qian

AUDIT AND CONNECTED TRANSACTIONS REVIEW COMMITTEE
Ms. Hu, Lan *(Chairperson)*
Mr. Qiu, Yu Min
Mr. Chang, Hong-Jen

REMUNERATION COMMITTEE
Mr. Qiu, Yu Min *(Chairperson)*
Mr. Chang, Hong-Jen
Dr. Wang, De Qian

NOMINATION COMMITTEE
Mr. Fu, Shan *(Chairperson)*
Ms. Hu, Lan
Dr. Wang, De Qian

STRATEGY AND ESG COMMITTEE
Mr. Fu, Shan *(Chairperson)*
Dr. Liu, Jun
Ms. Yeh-Huang, Chun-Ying
Mr. Qiu, Yu Min
Dr. Wang, De Qian

JOINT COMPANY SECRETARIES
Mr. Chen, Yifan
Mr. Lui, Wing Yat Christopher
(Associate member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom)

AUTHORIZED REPRESENTATIVES
Dr. Liu, Jun
Mr. Lui, Wing Yat Christopher

SHARE REGISTRAR
Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

REGISTERED OFFICE
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348 Kwun Tong Road,
Kowloon, Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
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Suzhou, PRC

COMPANY WEBSITE
www.totbiopharm.com.cn

PLACE OF LISTING AND STOCK CODE
The Stock Exchange of Hong Kong Limited
1875

PRINCIPAL BANKS
Shanghai Pudong Development Bank
Bank of China
Agricultural Bank of China
China Merchants Bank
Bank of Jiangsu

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor

LEGAL ADVISER
Sullivan & Cromwell (Hong Kong) LLP

INVESTORS AND MEDIA RELATIONS CONSULTANT
Hong Kong ZHIXIN Financial News Agency Limited

CEO STATEMENT

Dear Shareholders,

Greetings, everyone! On behalf of the Board, I am pleased to present the annual results and business progress of the Company for the year ended 31 December 2022.

The year of 2022 marked TOT BIOPHARM's full implementation of its strategic transformation. Despite the ongoing pandemic outbreak, macroeconomic downturn and setbacks in the upstream and downstream development of the pharmaceutical industry, all employees of TOT BIOPHARM have overcome difficulties and made concerted efforts to continuously improve business standards, achieving gratifying results across all its businesses and reaching many important milestones. In 2022, the Group's revenue was RMB442,178 thousand, representing a significant increase of 479% compared with RMB76,325 thousand in 2021, which was mainly contributed by three components, namely, revenue from product sales of RMB304,361 thousand, revenue from CDMO/CMO business of RMB72,538 thousand, and revenue from licenses granted of RMB54,151 thousand. Net loss reduced by 81% year-on-year to RMB50,046 thousand. Net cash flows from operating activities turned positive for the first year to RMB59,929 thousand.

In 2022, we steadfastly pushed forward with our strategic transformation and upgrade, continued to optimize our capital structure and consolidated our strengths in the ADC field. We successfully completed the commercial licensing of two products, generating substantial revenue from licenses granted.

Over the past year, amidst the difficult times in the capital market, the pharmaceutical industry continued to undergo industrial restructuring. With clear strategic objectives and differentiated competitive advantages, TOT BIOPHARM received long-term support from its substantial shareholders and successfully completed the first round of equity financing after IPO, raising net proceeds of approximately HKD470 million and driving the Company towards the next milestone. In addition, we continued to optimize our capital structure and enhance our profitability. We successfully completed the commercial licensing of Pusintin® in overseas markets and the licensing of TAB014 in the domestic market. We focused our resources on building a domestically scarce "one-base, end-to-end" industrialization platform for antibody-drug conjugates ("ADC") to enhance our technical capabilities, and expanded and upgraded our production capacity to enhance the overall strength of our CDMO business.

In 2022, thanks to our remarkable commercial marketing strategies, we achieved good results for the first year of commercial sales, with annual sales revenue reaching RMB304,361 thousand, contributing stable cash flow to the Company.

Up to now, TOT BIOPHARM has launched a total of three products. In 2022, driven by the remarkable results of our differentiated marketing strategies, Bevacizumab injection – Pusintin®, our core product, achieved outstanding sales performance in its first year of launch, providing a high-quality and affordable drug to cancer patients in China. In respect of the mainland China market, through close collaboration with the marketing team of Jiangxi Jixin Pharmaceutical Co., Ltd. (江西濟鑫醫藥有限公司), we have tapped into the unmet market space through differentiated channel coverage and opened up the market quickly. In respect of overseas markets, we have also successfully completed the registration applications for launch in a number of countries to meet the demand in overseas markets as soon as possible. We have successfully completed the contract renewal for centralized procurement in different provinces and cities across

China in relation to our self-developed chemical drug Temozolomide capsule – Tazian®, laying a good foundation for our sales in 2023. We have conducted comprehensive market promotion for Megestrol acetate oral suspension – Megaxia® in the fields of tumor and AIDS, so as to bring a high-quality drug to more patients in China.

In 2022, we continued to strengthen our differentiated competitiveness in CDMO business, and fully leveraged our "one-base, end-to-end" industrial advantages to provide our customers with customized and exclusive solutions.

CDMO business is the long-term development strategy of TOT BIOPHARM in the next stage, and we are focusing on biological drugs with promising market potential, especially the blue ocean market of ADC field with high technological barriers. Through more than a decade of development and accumulation, the Company possesses a full range of capabilities from drug research and development, process development, clinical trials, registration filing to commercial production, having a leading ranking among biological drug CDMO industry players in China and providing high-quality services to our customers. In 2022, despite the adverse impacts from the pandemic and the external environment, the Group actively explored the market, and our business team, with its rich project experience and targeted solutions, achieved a project delivery rate of 100% successfully and gained high recognition from our customers. In 2022, revenue from the Group's CDMO/CMO business amounted to RMB72,538 thousand, representing a year-on-year increase of 35%. Among the 45 projects in 2022, there were 18 ADC projects and 23 antibody projects. Our scale of business development continued to expand.

In 2022, we built a commercial production base with international competitiveness for innovative drugs, and obtained the EU Qualified Person (QP) certification for both ADC antibodies and ADC commercial production workshops.

With the rapid growth of China's biological drug market, the demand for CDMO services continues to rise as a result of the boom in the research and development and technological innovation of biological drugs. Based on its early solid foundation and its development over more than a decade, TOT BIOPHARM has laid a solid foundation in the production capacity and experience of CMC (Chemistry, Manufacturing and Controls, i.e. pharmaceutical researches on drug process development, production and quality control, etc.). Meanwhile, our forward-looking construction of diverse and flexible commercial production workshops can meet the individual needs of projects and customers at different stages, enabling us to provide services that cover the entire industry chain in one production base, greatly improving the efficiency of project execution and effectively mitigating various risks in the transfer process.

To date, the Company has workshops for monoclonal antibody ("mAb") drug substances with a production capacity of 20,000L, which are equipped with production lines for different scales of mAb drug substances production in commercialization projects, pilot tests and small trials, with a designed production capacity of over 300,000L/year. At the same time, there are four commercial production lines for macromolecular drug products, all of which are using equipment from international and domestic leading brands and able to flexibly switch between aqueous injections and freeze-dried drug products and perform continuous filling, ensuring efficient and high-quality production operation. With these, the drug products filling capacity can reach 18,000 vials/hour, the production capacity for freeze-dried products can reach 50,000 vials/batch, and the annual production capacity can reach 150 batches/year. In 2022, we further improved the commercial production capacity for ADCs with world-leading integrated production workshops for ADC drug products and antibody drug substances, which greatly improved our production efficiency and business capacity in various projects, including early research and development projects, IND

projects and clinical projects. In addition, the Company's workshops for ADC commercial production and mAb drug substances passed the European Union ("EU") Qualified Person ("QP") audit with zero defects, and our quality management system was internationally recognized.

OUTLOOK

The year of 2023 will be a year when TOT BIOPHARM takes a step-by-step approach to showcasing a brand new image to the outside world. Our Global Research and Development Center and new commercial production lines will also be put into use. We will seize new opportunities arising from technological innovation and industrial revolution to drive the commercial sales of launched products to a new level. The year of 2023 will also mark a critical year for TOT BIOPHARM to move towards the next milestone. We will continue to implement our CDMO strategic goals thoroughly, accelerate internationalization, enhance our brand influence persistently, strengthen our platform capacity, expand our market reach, and help our partners accelerate their drug development process with our core competitive advantages to safeguard the health of humanity. Meanwhile, we will continue to practice long-termism and sustainable development, advocate a results-oriented approach, and implement a more effective incentive mechanism to stimulate the potential of our talents. With a sound financial structure and enhanced business profitability by continuously optimizing our resource allocation, we will create substantial returns for our shareholders!

Dr. Liu, Jun
Chief Executive Officer and Executive Director

23 March 2023

Schematic Diagram of Global Research and Development Center

MANAGEMENT DISCUSSION AND ANALYSIS OF CERTAIN FINANCIAL ITEMS

FINANCIAL SUMMARY

HKFRSs Results

The following table sets forth the net loss and total comprehensive loss for the periods indicated:

	For the year ended 31 December		
Item	**2022 RMB'000**	2021 RMB'000	**Increase/ Decrease**
Revenue	**442,178**	76,325	479%
Cost of revenue	**(71,563)**	(48,851)	46%
Research and development expenses	**(151,168)**	(214,699)	-30%
Selling expenses	**(203,954)**	(22,849)	793%
General and administrative expenses	**(62,587)**	(56,336)	11%
Net impairment losses on financial and contract assets	**(597)**	–	NA
Other income	**552**	167	231%
Other gains, net	**8,063**	6,543	23%
Operating loss	**(39,076)**	(259,700)	-85%
Finance income	**2,265**	969	134%
Finance costs	**(6,602)**	(2,468)	168%
Share of net loss of the joint venture accounted for using the equity method	**(6,633)**	(17)	38,918%
Net loss	**(50,046)**	(261,216)	-81%
Other comprehensive income/(loss), net of tax	**6,314**	(956)	-760%
Net loss and total comprehensive loss	**(43,732)**	(262,172)	-83%

Non-HKFRSs Measures and their Adjustment

To supplement the Group's consolidated financial statements which are presented in accordance with the HKFRSs, the Group uses EBITDA, adjusted net loss and adjusted EBITDA for the year and other adjusted figures as additional ways to measure our financial performance. This is not a presentation required by the HKFRSs or in accordance with the HKFRSs. The Group believes that these adjusted measures provide useful information to the shareholders and potential investors in understanding and evaluating the Group's consolidated operating results in the same manner as the Group's management does.

The adjusted net loss for the year refers to the net loss for the year, excluding the effect of share-based compensation expenses, which is a non-cash and one-off item. The adjusted net loss for the year is not defined in the HKFRSs.

The adjusted EBITDA for the year refers to the EBITDA for the year (which is net loss for the year excluding interest expenses and depreciation and amortization expenses for the year), excluding the effect of share-based compensation expenses, which is a non-cash and one-off item. The adjusted EBITDA for the year is not defined in the HKFRSs.

The use of these non-HKFRSs measures have limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of, the Group's operating results of or financial condition as reported under the HKFRSs. The adjusted figures presented by the Group may not be comparable to benchmarks of a similar measures presented by other companies. However, the Group believes that these non-HKFRSs measures is able to eliminate the potential impact of items that the management does not consider to be indicative of the Group's operating performance and can reflect the Group's normal operating results, thus facilitating the comparison of operating performance from period to period and from company to company to an appropriate extent.

The following table sets forth the reconciliation from net loss to EBITDA for the periods indicated:

	For the year ended 31 December	
Item	**2022 RMB'000**	2021 RMB'000
Net loss	**(50,046)**	(261,216)
Add:		
Interest expenses	**6,602**	2,468
Depreciation and amortization	**38,039**	34,237
EBITDA	**(5,405)**	(224,511)

The following table sets forth the reconciliation between net loss to adjusted net loss and EBITDA to adjusted EBITDA for the periods indicated:

	For the year ended 31 December	
Item	**2022 RMB'000**	2021 RMB'000
Net loss	**(50,046)**	(261,216)
Add:		
Share-based compensation expenses	**16,111**	5,296
Adjusted net loss	**(33,935)**	(255,920)
EBITDA	**(5,405)**	(224,511)
Add:		
Share-based compensation expenses	**16,111**	5,296
Adjusted EBITDA	**10,706**	(219,215)

The adjusted net loss for 2022 was RMB33,935 thousand, representing a decrease of RMB221,985 thousand as compared to the adjusted net loss for 2021 of RMB255,920 thousand. The adjusted EBITDA for 2022 was RMB10,706 thousand, while the adjusted EBITDA for 2021 was RMB(219,215) thousand. Such changes were primarily attributable to the significant improvement of the Group's revenue-generating capacity and profitability associated with the strong progress of commercialization of self-developed products and the continued growth of CDMO business.

Management discussion and analysis of certain financial items

Overview

In 2022, the revenue generation capability and profitability of the Group have been significantly improved. During the year, the Group recorded an operating revenue of RMB442,178 thousand, representing a year-on-year increase of 479% from RMB76,325 thousand in 2021, which was mainly attributable to the substantial increase in the sales volume of self-developed products, the continuous development of CDMO business and the increase in milestone payment income from licenses granted in connection with the Group's projects. The net loss narrowed significantly by 81% year-on-year to RMB50,046 thousand from RMB261,216 thousand in 2021.

In 2022, the Group's research and development expenses were RMB151,168 thousand, as compared to RMB214,699 thousand in 2021. In 2022, the selling expenses were RMB203,954 thousand, as compared to RMB22,849 thousand in 2021. In 2022, the general and administrative expenses were RMB62,587 thousand, as compared to RMB56,336 thousand in 2021.

Operating Revenue and Costs

The Group's diversified revenue is mainly derived from sales revenue, revenue for providing CDMO/CMO services, revenue from licenses granted, etc.

The Group's sales revenue in 2022 was RMB304,361 thousand, which was mainly attributable to the steady increase in the sales volume of our core product, Pusintin®, while the corresponding costs also increased accordingly.

The Group's revenue from CDMO/CMO business in 2022 was RMB72,538 thousand, representing an increase of RMB18,848 thousand from RMB53,690 thousand in 2021, primarily attributable to the continuous increase of CDMO/CMO business segment in the current year, while the costs for raw materials, labor and production, etc. also increased accordingly.

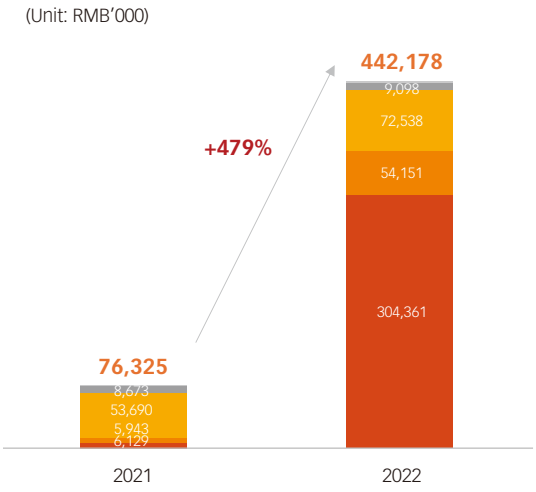
The Group's revenue from licenses granted in 2022 was RMB54,151 thousand, representing an increase of RMB48,208 thousand from RMB5,943 thousand in 2021, primarily attributable to the increase in milestone payments received from projects.

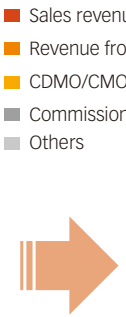
Research and Development Expenses

The Group's research and development expenses primarily consist of expenses for clinical trials, research and development materials and consumables, salaries and benefits for research and development staff, depreciation and amortization, and third-party contracting costs for clinical and non-clinical research, etc.

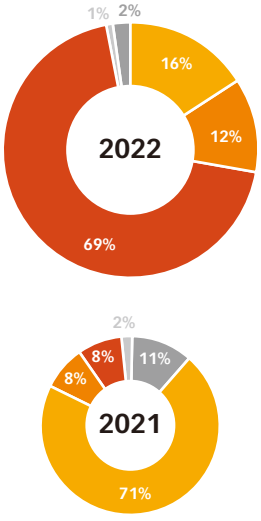
The Group's research and development expenses in 2022 were RMB151,168 thousand, representing a decrease of RMB63,531 thousand from RMB214,699 thousand in 2021, which was mainly attributable to the reduction of clinical expenses and raw material procurement as a result of the completion of patient enrolment for the TAA013 project of the Company, and the optimization of product pipelines that resulted in a convergence of research and development resources.

Income Distribution





% Income by Each Category



The following table sets forth a breakdown of the Group's research and development expenses by nature for the periods indicated:

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Clinical trials (exclude employee benefit expenses)	**38,056**	66,287
Employee benefit expenses	**63,251**	63,335
R&D materials and consumables	**5,620**	26,946
Depreciation and amortization	**22,175**	29,207
Utilities	**5,012**	9,382
Other third-party research contracting costs	**3,892**	2,289
Others	**13,162**	17,253
Total	**151,168**	214,699

Selling Expenses

The Group's selling expenses primarily consist of expenses for marketing and promotion activities, salaries and benefits for marketing staff, conference fees, and travelling expenses, etc.

The Group's selling expenses in 2022 were RMB203,954 thousand, representing an increase of RMB181,105 thousand from RMB22,849 thousand in 2021, which was mainly attributable to the increase in sales of self-developed products and the increase in marketing and promotion expenses resulting therefrom.

General and Administrative Expenses

The Group's general and administrative expenses primarily consist of salaries and benefits for management and administrative staff, legal advisory fees, and expenses for professional services related to audit and tax, etc.

The Group's general and administrative expenses in 2022 were RMB62,587 thousand, representing an increase of RMB6,251 thousand from RMB56,336 thousand in 2021, primarily attributable to the increase in costs incurred for structural reform and increased personnel, etc.

Other Gains, Net – Government Grants

The Group's government grants consist of incentives for research and development activities, interest subsidies and other subsidies.

The Group's government grants in 2022 were RMB8,260 thousand, representing a decrease from RMB10,956 thousand in 2021, primarily attributable to the approval of grants to certain projects receiving clinical trial approvals in 2021.

Other Gains, Net – Net Foreign Exchange Gains

The Group recorded net foreign exchange gains of RMB1,302 thousand in 2022, representing an increase of RMB58 thousand from net foreign exchange gains of RMB1,244 thousand in 2021, primarily attributable to fluctuations of exchange rates.

Finance Income

The Group's finance income is primarily interest income on bank deposits.

The finance income in 2022 was RMB2,265 thousand, representing an increase of RMB1,296 thousand from RMB969 thousand in 2021, mainly attributable to the availability of funds from the equity financing conducted by the Company in 2022 (the "2022 Equity Financing") and the optimization of fund allocation.

Finance Costs

The Group's finance costs are primarily interest expenses on bank borrowings.

The Group's finance costs in 2022 were RMB6,602 thousand, representing an increase of RMB4,134 thousand from RMB2,468 thousand in 2021, primarily attributable to the increase in interest expenses as a result of the banking facilities being utilized by the Group since mid-2021 and the moderately increased credit limits in 2022.

Income Tax Expense

The Group did not incur any income tax expense in 2022 and 2021 as the Group did not generate any taxable income during these two years.

Loss for the Year

In view of the abovementioned factors, the Group recorded a net loss of RMB50,046 thousand in 2022, representing a decrease of RMB211,170 thousand from RMB261,216 thousand in 2021.

Net Assets

The Group's net assets as at 31 December 2022 were RMB715,439 thousand, representing an increase of RMB380,348 thousand from RMB335,091 thousand as at 31 December 2021, primarily attributable to the availability of funds from the 2022 Equity Financing.

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Total current assets	**676,797**	305,963
Total non-current assets	**585,234**	404,300
Total assets	**1,262,031**	710,263
Total current liabilities	**275,347**	260,808
Total non-current liabilities	**271,245**	114,364
Total liabilities	**546,592**	375,172
Net assets	**715,439**	335,091

Cash Movement and Source of Funds

As at 31 December 2022, the Group's cash and cash equivalents were RMB417,769 thousand, representing an increase of RMB264,964 thousand from RMB152,805 thousand as at 31 December 2021. Such change was mainly attributable to the availability of funds from the 2022 Equity Financing, and the cash outflows and inflows related to operating loss, capital expenditures, and bank borrowings taken out and repaid, etc.

In 2022, the Group's net cash inflows for operating activities were RMB59,929 thousand, as compared to net cash outflows of RMB175,137 thousand in 2021, which was attributable to the significant increase in sales revenue and changes in the above-mentioned operating expenses in the current year. The Group's net cash outflows for investing activities were RMB282,764 thousand, representing an increase of RMB174,371 thousand from RMB108,393 thousand in 2021, which was mainly attributable to the increase in capital investment for enhancing production capacity and promoting the construction of its Global Research and Development Center. The Group's net cash inflows for financing activities were RMB481,240 thousand, representing an increase of RMB269,158 thousand from RMB212,082 thousand in 2021, which was mainly attributable to the availability of funds from the 2022 Equity Financing, and the optimization of capital structure by moderately increasing medium- and long-term bank loans in response to the funding requirements for project construction.

Indebtedness and Key Liquidity Ratios

As at 31 December 2022, the Group had outstanding bank borrowings of RMB287,633 thousand (31 December 2021: RMB205,966 thousand) and had unutilised bank facilities of RMB237,367 thousand (31 December 2021: RMB120,225 thousand). For further details, please refer to note 29 to the consolidated financial statements. The following table sets forth the key liquidity ratios for the dates indicated:

	As at 31 December	
	2022	2021
Current ratio[(1)]	**2.5**	1.2
Quick ratio[(2)]	**2.1**	1.1
Debt to asset ratio[(3)]	**0.4**	0.5

Notes:

(1) Current ratio is calculated by dividing current assets by current liabilities as at the same date.

(2) Quick ratio is calculated by dividing current assets less inventories and by current liabilities as at the same date.

(3) Debt to asset ratio is calculated by dividing total liabilities by total assets as at the same date.

The Group's current ratio and quick ratio increased from 2021 to 2022 and its debt to asset ratio decreased from 0.5 as at 31 December 2021 to 0.4 as at 31 December 2022, primarily attributable to the optimization of capital structure resulting from the completion of the 2022 Equity Financing and the significant decrease in operating loss.

Major Investment

On 9 November 2021, the Group commenced the construction of its Global Research and Development Center. The proposed total investment for the project is approximately RMB180 million. On 31 December 2021, TOT BIOPHARM Co., Ltd. (a wholly-owned subsidiary of the Company) entered into a construction agreement with Shanghai Baoye Group Corp., Ltd. (上海寶冶集團有限公司), under which the total contract sum payable to Shanghai Baoye Group Corp., Ltd. is RMB83,500 thousand. Further details are set out in the announcement of the Company dated 31 December 2021. Up to 31 December 2022, the Group incurred expenditure of RMB44,704 thousand in connection with the construction agreement entered into with Shanghai Baoye Group Corp., Ltd., and expenditure of RMB49,778 thousand in total in connection with the construction of the Global Research and Development Center.

In 2021, the Group commenced the project of upgrading its ADC commercial production workshops and the project of renovating and upgrading its pilot production workshops for the purpose of increasing its production capacity as well as enhancing its production efficiency. A total of RMB189,342 thousand was incurred by the Group during the year ended 31 December 2022 in connection with such projects.

Save as disclosed above, the Group did not make any major investment during the year ended 31 December 2022.

Major Acquisitions and Disposals

During the year ended 31 December 2022, the Group did not have any major acquisitions and disposals of subsidiaries, consolidated affiliated entities or associates.

Pledge of Assets

As at 31 December 2022, the Group had no pledge of assets.

Contingent Liabilities

As at 31 December 2022, the Group had no significant contingent liabilities.

Foreign Exchange Risk

Certain bank balances and cash, trade receivables and other receivables, contract assets and other payables are denominated in foreign currencies of respective group entities which are exposed to foreign exchange risk. Foreign exchange risk also arises from future commercial transactions and recognized assets and liabilities denominated in a currency other than the functional currency of the relevant group entity. The Group has entities operating in USD, NTD 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 when necessary.

Employees and Remuneration

As at 31 December 2022, the Group had a total of 431 employees. The following table sets forth the total number of employees by function as of 31 December 2022:

Function	Number of employees	% in total
Research and development	249	57.77%
Manufacturing	117	27.15%
Sales and marketing	16	3.71%
General and administration	49	11.37%
Total	431	100.00%

In 2022, the Group incurred employee benefit expenses of RMB137,960 thousand, as compared to RMB129,518 thousand in 2021. The employee benefit expenses of the Group includes salaries, wages, bonuses, contributions to employee provident fund and social security funds, payments for other benefits and share-based compensation expenses, etc. In accordance with applicable PRC laws, the Group has made contributions to social security insurance funds, including basic pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, and housing provident funds for its employees. In accordance with applicable Taiwan laws, the Group has made contributions to social security insurance funds.

For the year ended 31 December 2022, the remuneration of the senior management of the Company other than Directors (as named in the section headed "Biographies of directors and senior management" in the Company's 2021 annual report and/or this annual report, to the extent such personnel were under employment with the Group at any time during the year ended 31 December 2022) included salaries, wages, bonuses, and share-based compensation expenses, and fell within the following bands:

Remuneration band	Number of senior management members
RMB1,000,001 to RMB1,500,000	1
RMB1,500,001 to RMB2,000,000	3
RMB2,000,001 to RMB2,500,000	0
RMB2,500,001 to RMB3,000,000	1

Impact of COVID-19

As disclosed in the section headed "Management discussion and analysis of certain aspects of our business – Response to COVID-19 Outbreaks and Sustainable Development" on page 27 of this annual report, the Group formulated a series of pandemic prevention and control policies and contingency plans in 2022 given the severe situation arising from the recurrence of the pandemic in China. As at the date of this report, the Group has not experienced and currently do not expect any material impact from COVID-19 on its R&D, clinical trials and production.

MANAGEMENT DISCUSSION AND ANALYSIS OF CERTAIN ASPECTS OF OUR BUSINESS

I. INDUSTRY AND COMPANY PROFILE

As a strategic industry related to national welfare, economic development and national security, the biomedical industry is leading technological innovation and has entered an unprecedented period of rapid development. With the accelerated development of biotechnology and continued heavy investment in research and development, the market size of the industry has steadily expanded with better clinical efficacy. According to the latest data from Frost & Sullivan in 2022, the market size of China's biomedical industry will rise from RMB410.0 billion to RMB710.2 billion from 2021 to 2025, representing a CAGR of 14.7%. Among them, antibody drugs are entering a period of vigorous development, resulting in the rapid expansion of the market size. From 2017 to 2021, the market size increased rapidly from RMB11.8 billion to RMB58.5 billion, representing a CAGR of 49.2%.

In 2022, TOT BIOPHARM firmly seized market opportunities and rapidly promoted the commercial sales of its launched products through differentiated marketing strategies. The sales volume of our core product, Pusintin® (Bevacizumab injection), showed a continuous growth momentum. In respect of overseas markets, we have reached a cooperation agreement with Kexing Biopharm Co., Ltd. (科興生物製藥股份有限公司) (688136.SH) for the commercial licensing of Pusintin® in overseas markets, so as to accelerate the launch of the product in the vast markets of emerging countries and contribute to our efforts to provide high-quality and affordable drugs to patients around the world.

In 2022, we continued to deepen our strategic transformation. Relying on our comprehensive capabilities in technology, quality and production in the biomedical field, we conducted in-depth cooperation with industry partners and provided them with "one-stop CDMO solutions" through customized and exclusive services. Since our strategic transformation, we have focused on resources and continued to strengthen our differentiated technology platform for ADC drugs to solidify our market position in the field of ADCs and create a "one-base, end-to-end" industrialization platform for ADC drugs with strong market competitiveness, thereby enabling the rapid development of the biomedical industry.

On 29 July 2022, Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership) (維梧(蘇州)健康產業投資基金(有限合夥)) ("Vivo Suzhou Fund") and Center Laboratories, Inc. (晟德大藥廠股份有限公司) (4123.TW) ("Centerlab"), major shareholders of TOT BIOPHARM, subscribed for shares at a premium. Proceeds raised amount to HKD470 million, which provide funding support for the rapid development of the Company in the next stage.

In 2022, TOT BIOPHARM continued to enhance its international quality management standard, and continuously improved its business capabilities through internal self-inspection and evaluation as well as QP audits on CDMO projects. In October 2022, TOT BIOPHARM passed the EU QP audit in one go with zero defects, making it one of the few commercialization bases in China that have obtained the EU QP certification for both antibodies and ADC drugs. It is also another milestone achieved by TOT BIOPHARM in quality management system after passing the GMP on-site verification of China, laying a strong foundation for TOT BIOPHARM to provide customers with one-stop biological drug CDMO services that meet the drug regulatory requirements of the European Medicines Agency ("EMA"), the National Medical Products Administration of China ("NMPA") and the United States Food and Drug Administration ("FDA").

II. BUSINESS HIGHLIGHTS AND PROGRESS

1. Marketing Strategy of Launched Products

– *TAB008: Pusintin® (Bevacizumab injection)*

On 30 November 2021, our core product Pusintin® received marketing approval from the NMPA and became TOT BIOPHARM's first biological drug approved for marketing. At the same time, the Company has applied by way of extrapolation for all indications of the originator drug approved in mainland China pursuant to the "Technical Guidelines for Similarity Evaluation and Indication Extrapolation of Biosimilars" (《生物類似藥相似性評價和適應症外推技術指導原則》) issued by the Center for Drug Evaluation of the NMPA. As of March 2022, Pusintin® has been approved for the treatment of all six indications that can be treated with approved originator drug in mainland China, including advanced, metastatic or recurrent non-squamous non-small cell lung cancer (nsNSCLC), metastatic colorectal cancer (mCRC), recurrent glioblastoma multiforme, epithelial ovarian cancer, fallopian tube cancer or primary peritoneal cancer, cervical cancer and hepatocellular carcinoma. The approval of new indications has further expanded the market potential and enhanced the accessibility of Pusintin®. At present, bevacizumab injection has been included in the National Reimbursement Drug List, providing an affordable option with efficacy equivalent to the originator drugs for more cancer patients.

According to the statistics of Frost & Sullivan, the global market size of bevacizumab reached USD6.9 billion in 2021, and the market size in China was RMB9.0 billion. Accordingly, bevacizumab is expected to become another product with a market size of over RMB10.0 billion in China in 2022. With the continuous rise in cancer incidence rates, the demand for medication from patients will continue to increase.

In 2022, despite the pressures from the recurring COVID-19 pandemic and market uncertainty, the sales of Pusintin® continued to increase steadily, and our annual sales target was successfully achieved by completing the production plan as scheduled and ensuring a stable market supply. In terms of marketing strategy, through close cooperation with Jiangxi Jixin Pharmaceutical Co., Ltd. (江西濟鑫醫藥有限公司) ("Jixin Pharmaceutical"), our business team has developed market channels covering 31 provinces, autonomous regions and municipalities (excluding Hong Kong, Macau and Taiwan) across the country, with a focus on the second and third-tier cities with huge market space and provinces that adopt dual-channel pharmacy, and continued to penetrate into third and fourth-tier cities and county-level cities. Through our own commercial production base with the scale of 20,000L, we can meet the demand for continuous and stable market supply with a product qualification rate of 100%. At the same time, we worked with Jixin Pharmaceutical to carry out a variety of patient support activities and provide professional consultations to benefit the vast cancer patients, thus increasing brand influence. In respect of overseas markets, to date, we have initiated the registration filing in 14 countries to launch Pusintin® in overseas markets as soon as possible, and the registration documents for launch in 8 of these countries have been accepted.

Pusintin®

– *TOZ309: Tazian® (Temozolomide capsule)*

Tazian® was approved for launch by the NMPA on 31 May 2021 for the treatment of newly diagnosed glioblastoma multiforme. It is used initially together with radiotherapy, and then as maintenance therapy for the treatment of glioblastoma multiforme or anaplastic astrocytoma that recurs or progresses after conventional treatment. Temozolomide capsules were included in the fourth batch of national centralized procurement catalogue in 2021.

In respect of the market, TOT BIOPHARM actively promoted the provincial centralized procurement activities in 2022. In the first half of the year, the Company was selected as the preferred supplier in the renewal of centralized procurement by the Thirteen Allied Provinces, Jiangsu Province and Hebei Province. In the second half of the year, the Company was also elected as the preferred supplier in Beijing, Guangdong Province, Jiangxi Province, Shandong Province and Shaanxi Province, which made us well prepared for market sales in 2023. In addition, the Company has entered into marketing cooperation with Jixin Pharmaceutical in China to develop the market channels of non-centralized procurement and expand market share through flexible and diverse market strategies.

Tazian®

– *TOM218: Megaxia® (Megestrol acetate oral suspension)*

Megaxia®, a product for which the Company is an import agent, was approved for launch by the NMPA on 13 May 2021 for the treatment of anorexia associated with acquired immunodeficiency syndrome ("AIDS") as well as significant weight loss of AIDS and cancer patients caused by cachexia. This product is a nano-grade oral suspension that has been launched in the United States with a specification of 125 mg/mL (150 mL/bottle). The Company owns the exclusive agency rights of this product in mainland China, Hong Kong and Macau.

In March 2022, TOT BIOPHARM reached an agreement with Frontier Biotechnologies Inc. (前沿生物藥業(南京)股份有限公司) (688221.SH) ("Frontier Biotechnologies") in respect of marketing in mainland China, pursuant to which Frontier Biotechnologies was granted the marketing promotion license of Megaxia® in the field of AIDS. This cooperation represents a powerful combination of both parties' strengths in products and channels, which will enhance the accessibility of the drug and actively contribute to the treatment of AIDS cachexia.

Megaxia®

2. Updates on Key Product Pipelines

In 2022, TOT BIOPHARM actively carried out strategic transformation and upgrade, and continued to optimize its non-key early-stage product pipelines. We obtained considerable commercial returns through project licensing, and promoted project progress through cooperative development and other strategies. We rationally controlled our research and development costs and converged our resources, and effectively improved our operating cash flow.

Main product pipelines:

Type	Drug Candidate	Indication(s)	Preclinical	Clinical Phase I	Clinical Phase II	Clinical Phase III	NDA	Launched
Antibody-drug conjugate	TAE020 (new target)	Acute myeloid leukemia						
Monoclonal antibody	TAB014 (anti-VEGF)	Wet age-related macular degeneration (wAMD)				ZHAOKE 兆科		
						IND authorized by FDA to directly enter Phase III clinical trial		
	TAC020 (new target)	Various solid tumors	Co-development					

Drug Name	Indication(s)	Product Specification	Launched
TAB008: Pusintin® (Bevacizumab Injection)	Advanced, metastatic or recurrent non-squamous non-small cell lung cancer (nsNSCLC); metastatic colorectal cancer (mCRC); recurrent glioblastoma multiforme (GBM); epithelial ovarian cancer (OC), fallopian tube cancer or primary peritoneal cancer; cervical cancer (CC); hepatocellular carcinoma (HCC)	100mg(4mL)/bottle	Approved for launch by NMPA on 30 November 2021
TOZ309: Tazian® (Temozolomide Capsule)	Treatment of newly diagnosed glioblastoma multiforme, which is initially combined with radiotherapy, and then as maintenance therapy for glioblastoma multiforme or anaplastic astrocytoma that recurs or progresses after conventional treatment	20mg x 5 capsules/bottle; 100mg x 5 capsules/bottle	Approved for launch by NMPA on 31 May 2021
TOM218: Megaxia® (Megestrol Acetate Oral Suspension)	Treatment of anorexia associated with acquired immunodeficiency syndrome (AIDS) as well as significant weight loss of AIDS and cancer patients caused by cachexia	125mg/mL (150mL/bottle)	Approved for launch by NMPA on 13 May 2021 *(This product is imported from Taiwan; the Company owns the exclusive agency rights of this product in mainland China, Hong Kong and Macau)*

Cautionary statement required by Rule 18A.05 of the Listing Rules: The Company cannot guarantee that it will be able to successfully develop and ultimately market its drug candidates. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the securities of the Company.

In the first half of 2022, we completed the patient enrolment for the Phase III clinical trial of our ADC drug TAA013. In March 2023, based on a comprehensive and prudent analysis and evaluation of the future commercial value and market sales of TAA013, and taking into account the Company's strategic planning, we decided to terminate the Phase III clinical trial study and development of TAA013 in China. Further details are set out in the announcement of the Company dated 17 March 2023.

In March 2022, we entered into a supplemental agreement with Zhaoke (Guangzhou) Ophthalmology Pharmaceutical Limited (兆科(廣州)眼科藥物有限公司) ("Zhaoke Guangzhou"), a wholly-owned subsidiary of Zhaoke Ophthalmology Limited (兆科眼科有限公司) (6622.HK), in respect of the commercial licensing of TAB014 (which is used for the treatment of wet (neovascular) age-related macular degeneration (wAMD)), pursuant to which Zhaoke Guangzhou will act as the marketing authorization holder (MAH) of TAB014 in China (including Hong Kong and Macau regions). In June 2022, the enrolment of the first patient for the Phase III clinical trial of TAB014 was completed successfully. We will continue to be responsible for the supply of products during the clinical trial and the commercialized production in the future when it launches.

In respect of research and development of new drugs, we are actively leveraging the technical advantages of the ADC platform to promote the pre-clinical development of TAE020, an ADC candidate with new target. The development of TAC020, a new target antibody drug jointly developed with HBM Holdings Limited (和鉑醫藥控股有限公司) (2142.HK), is progressing smoothly.

III. A PROVEN QUALITY MANAGEMENT SYSTEM THAT MEETS INTERNATIONAL STANDARDS

TOT BIOPHARM has established a quality management system for commercial production that meets international standards. In accordance with the regulatory requirements of NMPA, FDA and EMA, the system includes dual quality control both pre-production and during production, covering the whole process from research and development to commercialization. The Company's production workshops for mAb drugs and oral drug products of chemical drugs have passed GMP compliance inspection, and the commercial production bases for antibodies and ADCs have passed the EU QP audit. The Company has a GMP laboratory with independent quality control of more than 1,500m^2. In accordance with the lifecycle management requirements of ICH Q8, Q9, Q10 drug quality system, we have specified management responsibilities in the laboratory to ensure data integrity, traceable records and successful project experience. In 2022, the Company cooperated with CDMO customers in project verification and third-party quality system evaluation for a total of 9 times, including quality system evaluation by former FDA officials.

– Passing the EU QP Audit in One Go with Zero Defects

In October 2022, TOT BIOPHARM received a compliance inspection report certified and issued by a QP from the EU, pursuant to which the commercial production base for antibodies and ADCs located at TOT BIOPHARM's headquarters in Suzhou Industrial Park passed the QP audit with zero defects, demonstrating that the commercial production base and quality management system of the Company meet EU GMP standards. This made it one of the few commercialization bases in China that have obtained the EU QP certification for both antibodies and ADC drugs.

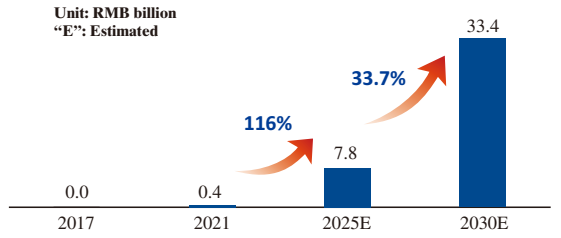
TOT BIOPHARM will strengthen its capabilities in technology research and development and commercial production, and continue to enhance its advantages in quality management system. It aims to provide domestic and foreign customers with one-stop CDMO services for drug research and development and production with higher efficiency and better quality, empowering its business partners and promoting the high-quality development of the industry.

IV. INTERNATIONALLY COMPETITIVE ADC INDUSTRY CHAIN PLATFORM

1. Rapid growth of the ADC drug market

In recent years, with the explosive growth of research and development of ADC drugs, it is expected that more and more ADC products will be commercialized in the future. According to the statistics and estimates of Frost & Sullivan, the market size of ADC drugs in China has entered a phase of rapid growth, with CAGR of 116.0% and 33.7% from 2021 to 2025 and 2025 to 2030, respectively. The market size of ADC drugs in China is expected to reach RMB7.8 billion in 2025.

Market Size of ADC Drugs in China (2017-2030 (Estimated))



Period	CAGR China's ADC drug market
2021-2025E	116.0%
2025E-2030E	33.7%

Source: Analysis by Frost & Sullivan

2. Industry-leading "one-base, end-to-end" ADC industrialization platform

Based on a scarce and proven integrated R&D and industrialization platform for antibodies and ADCs, and relying on its advantages in advanced core conjugation technology and ADC analysis technology as well as its high-standard quality management system and GMP-compliant commercialization capabilities, the Company has become the best strategic partner in the field of ADC drug development.

– *Production within One Production Base by Centralizing Resources*

TOT BIOPHARM is actively constructing its ADC commercial production capacity and has a complete integrated GMP-compliant ADC commercial production workshop that can produce ADC naked antibodies, ADC drug substances and ADC drug products, enabling the completion of key processes in one production base. With better control over time, cost and risks, the workshop has become a highly competitive industrialized resource. The construction of the Company's second ADC commercial production workshop, which has the largest scale of production capacity in China, was successfully completed in 2022.

– *High-quality Development with Comprehensive Capabilities*

TOT BIOPHARM enjoys technological advantages in core conjugation process and amplification with its self-developed products, especially in the development of conjugation processes for both cytotoxic and non-cytotoxic drugs, and in the amplification process from milligram- to kilogram-level. It has also established a complete ADC analysis technology platform, which possesses the ability to autonomously analyse key quality attributes of ADCs and also a comprehensive quality control capability that meets the regulatory requirements of NMPA, FDA and EMA. On this basis, we have established a comprehensive quality management system for the development of mAb processes and the conjugation processes of ADC drugs. Relying on the comprehensive capabilities of CMC platform, we can carry out customized CDMO technical services.

– *Experienced Team Covering the Whole Process*

The core team of TOT BIOPHARM is mature and stable, with extensive industry experience in process development, quality, regulatory filing and commercial production, especially in the field of ADCs. With experts in research and development of ADC conjugation process technology and an ADC complex molecular structure analysis team, we have established an industry-leading "one-base, end-to-end" ADC industrialization platform with comprehensive capabilities from early development, process development to large-scale commercial production. More than 20 clinical production projects with drug process development involving different ADC technologies and at different stages (including pre-market process validation) have been completed.

V. DEVELOPMENT AND COMPETITIVE ADVANTAGES OF CDMO BUSINESS

1. Development of CDMO Business

In recent years, biological drug CDMO has gradually become an important field in the development of the pharmaceutical industry. Market demand gradually expanded and government policy support continued to increase. According to data from Frost & Sullivan, the global market size of biological drug CDMO (mainly including antibody, protein and non-nucleic acid vaccine) is expected to reach USD35.3 billion in 2025 and USD67.9 billion in 2030, and the market size of biological drug CDMO (mainly including antibody, protein and non-nucleic acid vaccine) in China is expected to reach RMB37.3 billion in 2025 and RMB85.3 billion in 2030.

In 2022, TOT BIOPHARM has advanced with perseverance under the severe market environment, aiming to become the world's leading best biopharmaceutical partner trusted by customers. Leveraging its extensive practical experience and mature technology platform and quality system, the Company provides one-stop CDMO solutions for drug development and production, which accelerate the development and production of biological drugs, especially ADC drugs. In 2022, the revenue from the Company's CDMO/CMO business amounted to RMB72,538 thousand, representing a year-on-year increase of 35%; of which revenue amounting to RMB49,881 thousand was attributed to the second half of 2022, accounting for 69% of the annual revenue of CDMO/CMO business and demonstrating a higher growth rate as compared to that of the first half of 2022. A total of 45 CDMO projects were carried out throughout the year, including 18 ADC drug projects, 23 antibody drug projects, 2 chemical drug projects and 2 research and testing projects, covering the early research and development projects, IND projects, Phase I clinical projects and Phase III clinical projects. 25 projects were completed and delivered, winning high recognition from customers.

2. Strategic Cooperation of CDMO Business

TOT BIOPHARM carries out diversified strategic cooperation with domestic and foreign pharmaceutical companies, thereby continuously strengthening its differentiated competitiveness in the CDMO business. With a focus on project cooperation in biological drugs, especially ADC drugs, TOT BIOPHARM accelerated its product R&D cycle. With the continuous expansion of the biological drugs CDMO market, market competition has intensified and demonstrated the trends of diversification and differentiation in segmented fields. TOT BIOPHARM provides customized and flexible strategic solutions based on customer demands to establish a long-term win-win cooperation model with customers.

Based on our long-term cooperation projects, we have consolidated and expanded our cooperation with existing customers and actively explored new customer groups, covering both biotech companies specialized in innovative drugs and established pharmaceutical companies. Notwithstanding the unusual period of pandemic outbreak, the Company ensured the timely delivery of all CDMO/CMO projects through the rapid launch of plans to stock up epidemic prevention supplies and ensure a stable supply of raw materials, as well as the implementation of flexible production deployment solutions, winning trust and recognition from customers.

In the next phase, in addition to domestic market presence, the Company will actively pursue cooperation in overseas markets, fully demonstrate and take advantage of the technology platform and production capacity of TOT BIOPHARM, and constantly expand its market share to improve its brand influence.

– *Enabling the cooperation of innovative ADC projects*

TOT BIOPHARM has extensive experience in ADC CDMO development and can undertake projects requiring one-stop services in the development of conjugation processes, analysis and production of different ADC drugs to support clinical filings in China, the United States and Europe. In July 2021, the Company received an innovative ADC project request which posed particular challenges in terms of process development and production, and also a tight timeline for IND filing. TOT BIOPHARM project team provided targeted solutions to the many difficulties faced. In the end, the innovative ADC project only took 10 months in total from kick-off to completion of pilot level GMP production as well as submission of IND filing to FDA, and was an example of early project delivery with high quality. The high-efficiency execution, solid CMC development technology and stable scale-up process ability of TOT BIOPHARM were fully demonstrated in the project, winning a high level of trust and recognition from customers.

3. Competitive Advantages of CDMO

(1) Competitive ADC industrialization platform

TOT BIOPHARM has established a "one-base, end-to-end" ADC industrialization platform by taking advantage of its core R&D technology, which enables the integrated commercial production of drug substances and drug products for antibodies and ADC drugs within one production base at its headquarters in Suzhou Industrial Park, thereby substantially reducing production costs and mitigating the risks brought about by segmented production.

(2) Quality management system

TOT BIOPHARM has established key quality management systems throughout the entire process from R&D to commercialization by continually improving and strengthening the quality management system for commercial production. Meanwhile, TOT BIOPHARM has passed the EU QP audit in one go with zero defects, and its commercial production base and quality control system are compliant with the EU GMP standards, thus receiving international certification.

(3) Flexible and diverse production capacity

TOT BIOPHARM's large-scale biological drug production base is located at its headquarters in Suzhou Industrial Park, which has an integrated commercial production capacity for antibodies and ADC drugs, thus fulfilling the need of different production scales for small trials, pilot tests and commercialization. The base is equipped with several complete upstream and downstream production lines, uses equipment of high industry standards, and has an antibody production capacity of over 20,000L.

(4) Mature and stable core team

TOT BIOPHARM has a mature and stable core CDMO team with extensive industry experience in fields including biopharmaceutical process development, commercial production, quality, and regulatory filing. The senior management team of the Company has extensive management experience in well-known multinational pharmaceutical companies. At the same time, the Company continues to recruit high-caliber talents. At present, among all 431 employees of the Group, the CDMO business segment accounts for 77% of them, among whom 11 employees have a doctor's degree and 75 employees have a master's degree.

(5) Corporate reputation

TOT BIOPHARM has been highly trusted and recognized in the industry thanks to its solid CDMO service quality and sound service reputation. The Company has established a quality management system suitable for commercial production throughout the whole process from R&D to commercialization stage. The Company also strictly implements customer IP protection, enhances customer stickiness and establishes long-term cooperative relationship, thereby laying a good foundation for future commercial projects.

VI. COMMERCIAL PRODUCTION AND CONSTRUCTION OF GLOBAL RESEARCH AND DEVELOPMENT CENTER

1. Commercial Production Bases

At present, TOT BIOPHARM has supported commercial production of products and successfully completed commercial-scale production for multiple projects spanning different stages from Phase I to Phase III clinical stages. Its mature technical team, advanced processes, comprehensive production facilities and well-established assurance system ensure the high quality of products. TOT BIOPHARM continues to expand its commercial production capacity and owns an GMP-compliant pilot test and commercial production workshops for ADC drug substances. Equipped with OEB-5 isolators and combined with 100L, 200L and 500L reaction kettles, the designed annual production capacity of ADC drug substances reaches 60,000g, and the maximum conjugation scale can reach 5kg/batch. The two production lines for ADC drug products with production capability for injections and freeze-dried sterile drug products have been constructed. The Company uses internationally imported filling lines (300 vials/min) with automatic feeding and discharging system and multiple 5m^2 and 20m^2 freeze-dryers, which can rapidly switch between and continuously produce freeze-dried sterile injections and liquid injections. The production capacity of freeze-dried drug products is about 40,000-50,000 vials/batch, which matches the production needs of key clinical to commercialization stages. The construction of TOT BIOPHARM's second and China's largest ADC commercial production workshop has been successfully completed, and it is expected to be put into operation in the second quarter of 2023.

– *Production of drug substances*

We are equipped with 5 independent antibody drug substances production lines, which can provide drug substances production in different scales of 200L, 500L and 2,000L, and with a total production capacity exceeding 20,000L. Through one-off production technology and highly flexible production strategy, we have completed the production of dozens of drug substances, including the production of multiple batches of launched products, and achieved annual production capacity of more than 150 batches, approximately a scale of 300,000L.

– *Production of drug products*

We have 4 automatic filling production lines (3 isolator filling lines, 1 o-RABS filling line and several freeze-dryers with automatic feeding and discharging system function), which have the ability to produce freeze-dried injection drug products and small-volume liquid injection. Equipped with international leading brand of production equipment, advanced disposable liquid dispensing filling system, and isolator linkage line with advanced sterile robot arm, the production capacity of drug products filling and freeze-dried products exceed 18,000 vials/hour and 50,000 vials/batch, and the production lines of injections and freeze-drying exceed 250 batches and 150 batches/year, respectively.

Cell Culture Room

Isolator Filling Linkage Production Line

The Company's production workshop layout by category:

Drug substances production (designed annual production capacity >150 batches; designed annual production capacity >300,000L)	
mAb drug substances production (mAb DS)	
Workshops for mAb drug substances	• Production capacity reached 20,000L for different scales of mAb drug substances production, such as commercialization projects, pilot tests and small trials • International leading brand of disposable bioreactors with flexible and continuous production capability for different projects • Gained GMP certification from NMPA
ADC drug substances production (ADC DS)	
Workshops for ADC commercialization drug substances	• Up to 500L ADC drug substances production scale • Completed clinical production and process validation production of multiple batches of ADC drugs, which are compliant with GMP standards and meet commercialization needs
Workshops for ADC pilot drug substances	• Equipped with 100L, 200L and 500L ADC drug substances production scales • Compliant with GMP standards and equipped with commercialization capabilities
Drug products production (production capacity for drug products filling >18,000 vials/hour; production capacity for freeze-dried products >50,000 vials/batch; liquid injection production line >250 batches; freeze-drying production line >150 batches/year)	
mAb drug products production (mAb DP)	
Workshops for mAb commercialization drug products	• International leading brand of automatic filling injection production line • Gained GMP certification by NMPA, which can meet the needs of commercial production of self-developed products and the production of CDMO products

Workshops for mAb pilot drug products	• International leading brand of isolator filling linkage production line, which can meet the needs of different specifications of products • Equipped with a 6-DOF clean and sterile robot arm, which enjoys enormous advantages of supplementary filling in case of insufficient filling, supplementary provision of rubber stoppers and aluminum caps, minimized tailing loss, high yield and convenient replacement of specifications • Independent design of automatic filling linkage line, automatic feeding and discharging as well as capping, which can realize freeze-drying, liquid injection switching and continuous production, and maximize the utilization of production capacity
ADC drug products production (ADC DP)	
Workshops for ADC commercialization drug products	• International leading brand of high-activity isolator filling linkage production line • Specially designed for the production of scarce high-activity products to ensure aseptic production while meeting the needs of personnel safety protection • Independent design of automatic filling line, automatic feeding and discharging as well as capping, which can realize freeze-drying, liquid injection switching and continuous production, and maximize production capacity
Workshops for ADC pilot drug products	• High-activity isolator filling linkage production line, which has successfully completed clinical production and process validation production of multiple batches of ADC drugs and in CDMO projects
Small molecule chemical drug production	
Workshops for oral solid drug products	• Equipped with commercial production capacity for tablet and capsule drug products • Completed clinical production and process validation production of multiple batches in CDMO projects • Gained GMP certification from NMPA regarding the commercial production of self-developed products • Equipped with an independent OEB-5 production line for highly active cytotoxic products

2. Construction of Global Research and Development Center

TOT BIOPHARM's Global Research and Development Center is located in Suzhou Industrial Park, with a gross floor area of 25,000m^2. In November 2022, the topping out of the main body of TOT BIOPHARM's Global Research and Development Center successfully took place and the Global Research and Development Center will be put into use in the second half of 2023.

The construction of the Global Research and Development Center is an important milestone in the establishment of TOT BIOPHARM's global headquarters, marking another solid step in the industrialization layout of R&D and the globalization of the Company. After the completion of the center, the Company will further gather outstanding talents, strengthen its technological innovation and process development ability, and enhance the refined management of its quality system. At the same time, the seamless connection between the R&D area and the production area will enable efficient coordination throughout the entire drug development process, providing a stronger safeguard for the Company's expansion of its one-stop CDMO business. In the future, by fully leveraging its advantages in biological drug technology development and industrialization, TOT BIOPHARM will strengthen its technology platform and one-stop CDMO technology service capability to provide reliable and high-quality services to global customers, and empower the industry to develop in a high-quality manner.

VII. COMMUNICATION WITHIN THE INDUSTRY

In 2022, TOT BIOPHARM enhanced its brand image through providing valuable information on industry technologies and its business development to the outside world with a new image. In terms of its development focus, namely its CDMO business, TOT BIOPHARM empowered the biopharmaceutical industry through diversified industry cooperation and communication. Throughout the year of 2022, the Company organized or participated in more than 10 exhibitions and events, and invited its outstanding technical experts to discuss and exchange ideas in hot topics from different aspects such as R&D, production, regulations and quality.

On 30 March 2022, TOT BIOPHARM set up a digital virtual booth at the 2022 Advanced Technology Summit of New Biological Drugs (2022新型生物藥先進技術峰會) and shared our strategies for and the challenges in ADC drug development by way of cloud-based exhibition. On 19 May 2022, Dr. Liu, Jun, CEO of TOT BIOPHARM, was invited to participate in the Enmore Cloud Summit (易貿雲峰會) as a guest of honor to share with other guests the market prospects and development patterns of the ADC pharmaceutical industry.

Schematic Diagram of Suzhou Headquarters of TOT BIOPHARM

In August 2022, at the exhibition of the 6th China Bio-Pharm Partnering Forum (第六屆中國生物醫藥創新合作大會), TOT BIOPHARM collaborated with BrightGene Bio-Medical Technology Co., Ltd. (博瑞生物醫藥(蘇州)股份有限公司) (688166.SH) to promote ADC CDMO business through a joint exhibition for the first time. Through this cooperation, TOT BIOPHARM was able to deeply leverage resources, gain industry attention and prominently highlight the strengths of its "one-base, end-to-end" and high-quality CDMO platform, and was highly acclaimed by the industry players.

Joint Exhibition Booth

VIII. RESPONSE TO COVID-19 OUTBREAKS AND SUSTAINABLE DEVELOPMENT

In 2022, given the severe situation arising from the recurrence of the pandemic in China, TOT BIOPHARM formulated a series of pandemic prevention and control policies and contingency plans. While strictly implementing pandemic prevention measures, the Company overcame a string of difficulties including tight schedule, heavy workload and logistics disruptions, actively maintained its production lines and stabilized its production capacity, so as to solve urgent problems for customers and ensure the normal operation of its different businesses. Through our efforts, we achieved 100% delivery of production projects and have gained trust and high recognition from the market and customers. In addition, in terms of sustainable development, the Company further enhanced its ESG governance standards. Through various activities such as new employee trainings, team activities and collection of case studies, the Company has raised the level of ESG awareness of all employees, integrated ESG concepts into daily work and management, and effectively stimulated different departments such as production, safety and quality to improve their management awareness and work efficiency with new ideas, thus effectively improving the level of sustainable governance of the Company.

IX. PROSPECTS

Looking ahead, the trend of the booming development in China's biopharmaceutical industry will continue, and TOT BIOPHARM will adhere to the concept of "facilitating innovation and mutual growth with a focus on quality" and make full use of its unique strengths to promote the rapid development of the industry together with industry partners. In 2023, we will continue to promote our strategic transformation, strengthen our brand image, focus on providing high-quality products and services to empower high-quality development of the industry, and develop one-stop biological drug CDMO services. We will build a leading "one-base, end-to-end" ADC industrialization platform to rapidly enhance the business scale and market competitiveness of our CDMO business. In addition, we will create sustainable and stable cash flows through a diversified business model to create greater value for our shareholders and contribute to society.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Director	Dr. Liu, Jun *(Chief Executive Officer)*
Non-executive Directors	Mr. Fu, Shan *(Chairperson of the Board)* Ms. Yeh-Huang, Chun-Ying *(Vice Chairperson of the Board; re-designated from an executive Director to a non-executive Director with effect from 1 January 2023)* Mr. Qiu, Yu Min
Independent Non-executive Directors	Ms. Hu, Lan Mr. Chang, Hong-Jen Dr. Wang, De Qian
Senior Management	Dr. Pan, Zhiwei Ms. Xiao, Ben Ms. Feng, Shan Mr. Wu, Chih-Yuan Dr. Duan, Qing Mr. Chen, Yifan

EXECUTIVE DIRECTOR

Dr. Liu, Jun (劉軍博士), aged 55, joined the Group on 17 October 2016 and was appointed as an executive Director, chief scientific officer and chief executive officer on 26 October 2018, 12 March 2019 and 15 October 2020, respectively. He is also a member of the Strategy and ESG Committee. Dr. Liu, Jun served as vice general manager of the Company between 17 October 2016 and 15 October 2020, and as chief operating officer of the Company between 21 April 2020 and 15 October 2020. He is currently fully responsible for the operation and management of the Group, including research and development, operations management and business development, among others.

Prior to joining the Group, Dr. Liu, Jun was the executive director of biologics research and development department in Shanghai ChemPartner Co., Ltd. between July 2010 and October 2016. Prior to that, he was employed by Bayer US LLC between April 2005 and July 2010 working with Bayer Healthcare as a senior scientist in the United States.

Dr. Liu, Jun obtained a Ph.D. in bioanalytical chemistry from the University of California, Davis in the United States in December 2002 and a bachelor's degree in chemistry from the University of Science & Technology of China in Hefei, Anhui Province, the PRC in July 1991.

NON-EXECUTIVE DIRECTORS

Mr. Fu, Shan (付山先生), aged 55, joined the Group on 19 January 2016 as a non-executive Director and was appointed the chairperson of the Board on 28 September 2018. He is also the chairperson of the Nomination Committee and the Strategy and ESG Committee. He has previously used the Chinese name "Fu Shan (傅山)".

Mr. Fu has since October 2013 been a managing partner, a co-CEO and the Greater China CEO of Vivo Capital LLC, which is an investment management firm that primarily invests in the field of biotechnology and healthcare. Between June 2008 and October 2013, Mr. Fu worked as a senior managing director in the Beijing branch of Blackstone (Shanghai) Equity Investment Management Company Limited. He has been a non-executive director of LEPU ScienTech Medical Technology (Shanghai) Co., Ltd. (Hong Kong Stock Exchange: 2291) since June 2021, a director of Sinovac Biotech Ltd. (NASDAQ: SVA) since July 2018, and a director of Genetron Holdings Limited (NASDAQ: GTH) since June 2021. He was also a non-executive director of InnoCare Pharma Limited (Hong Kong Stock Exchange: 9969) from February 2018 to March 2023.

Mr. Fu obtained a master's degree in history and a bachelor's degree in history, both from Peking University in Beijing, the PRC, in July 1991 and July 1988, respectively.

NON-EXECUTIVE DIRECTORS *(cont'd)*

Ms. Yeh-Huang, Chun-Ying (黃純瑩女士), aged 64, joined the Group on 5 July 2010 and was appointed as the vice chairperson of the Board on 15 October 2020. She is also a member of the Strategy and ESG Committee. Ms. Yeh-Huang served as the general manager of the Group between 5 July 2010 and 15 October 2020. Ms. Yeh-Huang was re-designated from an executive Director to a non-executive Director of the Company with effect from 1 January 2023 and has been responsible for the oversight of strategy formulation and development of the Group.

From April 1986 to December 2015, Ms. Yeh-Huang worked at TTY Biopharm Company Limited, during which she became an executive vice president of the oncology science business development unit in April 2011. As the head of TTY Biopharm Company Limited's oncology science business development unit, she was responsible for product development, clinical research, marketing and sales. She also managed cancer translation centers and medical academies and was responsible for the expansion of oncology science business market construction and team management in China and Vietnam. She was a pharmacist of Taipei Veterans General Hospital from July 1983 to August 1985.

Ms. Yeh-Huang obtained a bachelor's degree in pharmacy from Taipei Medical College (now known as Taipei Medical University) in Taiwan in June 1982 and obtained her Taiwan license of pharmacist in June 1983.

Mr. Qiu, Yu Min (裘育敏先生), aged 50, joined the Group on 26 September 2018 as a non-executive Director. He is also the chairperson of the Remuneration Committee, and a member of the Audit and Connected Transactions Review Committee and the Strategy and ESG Committee. He has been a partner of private equity fund Advantech Capital since October 2017. From January 2016 to September 2017, he was an executive director at Advantech Capital. He served at private equity fund New Horizon Capital as an executive director from January 2015 to December 2015 and as a director from May 2013 to December 2014. From May 2010 to April 2013, he was a vice president of investment management firm GL Capital. From April 2007 to May 2010, he worked at the advisory department in PricewaterhouseCoopers Consultants (Shenzhen) Ltd. (Beijing branch) and his last position held was a manager. He worked at Vancouver Coastal Health Authority until 2007. From September 1994 to July 2002, Mr. Qiu worked with the Administrative Bureau of the Great Hall of the People in the PRC. Mr. Qiu served as a non-executive director of Alphamab Oncology (Hong Kong Stock Exchange: 9966) from 3 July 2019 to 16 June 2022. He has been a non-executive director of HBM Holdings Limited (Hong Kong Stock Exchange: 2142) since 7 December 2016.

Mr. Qiu obtained an MBA degree from the University of British Columbia in Vancouver, Canada in May 2004 and a bachelor's degree in engineering from East China University of Technology in Shanghai, the PRC in July 1994. He was certified as a Chartered Financial Analyst (CFA) in October 2007 by the CFA Institute and a Certified Management Accountant in May 2006 by the Institute of Management Accountants (CMA).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Hu, Lan (胡蘭女士), aged 51, joined the Group on 12 March 2019 as an independent non-executive Director. She is also the chairperson of the Audit and Connected Transactions Review Committee, and a member of the Nomination Committee.

Ms. Hu has more than 20 years of experience working at international accounting firms, through which she has gained accounting and financial management expertise. Ms. Hu was a partner of the consulting services department of PricewaterhouseCoopers between July 2008 and June 2018. During this period, she led financial due diligence projects for corporate and financial buyers, with a focus on analyzing the financial statements, reviewing the profit forecasts and reviewing the internal control reports of target companies. Prior to that, she worked at PricewaterhouseCoopers from July 2002, and previously at Arthur Andersen from July 1994. During these periods, she served as a public accountant and was responsible for auditing and reviewing the financial statements of listing applicants and listed companies. She has been an independent non-executive director of InnoCare Pharma Limited (Hong Kong Stock Exchange: 9969) since March 2020.

Ms. Hu obtained an MBA degree from University at Buffalo, the State University of New York in the United States in February 2005 and a bachelor's degree in accounting from Beijing Machinery and Industrial Institute in Beijing, the PRC in July 1994. She gained her Chinese Institute of Certified Public Accountants qualification in March 1997.

Mr. Chang, Hong-Jen (張鴻仁先生), aged 66, joined the Group on 12 March 2019 as an independent non-executive Director. He is also a member of the Audit and Connected Transactions Review Committee and the Remuneration Committee. He has over 15 years of experience in biotech investment.

Mr. Chang has served as an adjunct professor of Institute of Public Health, National Yang-Ming University from August 2005, the Chairman of YFY Biotech Management Co., Ltd. from July 2005, the Chairman of MiCareo Taiwan Co., Ltd. from July 2011, and the Chairman of EUSOL Biotech Co., Ltd. (Taipei Exchange: 6652) from October 2009. He has been a director of Excelsior Biopharma Inc. (Taipei Exchange: 6496) from June 2015, a director of TaiGen Biopharmaceuticals Holdings Limited (Taipei Exchange: 4157) from April 2013, a director of Medeon Biodesign, Inc. (Taipei Exchange: 6499) from July 2018, and a director of Formosa Pharmaceuticals Inc. (Taipei Exchange: 6838) from June 2020. He was also a director of Taiwan Liposome Company Ltd. (formerly Taipei Exchange: 4152) from June 2007 to June 2019.

Mr. Chang worked in the Department of Health of Taiwan's Executive Yuan from February 2001 to November 2004, where his last position held was as the Deputy Minister.

Mr. Chang obtained his bachelor's degree in medicine from National Yang-Ming Medical College in Taiwan in June 1982, master's degree in public health from National Taiwan University in Taiwan in June 1984, and master's degree in health services administration from Harvard University in the United States in June 1987.

Dr. Wang, De Qian (汪德潛博士), aged 72, joined the Group on 12 March 2022 as an independent non-executive Director. He is also a member of the Remuneration Committee, the Nomination Committee and the Strategy and ESG Committee.

Dr. Wang possesses extensive experience in the area of biopharmacy. He obtained a bachelor's degree in agricultural machinery from Liaoning Agricultural College (now known as Shenyang Agricultural University) in China in 1977, and obtained a master's degree in bioresource engineering and a Ph.D. in mechanical engineering (bioengineering) from Oregon State University in the United States in 1987 and 1991, respectively. He served multiple positions under the Bayer AG (Frankfurt Stock Exchange: BAYN) group between 1994 and 2016, and served as vice president of a subsidiary of WuXi Biologics (Cayman) Inc. (Hong Kong Stock Exchange: 2269) between 2016 and 2021.

SENIOR MANAGEMENT

Dr. Pan, Zhiwei (潘志衛博士), aged 49, joined the Group in March 2023 as vice president of CMC (chemistry, manufacturing and controls), in charge of the process development, pilot manufacturing, technology transfer and CMC project management of the Group.

Prior to joining the Group, Dr. Pan served as executive director of Suzhou Junmeng Biopharm Co., Ltd., a subsidiary of Shanghai Junshi Biosciences Co., Ltd. (Hong Kong Stock Exchange: 1877; Shanghai Stock Exchange: 688180), between January 2019 and March 2023. Between 2014 and 2018, Dr. Pan served as senior director of Livzon MABPharm Inc., a subsidiary of Livzon Pharmaceutical Group Inc. (Hong Kong Stock Exchange: 1513; Shenzhen Stock Exchange: 000513). Dr. Pan served as director of Zhejiang Teruisi Pharmaceutical Inc. between 2012 and 2014. Prior to that, Dr. Pan worked at Shire HGT in the United States (now part of Takeda) as senior bioengineer between 2007 and 2012.

Dr. Pan received a bachelor's degree in fermentation engineering from Wuxi University of Light Industry (now known as Jiangnan University) in the PRC in 1995 and a master's degree in biochemical engineering from East China University of Science and Technology in the PRC in 2000. Dr. Pan obtained a Ph.D. in chemical engineering from the University of Pittsburgh in the United States in 2007.

Ms. Xiao, Ben (肖賁女士), aged 42, joined the Group in January 2022, and was appointed as executive finance director of the Group in October 2022, in charge of the financial management, investment and financing matters of the Group.

Prior to joining the Group, Ms. Xiao served as group chief financial officer of a multinational corporation specializing in the research and development and production of renewable energy solutions between June 2021 and October 2021. Between November 2016 and May 2021, she served as chief financial officer of Fuba Automotive Electronics GmbH in Germany, and also assumed the position of managing director of its production base in Suzhou, the PRC since August 2019. Between October 2004 and September 2016, she successively served as student intern, accounting and finance consultant and accounting and finance specialist of Wincor Nixdorf International GmbH in Germany, an information technology solutions provider under Wincor Nixdorf AG (formerly Frankfurt Stock Exchange: WIN) which was merged into Diebold Nixdorf, Inc. (New York Stock Exchange: DBD) in 2016.

From 1998 to 2005, Ms. Xiao successively attended Beijing Foreign Studies University in the PRC with a focus on German, and Paderborn University *(Universität Paderborn)* in Germany with a focus on business, economics, accounting and taxation, and received a degree equivalent to a master's degree in business administration *(Diplom-Kauffrau)* from Paderborn University in 2005. Ms. Xiao is a Fellow of The Chartered Institute of Management Accountants of the United Kingdom (FCMA), and is also recognized as a Chartered Global Management Accountant (CGMA).

SENIOR MANAGEMENT *(cont'd)*

Ms. Feng, Shan (馮珊女士), aged 44, joined the Group in December 2014, and was appointed as a senior director of the regulatory affairs department in April 2019. Prior to joining the Group, Ms. Feng was a manager of regulatory affairs department of EPS International (China) Co., Ltd., Beijing branch under EPS Group from April 2007 to October 2014. Between July 2002 and April 2007, she successively worked at Chugai Pharmaceutical Co., Ltd., Beijing office and Chugai Pharma (Shanghai) Consulting Co., Ltd., Beijing branch as a senior supervisor, mainly in charge of drug registration and academic affairs.

Ms. Feng received a bachelor's degree in pharmacy (Japanese) from Shenyang Pharmaceutical University in the PRC in July 2002.

Mr. Wu, Chih-Yuan (吳志遠先生), aged 50, joined the Group in January 2016, and was appointed as a senior director of the strategy and business development in April 2019. Prior to joining the Group, Mr. Wu was a director of TTY Biopharm Company Limited's oncology science business development unit from February 2014 to December 2015. He was a director of market advisory department in Taiho Pharmaceutical of Beijing Co., Ltd. from January 2009 to September 2011. Mr. Wu worked at TTY Biopharm Company Limited's marketing department between August 2002 and November 2008, assuming positions such as group product manager.

Mr. Wu obtained a bachelor's degree in pharmacy from National Taiwan University in Taiwan in June 1995.

Dr. Duan, Qing (段清博士), aged 40, joined the Group in April 2019 as senior director of the new drug development division. Prior to joining the Group, Dr. Duan worked at Shanghai Kaituozhe Medicine Development Co., Ltd. from April 2017 to March 2019. Between September 2011 and March 2017, he worked at Shanghai ChemPartner Co., Ltd..

Dr. Duan received a bachelor's degree in biotechnology from Shanghai Jiao Tong University in the PRC in July 2003 and a Ph.D. in cell biology from Shanghai Institutes for Biological Sciences, Chinese Academy of Sciences in the PRC in January 2009.

Mr. Chen, Yifan (陳一帆先生), aged 43, joined the Group in May 2020 as senior director of the legal compliance division, in charge of the overall legal and intellectual property affairs of the Group. He was appointed as a joint company secretary of the Company on 1 February 2022.

Prior to joining the Group, Mr. Chen served as corporate counsel of Flextronics Electronics Technology (Suzhou) Co., Ltd., a subsidiary of Flex Ltd. (NASDAQ: FLEX), between January 2017 and May 2020, during which he was responsible for legal affairs in North Asia. Between July 2012 and December 2016, he served as senior legal manager of MFLEX Suzhou Co., Ltd., a subsidiary of Multi-Fineline Electronix, Inc. (formerly NASDAQ: MFLX), during which he was responsible for legal and compliance affairs in Greater China. Between March 2008 and May 2012, he served as legal manager of CSI Solar Power (China) Inc., a subsidiary of Canadian Solar Inc. (NASDAQ: CSIQ), during which he was responsible for legal affairs in the PRC. Mr. Chen was an attorney-at-law in the Nanjing office and Shanghai office of Tianzhiquan Law Firm in 2002 and 2003, respectively.

Mr. Chen received a bachelor's degree in law from Nanjing University in the PRC in 2002 and a master's degree in professional accounting from the University of Canberra in Australia in 2005. Mr. Chen was admitted as a PRC lawyer.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2022.

CORPORATE GOVERNANCE CULTURE AND PURPOSE

Corporate governance is the basis of the modern enterprise system, which includes rules, practices and processes by which the Company is directed and controlled. The primary objective of corporate governance is to improve our performance to create long-term shareholder values. To achieve that, the Company is committed to ensuring our activities are conducted in accordance with high ethical standards.

The basic principles of the Company corporate governance are accountability, transparency, fairness, responsibility and risk management. Since corporate governance provides the framework for attaining a company's objectives, it encompasses practically every sphere of management. However, we believe our Board of Directors is the primary force influencing corporate governance. Our Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- Satisfactory and sustainable returns to our investors and shareholders;
- Balancing the interest of our stakeholders, including shareholders, senior management, employees, customers, suppliers, the government, the community and other business partners;
- The overall business risks are identified, understood and managed appropriately;
- The delivery of high-quality products and excellent services to our patients and clients; and
- High standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving and establishing high standards of corporate governance.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the CG Code contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices.

The Company has devised its own Corporate Governance Policy which incorporates the principles and practices as set out in the CG Code.

The Board is of the view that throughout the year ended 31 December 2022, the Company has complied with all the applicable code provisions as set out in the CG Code.

With the commercialization of our drugs, under the supervision of the Board, the Company launched a Compliance Audit ("Audit") to the Company's Contract Sales Organizations ("CSO") starting from the third quarter of 2022. The purpose of the Audit is to identify, monitor and safeguard the potential risks from the market promotion of our drugs by the CSO in this special period of business transformation from drug research and development to commercialization, and to establish a CSO compliance management system based on institution, organization, operation and security systems. This Audit is expected to effectively enhance awareness of the CSO compliance risk of the Company as a whole and all staff in core positions, prevent and respond to CSO compliance risks, and lay the foundation for the Company to control relevant risks for a long term. This Audit is conducted by a law firm with rich experiences in compliance, especially in the pharmaceutical industry. This Audit comprises reviewing documents from both the Company and the CSO, as well as interviews with the Directors, management of the Company, and the staff from CSO. This Audit will be finalized within the first half of 2023 and the final result will be presented to the Board and reviewed by the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2022.

The Company has also established written guidelines including the Code of Conduct and Ethics and the Insider Dealing Policy (collectively, the "Employees Written Guidelines") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. For the purpose of effective execution of the Employees Written Guidelines, the Company also provided internal and external training sessions to senior managers and other employees. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

As of 31 December 2022, the Board comprised seven Directors, consisting of two Executive Directors, two Non-executive Directors and three Independent Non-executive Directors as follows:

Executive Director

Dr. Liu, Jun *(Chief Executive Officer)*
Ms. Yeh-Huang, Chun-Ying *(Vice Chairperson of the Board; re-designated as a non-executive Director with effect from 1 January 2023)*

Non-executive Directors

Mr. Fu, Shan *(Chairperson of the Board)*
Mr. Qiu, Yu Min

Independent Non-executive Directors

Ms. Hu, Lan
Mr. Chang, Hong-Jen
Dr. Wang, De Qian

The biographical information of the above Directors is set out in the section headed "Biographies of Directors and Senior Management" on pages 28 to 30 of this annual report.

None of the above members of the Board was related to one another.

BOARD OF DIRECTORS *(cont'd)*

Board Meetings and Directors' Attendance Records

Code provision C.5.1 of the CG Code stipulates that regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Code provision C.2.7 of the CG Code stipulates that the chairman of the Board should at least annually hold meetings with independent non-executive Directors without the presence of other directors. Apart from regular Board meetings, the Chairperson also held one meeting with the independent non-executive directors without the presence of other Directors during the year.

A summary of the attendance records of the Directors at the Board meetings held during the year ended 31 December 2022 is set out below:

Name of Directors	Attendance
Dr. Liu, Jun *(Chief Executive Officer)*	7/7
Mr. Fu, Shan *(Chairperson of the Board)*	7/7
Ms. Yeh-Huang, Chun-Ying *(Vice Chairperson of the Board)*	7/7
Dr. Kung, Frank Fang-Chien *(resigned on 12 March 2022)*	2/2
Mr. Kang, Pei *(resigned on 12 March 2022)*	2/2
Mr. Qiu, Yu Min	7/7
Ms. Hu, Lan	7/7
Dr. Sun, Lijun Richard *(resigned on 12 March 2022)*	1/2
Mr. Chang, Hong-Jen	6/7
Dr. Wang, De Qian *(appointed on 12 March 2022)*	5/5

Chairperson and Chief Executive Officer

The positions of Chairperson and Chief Executive Officer are held by Mr. Fu, Shan and Dr. Liu, Jun respectively. The roles of the Chairperson and Chief Executive Officer are separate and exercised by different individuals. The Chairperson provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

BOARD OF DIRECTORS *(cont'd)*

Independent Non-executive Directors and Board Independence

During the year ended 31 December 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board with one of whom (namely, Ms. Hu, Lan) possessing accounting professional qualifications and related financial management expertise.

The Board and the Nomination Committee regularly review, assess and report Board independence in accordance with the Terms of Reference of the Nomination Committee, Director Nomination Policy and Board Diversity Policy. The Nomination Committee reviewed and considered that the following key features or mechanisms under the Board and governance structure remained effective for the year ended 31 December 2022 in ensuring that independent views and input were provided to the Board:

Board and Committees Structure

- The Board comprises a majority of non-executive Directors and independent non-executive Directors. The Chief Executive Officer is the only executive Director on the Board as of the date of this report.

- The Board consists of three independent non-executive Directors (42.9% of the Board), who are independent of and not related to each other and any members of the senior management.

- The majority of all Board committees (except Strategy and ESG Committee) are independent non-executive Directors.

Appointment of Directors

- In assessing suitability of the candidates, the Nomination Committee will review their character and integrity; qualifications including professional qualifications, skills, knowledge and relevant experience; diversity in all aspects, including but not limited to gender, age, cultural and educational background; requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors; and commitment in respect of available time and relevant interest to discharge duties as a member of the Board, having regard to the Board's composition, the selection criteria approved by the Board, Terms of Reference of the Nomination Committee and the Board Diversity Policy.

Annual Review of Directors' Commitment

- The Nomination Committee reviews annually each Director's time commitment to the Group's business.

- Directors' attendance records in 2022 are disclosed in this Corporate Governance Report.

Annual Review of Directors' Independence

- Each independent non-executive Director is required to inform the Stock Exchange as soon as practicable if there is any change in his/her personal particulars that may affect his/her independence. No such notification was received during the year ended 31 December 2022.

Professional Advice

- All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

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

BOARD OF DIRECTORS *(cont'd)*

Appointment and Re-election of Directors

Code provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The non-executive Directors including independent non-executive Directors of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

Under the Amended and Restated Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but greater than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Amended and Restated Articles of Association also provides that all Directors appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after appointment. The retiring Directors shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them (if any).

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

BOARD OF DIRECTORS *(cont'd)*

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company. Also, all Directors have received formal and comprehensive training on Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend industry seminars and relevant training courses at the Company's expenses.

During the year ended 31 December 2022, the Company continued to provide latest information and learning materials to all Directors and organized training sessions conducted by qualified professionals for all Directors, and the Directors complied with the code provision C.1.4 of the CG Code. The professional training sessions and learning materials covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual, legal and regulatory updates and the latest industry and capital market information were provided to the Directors for their reference and studying.

The training records of the Directors for the year ended 31 December 2022 are summarized as follows:

Name of Directors	Type of Training [Note]
Executive Directors	
Dr. Liu, Jun *(Chief Executive Officer)*	A, B
Ms. Yeh-Huang, Chun-Ying *(Vice Chairperson of the Board; re-designated as a non-executive Director with effect from 1 January 2023)*	A, B
Non-executive Directors	
Mr. Fu, Shan *(Chairperson of the Board)*	A, B
Mr. Qiu, Yu Min	A, B
Dr. Kung, Frank Fang-Chien (resigned on 12 March 2022)	A, B
Mr. Kang, Pei (resigned on 12 March 2022)	A, B
Independent Non-executive Directors	
Ms. Hu, Lan	A, B
Mr. Chang, Hong-Jen	A, B
Dr. Wang, De Qian (appointed on 12 March 2022)	A, B
Dr. Sun, Lijun Richard (resigned on 12 March 2022)	A, B

Note:

Types of Training

A: Attending training sessions, including but not limited to briefings, seminars, conferences and workshops.

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications (including the Stock Exchange's letters to authorized representatives of listed issuers).

BOARD COMMITTEES

The Board has established four committees, namely, the Audit and Connected Transactions Review Committee, Remuneration Committee, Nomination Committee and Strategy and ESG Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairperson and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit and Connected Transactions Review Committee

During the year ended 31 December 2022, the Audit and Connected Transactions Review Committee consisted of three members, namely Ms. Hu, Lan (independent non-executive Director), Mr. Qiu, Yu Min (non-executive Director) and Mr. Chang, Hong-Jen (independent non-executive Director), majority of whom are independent non-executive Directors. Ms. Hu, Lan is the chairperson of the Audit and Connected Transactions Review Committee and she holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference of the Audit and Connected Transactions Review Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Audit and Connected Transactions Review Committee include:

- making recommendations to the Board on the appointment, reappointment and removal of external auditors, approving the remuneration and terms of engagement of external auditors, and dealing with any issues in relation to resignation or dismissal of external auditors;
- reviewing and monitoring external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, discussing with auditors on the nature and scope of the audit work and reporting obligations before the audit commences;
- developing and implementing policies with respect to the non-audit work provided by external auditors;
- examining the completeness of the Group's financial statements and the Group's quarterly, interim and annual reports, and reviewing critical financial reporting judgments contained therein;
- overseeing the Group's financial reporting, risk management and internal control systems;
- managing matters related to connected transactions;
- reviewing and approving the Group's connected transactions and other related matters to the extent authorized by the Board;
- formulating, monitoring and overseeing the anti-corruption and anti-bribery policies and systems of the Group;
- formulating, monitoring and overseeing the whistle-blowing policies and systems of the Group; and
- providing information for the independent non-executive Directors and auditors to perform their annual review of the connected transactions.

During the year ended 31 December 2022, the Audit and Connected Transactions Review Committee held four meetings to, among other things, review, consider and approve the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, connected transactions, and arrangements for employees to raise concerns about possible improprieties.

During the year ended 31 December 2022, the Audit and Connected Transactions Review Committee also had meetings with the external auditors no less than twice without the presence of the Executive Directors.

BOARD COMMITTEES *(cont'd)*

Audit and Connected Transactions Review Committee *(cont'd)*

The attendance records of the members of the Audit and Connected Transactions Review Committee are as follows:

Name of Members of the Audit and Connected Transactions Review Committee	Attendance
Ms. Hu, Lan	4/4
Mr. Qiu, Yu Min	4/4
Mr. Chang, Hong-Jen	3/4

Remuneration Committee

During the year ended 31 December 2022, the Remuneration Committee consisted of three members, namely Mr. Qiu, Yu Min (non-executive Director, replacing Mr. Kang, Pei on 12 March 2022), Mr. Chang, Hong-Jen (independent non-executive Director) and Dr. Wang, De Qian (independent non-executive Director, replacing Dr. Sun, Lijun Richard on 12 March 2022). Mr. Qiu, Yu Min is the chairperson of the Remuneration Committee who was appointed on 12 March 2022 with Mr. Chang, Hong-Jen ceased to be the chairperson on the same day.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code.

The primary functions of the Remuneration Committee include:

- making recommendations to the Board on the compensation remuneration packages of individual executive Directors and senior management and on the compensation of non-executive Director;
- making recommendations to the Board on the management's remuneration proposals;
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration;
- developing policies and structure for remuneration of all Directors, senior management and employees including salaries, incentive schemes and other share schemes, and making recommendations to the Board; and
- reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules, including any grants of options or awards to directors, senior management, consultants and employees and making disclosure and giving explanation on the appropriateness to such material matters (if any) being approved in the corporate governance report.

During the year ended 31 December 2022, the Remuneration Committee held two meetings to, among other things, review the performance and compensation remuneration packages of individual executive Directors, make recommendations to the Board on the compensation remuneration packages of individual executive Directors and senior management and on the compensation of non-executive Directors, make recommendations to the Board on the management's remuneration proposals, make recommendations to the Board on the adoption of amendments to Restricted Share Award Scheme and make recommendations to the Board on disclosure with respect to Directors' remuneration included in the annual report.

Details of the remuneration of the senior management by band are set out in the section headed "Management Discussion and Analysis – Financial Summary – Employees and Remuneration" on page 13 of this annual report.

BOARD COMMITTEES *(cont'd)*

Remuneration Committee *(cont'd)*

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises basic salary, pensions and performance/discretionary bonus. Executive Directors shall receive options and awards to be granted under the Company's share option scheme and share award scheme. The remuneration policy for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Directors and independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Non-executive Directors and independent non-executive Directors shall not receive options and awards to be granted under the Company's share option scheme and share award scheme. Individual Directors and senior management have not been involved in deciding their own remuneration.

The attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance
Mr. Qiu, Yu Min	2/2
Mr. Chang, Hong-Jen	2/2
Dr. Wang, De Qian	2/2

Nomination Committee

During the year ended 31 December 2022, the Nomination Committee consisted of three members, namely Mr. Fu, Shan (non-executive Director), Ms. Hu, Lan (independent non-executive Director) and Dr. Wang, De Qian (independent non-executive Director, replacing Dr. Sun, Lijun Richard on 12 March 2022). Mr. Fu, Shan is the chairperson of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The primary functions of the Nomination Committee include:

- reviewing the structure, size and composition of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become Board members and making recommendations to the Board;
- assessing the independence of independent non-executive Directors;
- making recommendations to the Board on the appointment and succession planning of Directors;

BOARD COMMITTEES *(cont'd)*

Nomination Committee *(cont'd)*

- reviewing the diversification policy and its implementation on an annual basis, developing and reviewing measurable objectives for implementing the diversification policy and monitoring the progress on achieving these objectives;
- formulating and reviewing the policy for the nomination of directors which includes the nomination process and the criteria;
- formulating and reviewing on an annual basis the mechanism to ensure independent views and inputs are available to the Board; and
- reviewing and monitoring the training and continuous professional development of directors, coordinating with the Company for arranging appropriate trainings with appropriate focus on the roles, functions and responsibilities of director.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 December 2022, the Nomination Committee held one meeting to, among other things, review the structure, size and composition of the Board and assess the independence of the independent non-executive Directors.

The attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance
Mr. Fu, Shan	1/1
Ms. Hu, Lan	1/1
Dr. Sun, Lijun Richard (resigned on 12 March 2022)	1/1
Dr. Wang, De Qian (appointed on 12 March 2022)	N/A

BOARD COMMITTEES *(cont'd)*

Strategy and ESG Committee

In order to cater for the strategic development need of the Company and strengthen its environmental, social and governance ("ESG") work, so as to further improve the Company's corporate governance structure, determine the Company's development plan, improve the Company's scientific decision-making standard, continuously strengthen the Company's core competitiveness and ensure the Company's sustainable development, the Strategy Committee under the Board had been renamed as the Strategy and ESG Committee on 23 December 2021, with ESG management responsibilities added and the responsibilities of the original Strategy Committee remaining unchanged.

During the year ended 31 December 2022, the Strategy and ESG Committee consisted of five members, namely Mr. Fu, Shan (non-executive Director), Dr. Liu, Jun (executive Director), Ms. Yeh-Huang, Chun-Ying (non-executive Director), Mr. Qiu, Yu Min (non-executive Director, replacing Mr. Chang, Hong-Jen on 12 March 2022) and Dr. Wang, De Qian (independent non-executive Director, replacing Dr. Sun, Lijun Richard on 12 March 2022). Mr. Fu, Shan is the chairperson of the Strategy and ESG Committee.

The primary functions of the Strategy and ESG Committee include:

- reviewing and making recommendations to the Board on the long-term strategic development plans of the Company;
- reviewing and making recommendations to the Board in relation to any significant capital operations (including but not limited to the alternation of the registered issued share capital; issuance of bonds or other securities; the merger, separation, dissolution or transformation of company structure of the Company or any of its wholly owned or holding subsidiaries; the Company's profit distribution plan and plans for loss recovery), asset management projects, the Company's annual financial budget plan, and final accounts;
- reviewing and making recommendations to the Board on any financing investment projects relating to issuance of securities by the Company or any of its wholly owned or holding subsidiaries;
- reviewing the Group's major investment and financing proposals in accordance with the Amended and Restated Articles of Association and overseas investment management measures, and making recommendations to the Board;
- making recommendations to the Board on any major matters that would affect the Company's development;
- implementing and supervising the above items, reviewing, evaluating and making recommendations on any major changes made to these items, for the Board's approval;
- developing the Company's ESG objectives, strategies and structure, reviewing the progress in achieving the Company's ESG objectives, and making recommendations to the Board on relevant ESG work in line with the Company's strategic development;
- reviewing ESG-related issues that have a significant impact on the Company's operations and/or the interests of other key stakeholders;
- considering the Company's assessment of its environmental and social impact, and reviewing international and China's ESG trends, in order to ensure the effective assessment of potential impact, opportunities and risks to the Company's business;
- monitoring the implementation of the Company's ESG policies and strengthening process control to ensure that the sustainability and effectiveness of the relevant actions in compliance with applicable laws and regulatory requirements;

BOARD COMMITTEES *(cont'd)*

Strategy and ESG Committee *(cont'd)*

- referring to key ESG reporting guidance for the relevant industry or sector, and to widely consider suggestions from stakeholders or to seek independent assurance verification by third parties in order to strengthen the scientific management of ESG and the credibility of ESG information disclosure;

- making timely, accurately and complete information disclosure under the requirements of the Listing Rules, the CG Code (set out in Appendix 14 to the Listing Rules) and the Environmental, Social and Governance Reporting Guide (set out in Appendix 27 to the Listing Rules); and

- other matters authorized by the Board.

During the year ended 31 December 2022, the Strategy and ESG Committee held one meeting.

The attendance records of the members of the Strategy and ESG Committee are as follows:

Name of Members of the Strategy and ESG Committee	Attendance
Mr. Fu, Shan	1/1
Dr. Liu, Jun	1/1
Ms. Yeh-Huang, Chun-Ying	1/1
Mr. Qiu, Yu Min	1/1
Dr. Wang, De Qian	1/1

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

BOARD COMMITTEES *(cont'd)*

Board Diversity Policy *(cont'd)*

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender	
Male:	5 Directors
Female:	2 Directors

Age Group	
41-50:	1 Director
51-60:	3 Directors
61-70:	3 Directors

Nationality	
Chinese:	5 Directors
American:	1 Director
Canadian:	1 Director

Business Experience	
Accounting & Finance:	2 Directors
Biopharmaceutical:	5 Directors

At present, the Nomination Committee considered that the Board is sufficiently diverse and can provide professional advice to the Company to support its long-term development strategies.

The Nomination Committee will also review the Board Diversity Policy annually, as appropriate, to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

	Female	Male
Board	29%	71%
	(2)	(5)
Senior management	53%	47%
	(9)	(8)
Other employees	54%	46%
	(218)	(189)
Overall workforce	53%	47%
	(229)	(202)

The Board had targeted to achieve and had achieved at least having two female Directors, and encouraging female senior management and female employees to join the Group and considers that the above current gender diversity is satisfactory.

BOARD COMMITTEES *(cont'd)*

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director 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:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- 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;
- Requirements of independent non-executive directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2022, Dr. Kung, Frank Fang-Chien and Mr. Kang, Pei had resigned as non-executive Directors on 12 March 2022 and Dr. Sun, Lijun Richard had resigned as an independent non-executive Director on 12 March 2022. Dr. Wang De Qian had been appointed as an independent non-executive Director on 12 March 2022. Save as disclosed above, during the year ended 31 December 2022, there was no change in the composition of the Board.

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

BOARD COMMITTEES *(cont'd)*

Appointment of New Director *(cont'd)*

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year ended 31 December 2022 and up to the date of this report, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this report.

ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2022 is set out in the table below:

	Attendance/Number of Meetings					
Name of Directors	**Board**	**Audit and Connected Transactions Review Committee**	**Remuneration Committee**	**Nomination Committee**	**Strategy and ESG Committee**	**General Meeting**
Executive Directors						
Dr. Liu, Jun	7/7	–	–	–	1/1	3/3
Ms. Yeh-Huang, Chun-Ying (Re-designated as a non-executive Director with effect from 1 January 2023)	7/7	–	–	–	1/1	3/3
Non-executive Directors						
Mr. Fu, Shan	7/7	–	–	1/1	1/1	3/3
Mr. Qiu, Yu Min	7/7	4/4	2/2	–	1/1	3/3
Dr. Kung, Frank Fang-Chien[1]	2/2	–	–	–	–	–
Mr. Kang, Pei[2]	2/2	–	–	–	–	–
Independent Non-executive Directors						
Ms. Hu, Lan	7/7	4/4	–	1/1	–	2/3
Mr. Chang, Hong-Jen	6/7	3/4	2/2	–	–	1/3
Dr. Sun, Lijun Richard[3]	1/2	–	–	1/1	–	–
Dr. Wang, De Qian[4]	5/5	–	2/2	–	1/1	2/3

Notes:

1. Dr. Kung, Frank Fang-Chien resigned as non-executive Director on 12 March 2022.
2. Mr. Kang, Pei resigned as non-executive Director on 12 March 2022.
3. Dr. Sun, Lijun Richard resigned as independent non-executive Director on 12 March 2022.
4. Dr. Wang, De Qian appointed as independent non-executive Director on 12 March 2022.

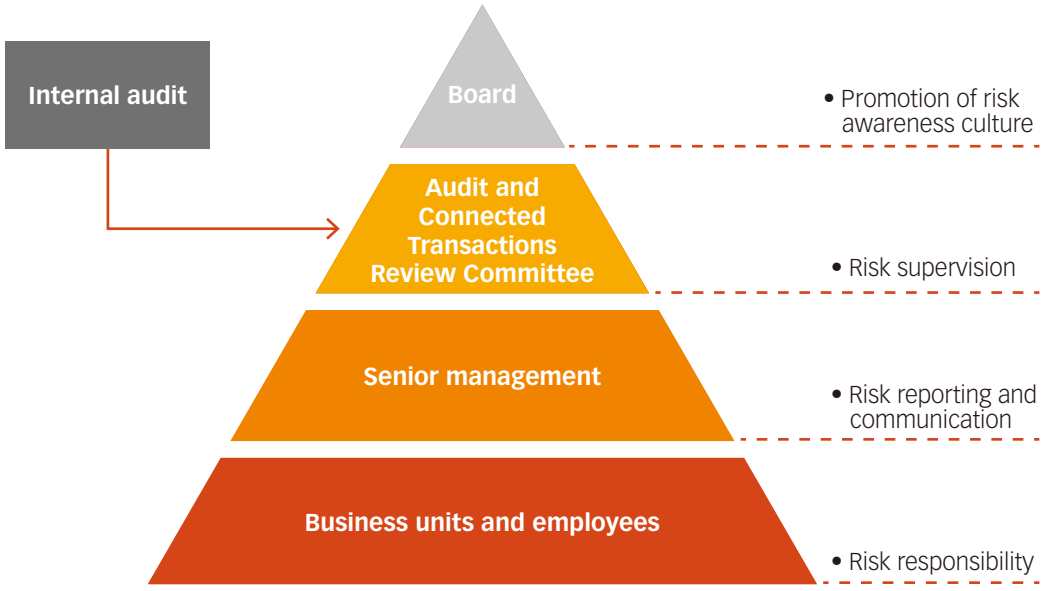
During the year ended 31 December 2022, at least one independent meeting was held between the chairperson and the independent non-executive Directors without the presence of other Directors.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Company has established a risk governance structure to identify, evaluate, resolve, monitor and communicate key risks, such as strategic risk, financial risk, operational risk and compliance risk, so as to ensure the effectiveness of its internal risk control.

Based on such risk governance structure, the Company's risk management and internal control systems as well as the roles and responsibilities of various stakeholders are as follows:



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

The Audit and Connected Transactions Review Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has published internal management standard to comply the code of professional ethics and company regulations. The Company has established an internal audit function to examine key issues in relation to the accounting practices and operations management and provided its findings and recommendations for improvement to the Audit and Connected Transactions Review Committee. In addition, the internal audit manager holds regular meetings with the management team of the Company to enhance the management and risk control in operation processes.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales, intellectual property, production safety, financial reporting, authorization management, information security and information technology.

RISK MANAGEMENT AND INTERNAL CONTROLS *(cont'd)*

The Company conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance, quality control and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by relevant division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit and Connected Transactions Review Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit and Connected Transactions Review Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2022, and has conducted in-depth communication with the Board and the Audit and Connected Transactions Review Committee on the framework and priorities of the Company's corporate risk management and internal control for 2023.

The Board, as supported by the Audit and Connected Transactions Review Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2022, and considered that such systems are effective and adequate. The annual review also covered the financial reporting, internal audit function, as well as staff qualifications, experiences and relevant resources. As of the date of this report, there are no material internal control findings.

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

The Company has developed its disclosure policies, signed confidentiality agreements with employees and established information disclosure approval procedures, which together provide a general guide and management principles to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the independent auditor's report on pages 76 to 81 of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid/payable to PricewaterhouseCoopers, the external auditor of the Company, and other PricewaterhouseCoopers network firms, for the year ended 31 December 2022 is set out below:

Service Category	Fees Paid/Payable (RMB'000)
Audit services	3,200
Non-audit services (including tax and other advisory services)	30
Total	**3,230**

COMPANY SECRETARY

Mr. Chen, Yifan, senior director of the legal compliance division of the Group, and Mr. Lui, Wing Yat Christopher, senior manager of Tricor Services Limited, an external service provider, have been appointed as the Company's joint company secretaries.

Mr. Chen, Yifan has been designated as the primary contact person at the Company which would work and communicate with Mr. Lui, Wing Yat Christopher on the Company's corporate governance and secretarial and administrative matters.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters.

For the year ended 31 December 2022, Mr. Chen, Yifan and Mr. Lui, Wing Yat Christopher have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels, such as general meetings, analyst presentations, disclosure pursuant to the Listing Rules, corporate website and social media platforms.

To safeguard shareholder interests and rights, a separate resolution should be proposed for each substantially separate issue at general meetings, including the election of each individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Extraordinary general meetings may be convened by the Board on requisition of shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (as the case may be) pursuant to sections 566 and 568 respectively of the Companies Ordinance and Article 62 of the Amended and Restated Articles of Association.

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance and the Amended and Restated Articles of Association for convening a general meeting.

SHAREHOLDERS' RIGHTS *(cont'd)*

Putting Forward Proposals at General Meetings

Pursuant to section 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at an annual general meeting.

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for circulating a resolution for annual general meeting.

Putting Forward Enquiries to the Board

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

During the year ended 31 December 2022 and up to the date of this report, the Company has held an annual general meeting on 28 June 2022 and two extraordinary general meetings on 22 July 2022 and 22 December 2022 respectively.

The forthcoming annual general meeting will be held in June 2023. The notice of annual general meeting will be sent to shareholders in accordance with the requirements set out in the Listing Rules and the Amended and Restated Articles of Association.

Contact Details

The Company maintains a website (www.totbiopharm.com.cn) where information of the Group's businesses and projects, key corporate governance policies and announcements, financial reports and other information are available for public access. Shareholders and investors may send their enquiries or requests as mentioned above to the following:

Address:	The Secretariat 120 Changyang Street Suzhou Industrial Park PRC
Email:	ir@totbiopharm.com
Telephone:	86-512-6296-5286 Ext.6727

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

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.

Amendments to Constitutional Documents

During the year under review, the Company has not made any changes to its Amended and Restated Articles of Association. An up-to-date version of the Company's Amended and Restated Articles of Association is also available on the Company's website and the Stock Exchange's website.

DIRECTORS' REPORT

The Directors are pleased to present this Directors' Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

Unless otherwise stated, all references below to other sections, reports or notes in this annual report form part of this report.

GENERAL INFORMATION

The Company was incorporated in Hong Kong on 4 December 2009 with limited liability. The Company's Shares were listed on the Main Board of the Stock Exchange on 8 November 2019.

PRINCIPAL ACTIVITIES

The Company is a clinical-stage biopharmaceutical company dedicated to developing and commercializing innovative oncology drugs and therapies. With rich practical experience and a mature technology platform and quality system, we provide one-stop CDMO solutions for drug development and production.

The Group has a pipeline of oncology drug candidates, which include monoclonal antibodies (mAbs) and antibody-drug conjugates (ADCs). Since the Company's inception in 2009, it has built and established a fully integrated in-house platform of discovery, process development, quality management, pre-clinical and clinical development, as well as commercial-scale manufacturing facilities and proven sales and marketing capabilities, which provides flexibility and scalability for business of the Group to expand along the innovative drug industry value chain.

RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of comprehensive loss on page 82 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group as required by section 388(2) of and Schedule 5 to the Companies Ordinance, including an indication of likely future developments of the Group's business and an analysis of the Group's performance using financial key performance indicators during the year ended 31 December 2022 are provided in the sections headed "CEO statement" and "Management discussion and analysis" on pages 3 to 27 of this annual report.

(a) Principal risks and uncertainties

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

- its financial position, in particular its net losses;
- potential impact of outbreaks of infectious diseases (such as COVID-19) on its business operations and clinical research progress;
- its ability to develop and commercialize its drug candidates, and the commercial sales performance of marketed products;
- material aspects of the research and development and commercialization of its pharmaceutical products being heavily regulated;
- lengthy, time-consuming and inherently unpredictable regulatory approval processes of various regulatory authorities for its drug candidates;

BUSINESS REVIEW *(cont'd)*

(a) Principal risks and uncertainties *(cont'd)*

- competition in the pharmaceutical industry and in the oncology drugs market;
- its ability to obtain and maintain patent protection for its drug candidates; and
- its ability to attract, train, retain and motivate qualified and highly skilled personnel.

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

The Company believes that risk management is essential to the Group's effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The Audit and Connected Transactions Review Committee and the Company's general management division assist the Board in monitoring material risk exposure arising internally and externally from the Group's business, including operational risks, financial risks, regulatory risks, etc., and proactively setting up appropriate risk management and internal control mechanisms to rectify any deficiencies. The Group's financial risk management objectives and policies are set out in Note 3 to the consolidated financial statements.

(b) Environmental Policies and Performance

The Group recognizes the importance of proper adoption of environmental policies which is essential to the attainability of corporate growth. The management has formulated comprehensive standards for environment, health and safety for the Group based on applicable laws, regulations and standards. The Company's environmental safety and health division is responsible for monitoring the compliance with these standards and reviewing the effectiveness of these standards. In addition, to strengthen its environmental, social, and governance work, to further improve the Company's corporate governance structure and to ensure the Company's sustainable development, among others, the Company established the Strategy and ESG Committee on 23 December 2021. The Group will continue to improve its fulfilment of social responsibility.

Please refer to the section headed "Environmental, Social and Governance Report" prepared in accordance with Appendix 27 to the Listing Rules from pages 168 to 238 of this annual report for detailed discussion on the Company's environmental policies and performance.

(c) Compliance with the Relevant Laws and Regulations

As far as the Board and the 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 31 December 2022, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

BUSINESS REVIEW *(cont'd)*

(d) Employee and Emolument Policies

In compliance with Rule 3.25 of the Listing Rules and the CG Code, the Company has established the Remuneration Committee to formulate remuneration policies. The Remuneration Committee is responsible for developing policies and structure for remuneration of all Directors, senior management and employees including salaries, incentive schemes and other share option schemes, and making recommendation to the Board. The Group believes its success depends upon the provision of consistent, quality and reliable services by its employees and hence its ability to attract, retain and motivate qualified personnel is crucial. To attract high-quality employees, the Group offered competitive compensation packages. The remuneration of the employees of the Group generally includes salaries, bonuses, social security contributions and other welfare payments. In accordance with applicable PRC laws, the Group has made contributions to housing provident funds and contributions to social security insurance funds, including basic pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for its employees. In accordance with applicable Taiwan laws, the Group has made contributions to social security insurance funds. Remuneration of each employee varies by functions and titles and their own academic backgrounds, experience, skills, technical knowledge and performance.

In addition, the Group established the Pre-IPO Share Option Scheme in 2013 and has granted options to Directors, senior management and key employees for the primary purpose of providing incentives and reward to its employees. The Group further adopted the Restricted Share Award Scheme in 2020. Please refer to the paragraphs headed "Pre-IPO Share Option Scheme" and "Restricted Share Award Scheme" in this report for further details.

The remuneration of all Directors are determined by the Board having regard to the recommendation of the Remuneration Committee and with reference to the Director's contributions, experience and relevant duties and responsibilities within the Company. None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(e) Major Customers and Suppliers

Major Customers

During the year ended 31 December 2022, the Group derived its revenue primarily from sales revenue, revenue for providing CDMO/CMO services and revenue from licenses granted. Equipped with full industry value chain capabilities, the Group adopts an open platform business model and collaborates with third party business partners at different stages of the industry value chain. The full industry value chain capabilities make the Group's open platform attractive to an industry player whose capability in certain parts of the industry value chain is complementary to the Group's.

For the year ended 31 December 2022, revenue from the five largest customers of the Group accounted for less than 30% of the Group's total revenue.

BUSINESS REVIEW *(cont'd)*

(e) Major Customers and Suppliers *(cont'd)*

Major Suppliers and Service Providers

Suppliers of the Group primarily include suppliers of raw materials, CROs, suppliers of machinery and equipment, suppliers of reference drugs, and construction service providers. The Group procures raw materials based on its estimation of the production needs for its research and development activities and commercial production. The Group obtains raw materials for its manufacturing activities from multiple reputable suppliers who the Group believes have sufficient capacity to meet our demands. The Group selects suppliers of raw materials based on a number of factors, including their product quality, price, delivery time and manners and market reputation, and follow the procedures and standards required by law or industry practice. The Group has also established internal procedure and policies to examine the quality of the products of the suppliers before entering into any contract with them. The Group typically orders raw materials on a purchase order basis and does not enter into long-term dedicated capacity or minimum supply arrangements.

In line with industry practice and to supplement the in-house capabilities of the Group, the Group has also engaged certain CROs to conduct pre-clinical and clinical research. It selects CROs based on various factors, including their quality, reputation and research experience. The Group generally enters into master contract services agreements with the CROs it engages, which include a statement of work specifying the terms of services provided by the CROs, and pays these CROs fixed project-based fees. Under such agreements, all intellectual property rights arising from the performance of the services, including clinical trial data, will be owned by the Group. The Group also requires the CROs to conduct clinical trials in accordance with international good clinical practice (GCP) standards. Typically, the Group requires the CRO personnel handling our clinical trials to hold GCP certification or have GCP training experience.

For the year ended 31 December 2022, purchase amount from the five largest suppliers of the Group accounted for 46% of its total purchase costs and the largest supplier of the Group accounted for 21% of its total purchase costs. At no time during the year ended 31 December 2022 did the Directors, their respective close associates or any shareholder of the Company (who, to the knowledge of the Directors, owned more than 5% of the issued capital of the Company) have any interest in any of the Group's top five suppliers.

(f) Important Events after Reporting Period

Save as otherwise disclosed in this annual report, the Company did not have any important events that should be brought to the attention of the Shareholders from 1 January 2023 and up to the date of this report.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years is set out in the section headed "Five-year financial summary" on page 163 of this annual report. This summary does not form part of the audited consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 36 to the consolidated financial statements.

The following is the list of directors of the Company's subsidiaries during the year ended 31 December 2022 and up to the date of this report:

Dr. Liu, Jun
Mr. Fu, Shan
Ms. Yeh-Huang, Chun-Ying(2)
Dr. Kung, Frank Fang-Chien(1)
Mr. Kang, Pei(1)
Mr. Qiu, Yu Min
Ms. Hu, Lan(1)
Dr. Sun, Lijun Richard(1)
Mr. Chang, Hong-Jen(1)

Notes:

(1) Dr. Kung, Frank Fang-Chien, Mr. Kang, Pei, Ms. Hu, Lan, Dr. Sun, Lijun Richard and Mr. Chang, Hong-Jen resigned as directors of TOT Suzhou in March 2022.

(2) In March 2023, Ms. Yeh-Huang, Chun-Ying resigned as director of TOT BIOPHARM Company Limited (東源國際醫藥股份有限公司) with effect from April 2023 and was succeeded by Mr. Wu, Chih-Yuan (吳志遠先生). Ms. Yeh-Huang remains a director of TOT Suzhou as at the date of this report.

DIVIDENDS

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2022 are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended 31 December 2022 and details of the Shares issued during the year ended 31 December 2022 are set out in Note 25 to the consolidated financial statements.

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

Save as otherwise disclosed in this annual report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2022.

DEBENTURE ISSUED

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

RESERVES

Details of movement in the reserves of the Group and the Company during the year ended 31 December 2022 are set out in the consolidated statement of changes in equity on page 85 of this annual report and in Notes 26 and 37(a) to the consolidated financial statements.

The Company did not have distributable reserves as at 31 December 2022 calculated under Part 6 of the Companies Ordinance as it has accumulated losses.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2022 are set out in the section headed "Management discussion and analysis" in this annual report and Note 29 to the consolidated financial statements.

DONATIONS

During the year ended 31 December 2022, the Group made donations of social supplies with a value of approximately RMB23,009.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during 2022 or subsisted at the end of 2022 except for the Pre-IPO Share Option Scheme and the Restricted Share Award Scheme, further details of which are set out in the paragraphs headed "Pre-IPO Share Option Scheme" and "Restricted Share Award Scheme" in this report.

PERMITTED INDEMNITY PROVISION

Pursuant to Article 166 of the Company's Amended and Restated Articles of Association, subject to the provisions of the Companies Ordinance, every Director, company secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution of his office or otherwise in relation thereto.

The Company has purchased directors, company secretary and officers' liabilities insurance on behalf of its directors, Mr. Chen, Yifan and Mr. Lui, Wing Yat Christopher (being current joint company secretaries) and officers.

DIRECTORS

The following is the list of Directors during the year ended 31 December 2022 and up to the date of this report (unless otherwise stated).

Executive Director

Dr. Liu, Jun *(Chief Executive Officer)*

Non-executive Directors

Mr. Fu, Shan *(Chairperson of the Board)*
Ms. Yeh-Huang, Chun-Ying
(Vice Chairperson of the Board)(1)
Dr. Kung, Frank Fang-Chien(2)
Mr. Kang, Pei (2)
Mr. Qiu, Yu Min

Independent Non-executive Directors

Ms. Hu, Lan
Dr. Sun, Lijun Richard(2)
Mr. Chang, Hong-Jen
Dr. Wang, De Qian(2)

Notes:

(1) With effect from 1 January 2023, Ms. Yeh-Huang, Chun-Ying was re-designated from an executive Director to a non-executive Director. She also resigned from her position as a senior manager of TOT Suzhou, and her position as the general manager of TOT BIOPHARM Company Limited (東源國際醫藥股份有限公司), a wholly-owned subsidiary of the Company, on 1 January 2023. Ms. Yeh-Huang is entitled to an annual director's fee of USD80,000 as a non-executive Director with effect from 1 January 2023 under her new letter of appointment. See the Company's announcement dated 30 December 2022 titled "Re-designation of Executive Director to Non-executive Director" for details.

(2) On 12 March 2022, Dr. Kung, Frank Fang-Chien and Mr. Kang, Pei resigned as non-executive Directors while Dr. Sun, Lijun Richard resigned as independent non-executive Director. On the same day, Dr. Wang, De Qian was appointed as independent non-executive Director. See the Company's announcement dated 12 March 2022 titled "Change of Directors and Change of Composition of Board Committees" for details.

Except as disclosed above, no Director had resigned from the office or refused to stand for re-election to the office during the year ended 31 December 2022 and up to the date of this report.

In accordance with Article 111 of the Amended and Restated Articles of Association, Mr. Fu, Shan, Dr. Liu, Jun and Mr. Qiu, Yu Min will retire from office by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election.

(a) Biographies of the Directors and Senior Management

Brief biographies of the current Directors are set out in the section headed "Biographies of directors and senior management" on pages 28 to 30 of this annual report.

Except as noted in the biographies, none of the Directors have held any other directorships in any listed public companies in the last three years. Further, except as disclosed in the biographies, none of the Directors is connected with any Director, senior management, substantial shareholder or controlling shareholder of the Company and, except as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of Its Associated Corporations" in this report, none of them has any interests in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed in this annual report, there are no other matters relating to the re-election of Directors at the forthcoming AGM that need to be brought to the attention of the Shareholders of the Company nor is there any information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules. Save as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS *(cont'd)*

(b) Directors' Service Contracts and Letters of Appointment

Each of the executive Director and non-executive Directors has entered into a service contract with the Company, while each of the independent non-executive Directors has signed a letter of appointment with the Company. The term of service of each of Dr. Liu, Jun, Mr. Fu, Shan, Ms. Yeh-Huang, Chun-Ying, Mr. Qiu, Yu Min, Ms. Hu, Lan and Mr. Chang, Hong-Jen has been renewed for a fixed term of three years commencing from 12 March 2022. Dr. Wang, De Qian has signed a letter of appointment with the Company for a term of three years commencing from 12 March 2022.

The above appointments are always subject to the provisions of retirement and rotation of directors under the Amended and Restated Articles of Association of the Company. None of the Directors proposed for re-election at the forthcoming AGM has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

(c) Independence of Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

(d) Directors' Interests in Competing Business

During the year ended 31 December 2022, none of our Directors had any interest in a business, apart from the business of the Group, which competed or was likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

(e) Directors' Interests in Transactions, Arrangements and Contracts of Significance

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries has been a party and in which a Director or an entity connected with a Director is or was materially interested, whether directly or indirectly, subsisted at the end of the year ended 31 December 2022 or at any time during the year.

(f) Directors' Rights to Acquire Shares or Debentures

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

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

As at 31 December 2022, the interests or short positions of the Directors or chief executives of the Company in any of the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in shares or underlying shares of the Company

Name of Director or chief executive	Nature of interest	Number of Shares interested[1]	Approximate percentage of interest in the Company[2]
Dr. Liu, Jun	Interest through equity derivatives[3]	1,100,000 (L)	0.14%
	Beneficiary of a trust[4]	5,699,999 (L)	0.74%
Ms. Yeh-Huang, Chun-Ying	Beneficial owner	7,115,700 (L)	0.92%
	Interest through equity derivatives[3]	1,162,500 (L)	0.15%
	Beneficiary of a trust[4]	2,897,383 (L)	0.37%

Notes:

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

(2) The calculation is based on the total number of 772,787,887 Shares in issue as at 31 December 2022 and rounded off to two decimal places.

(3) These interests represent the interests in Shares underlying the Pre-IPO Share Options (being unlisted physically-settled equity derivatives) held by Dr. Liu, Jun and Ms. Yeh-Huang, Chun-Ying, respectively.

(4) These interests represent the Restricted Award Shares held by Teeroy Limited on trust for Dr. Liu, Jun and Ms. Yeh-Huang, Chun-Ying, respectively.

Save as disclosed above, as at 31 December 2022, so far as it was known to the Directors or chief executives of the Company, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, so far as it was known to the Directors or chief executives of the Company, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in shares or underlying shares of the Company

Name of Shareholder	Nature of interest	Number of Shares interested[1]	Approximate percentage of interest in the Company[2]
Center Laboratories, Inc.	Beneficial owner	213,311,700 (L)	27.60%
Mr. Pang Kee Chan Hebert[3]	Interest in controlled corporation	49,136,800 (L)	6.36%
Advantech Capital Partners II Limited[3]	Interest in controlled corporation	49,136,800 (L)	6.36%
Advantech Capital II L.P.[3]	Interest in controlled corporation	49,136,800 (L)	6.36%
Advantech Capital II Master Investment Limited[3]	Interest in controlled corporation	49,136,800 (L)	6.36%
Advantech Capital Investment V Limited[3]	Beneficial owner	49,136,800 (L)	6.36%
Chengwei Evergreen Management, LLC[4]	Interest in controlled corporation	56,573,500 (L)	7.32%
Chengwei Evergreen Capital, L.P.[4]	Interest in controlled corporation	56,573,500 (L)	7.32%
Prime Success International Limited[4]	Beneficial owner	56,573,500 (L)	7.32%
Vivo Capital LLC[5]	Interest in controlled corporation	103,245,000 (L)	13.36%
Vivo Capital VIII, LLC[5]	Interest in controlled corporation	103,245,000 (L)	13.36%
Vivo Capital Fund VIII, L.P.[5]	Beneficial owner	90,718,100 (L)	11.74%
Suzhou Vivo Management Consulting Partnership (Limited Partnership) [6]	Interest in controlled corporation	116,250,000 (L)	15.04%
Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership)[6]	Beneficial owner	116,250,000 (L)	15.04%
Tricor Trust (Hong Kong) Limited[7]	Trustee	38,993,566 (L)	5.05%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(cont'd)*

Interests in shares or underlying shares of the Company *(cont'd)*

Notes:

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

(2) The calculation is based on the total number of 772,787,887 Shares in issue as at 31 December 2022 and rounded off to two decimal places.

(3) Advantech Capital Investment V Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands, directly held 49,136,800 Shares. Advantech Capital Investment V Limited is wholly owned by Advantech Capital II Master Investment Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, which is in turn wholly owned by Advantech Capital II L.P., a private equity fund incorporated under the laws of the Cayman Islands. The general partner of Advantech Capital II L.P. is Advantech Capital Partners II Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands. Advantech Capital Partners II Limited is wholly owned by Mr. Pang Kee Chan Hebert. For the purpose of the SFO, Advantech Capital II Master Investment Limited, Advantech Capital II L.P., Advantech Capital Partners II Limited and Mr. Pang Kee Chan Hebert are deemed to have an interest in the Shares held by Advantech Capital Investment V Limited.

(4) Prime Success International Limited directly held 56,573,500 Shares. Prime Success International Limited is a company with limited liability incorporated under the laws of Hong Kong, which is wholly owned by Chengwei Evergreen Capital, L.P., a venture capital fund incorporated under the laws of the Cayman Islands. The general partner of Chengwei Evergreen Capital, L.P. is Chengwei Evergreen Management, LLC, a limited liability company incorporated under the laws of the Cayman Islands. For the purpose of the SFO, Chengwei Evergreen Capital, L.P. and Chengwei Evergreen Management, LLC are deemed to have an interest in the Shares held by Prime Success International Limited.

(5) Vivo Capital Fund VIII, L.P. directly held 90,718,100 Shares, and Vivo Capital Surplus Fund VIII, L.P. directly held 12,526,900 Shares. Both Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P. (referred to collectively as "**Vivo Capital**") are limited partnerships organized under the laws of the State of Delaware of the United States. The general partner of Vivo Capital is Vivo Capital VIII, LLC, which is registered in the State of Delaware of the United States. Vivo Capital LLC, registered in the State of California of the United States, serves as the management company of Vivo Capital and has a form of advisory agreement with Vivo Capital VIII, LLC. For the purpose of the SFO, Vivo Capital VIII, LLC and Vivo Capital LLC are deemed to have an interest in the Shares held by Vivo Capital.

(6) Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership) directly held 116,250,000 Shares. Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership) is a limited partnership organized under the laws of the PRC. The general partner of Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership) is Suzhou Vivo Management Consulting Partnership (Limited Partnership), which is a limited partnership organized under the laws of the PRC. For the purpose of the SFO, Suzhou Vivo Management Consulting Partnership (Limited Partnership) is deemed to have an interest in the Shares held by Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership).

(7) Tricor Trust (Hong Kong) Limited directly held 38,993,566 Shares as trustee of a trust established by the trust deed dated 29 May 2020 entered into with the Company in connection with the Restricted Share Award Scheme for the benefit of participants who are not connected persons of the Company.

Save as disclosed above, as at 31 December 2022, no person, other than the Directors or chief executives of the Company whose interests are set out in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of its Associated Corporations" in this report, had any interests or short positions in the Shares or underlying Shares as disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

On 20 February 2013, the Company adopted the Pre-IPO Share Option Scheme with an aim to attract and retain talent necessary for the Group's development, and to incentivize the Group's employees and enhance their cohesion and productivity, thereby creating value for the Company and its Shareholders. The Pre-IPO Share Option Scheme was subsequently amended on 11 December 2017, 20 December 2018, 12 March 2019, 16 April 2019 and 22 July 2019. No further Pre-IPO Share Options may be granted on or after the Listing Date.

The Pre-IPO Share Option Scheme is not subject to the provisions of Chapter 17 of the Listing Rules. For details of the Pre-IPO Share Option Scheme (including the basis of determining the exercise price), please refer to pages V-36 to V-47 of the Prospectus and Note 27 to the consolidated financial statements.

Details of the movements of the Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2022 are as follows:

				Number of Shares underlying the Pre-IPO Share Options				
Date of grant	Date of vesting	Exercise period	Exercise price (per Share)	Outstanding as at 31 December 2021	Granted (during the year ended 31 December 2022)	Exercised (during the year ended 31 December 2022)	Cancelled/ Lapsed (during the year ended 31 December 2022)	Outstanding as at 31 December 2022
1. Dr. Liu, Jun (Director)								
25 December 2017	Vested in four equal installments on 1 January 2019, 2020, 2021 and 2022	From the date of vesting till 24 December 2027	Approximately US$0.286	1,000,000	–	–	–	1,000,000
21 January 2019	To be vested in five equal installments at the fulfillment of certain R&D targets and the second, third, fourth and fifth anniversaries thereof (1)	From the date of vesting till 20 January 2029	Approximately US$0.286	100,000	–	–	–	100,000
2. Ms. Yeh-Huang, Chun-Ying (Director)								
20 February 2013	All vested	Till 19 February 2023	Approximately US$0.286	–	–	–	–	–
14 December 2017	Vested in four equal installments at each of the first four anniversaries of the date of grant	From the date of vesting till 13 December 2027	Approximately US$0.286	1,162,500	–	–	–	1,162,500

PRE-IPO SHARE OPTION SCHEME *(cont'd)*

Date of grant	Date of vesting	Exercise period	Exercise price (per Share)	Number of Shares underlying the Pre-IPO Share Options				
				Outstanding as at 31 December 2021	Granted (during the year ended 31 December 2022)	Exercised	Cancelled/ Lapsed	Outstanding as at 31 December 2022
3. Consultants								
Between 10 February 2018 and 30 January 2019	To be vested from one to six years from the date of grant	Generally, from the date of vesting till the date which is one day preceding the tenth anniversary of the date of grant	Approximately US$0.286	310,000	–	–	–	310,000
4. Senior Management and Other Employee Grantees								
Between 20 February 2013 and 18 June 2019	Either vested or to be vested from one to six years from the date of grant or to be vested from zero to five years from the fulfillment of certain R&D targets [1]	Generally, from the date of vesting till the date which is one day preceding the tenth anniversary of the date of grant	Approximately US$0.286	7,282,800	–	–	1,190,200	6,092,600
				9,855,300	**–**	**–**	**1,190,200**	**8,665,100[2]**

Notes:

(1) The fulfillment of the relevant R&D targets occurred on 1 March 2022.

(2) The number of Shares that may be issued in respect of options granted under the Pre-IPO Share Option Scheme of the Company amounted to 8,665,100 Shares, which represents approximately 1.36% of the weighted average number of Shares in issue for the year ended 31 December 2022.

RESTRICTED SHARE AWARD SCHEME

On 29 May 2020, the Company adopted the Restricted Share Award Scheme with an aim (i) to attract and retain talent necessary for the Group's development, and to incentivize the Group's employees and enhance their cohesion and productivity, thereby creating value for the Company and its Shareholders; and (ii) to compensate participants of the Pre-IPO Share Option Scheme for the dilutive effect of the capitalization issue in connection with the Global Offering on their Pre-IPO Share Options. On the same day, the Company entered into two trust deeds with the respective trustees to constitute the trusts in connection with the Restricted Share Award Scheme for the purpose of the grant of Restricted Award Shares to selected participants (who may be employees (including Directors) of or consultants to the Group) from time to time. The Restricted Share Award Scheme was subsequently amended on 29 July 2020, 23 December 2021 and 1 November 2022. The Restricted Share Award Scheme shall remain valid and effective for a period of ten years from the date of adoption and its remaining life is approximately 7 years.

The aggregate number of Shares which may be allotted and issued to the trustees under the Restricted Share Award Scheme may not exceed 57,000,000 Shares and the maximum number of Shares which may be granted to a selected participant at any time or in aggregate may not exceed 5,700,000 Shares. Pursuant to the terms of the Restricted Share Award Scheme, the maximum number of Shares which may be allotted and issued to the trustees under the Restricted Share Award Scheme during each financial year from 2021 onwards is 14,250,000 Shares. On 23 December 2021, the Board resolved to further amend the terms of the Restricted Share Award Scheme with regards to unvested Shares (i.e. Restricted Award Shares that have failed to vest or have lapsed in respect of a grantee). See the Company's announcement dated 23 December 2021 titled "(1) Grant of Award Shares under Restricted Share Award Scheme (2) Issue of New Shares under General Mandate (3) Amendment to Scheme Rules" for further details of the amendment.

On 29 May 2020, following the adoption of the Restricted Share Award Scheme, the Board resolved to make a grant of 31,413,796 Restricted Award Shares to 84 grantees (including two Directors) under the Restricted Share Award Scheme; subsequently, on 28 December 2020, 30,466,697 Shares were allotted and issued to the trustees. On 23 December 2021, the Board resolved to make a grant to 28 grantees (not including any Director) involving a total of 13,700,000 Restricted Award Shares; subsequently, on 30 December 2021, 13,700,000 Shares were allotted and issued to the relevant trustee. On 1 November 2022, the Board resolved to make a further grant to 8 grantees (including Dr. Liu, Jun, our executive Director) involving a total of 7,558,390 Restricted Award Shares; subsequently, on 30 December 2022, 7,558,390 Shares were allotted and issued to the relevant trustees.

As at 31 December 2022, the remaining number of Shares capable of being allotted and issued to the trustees under the Restricted Share Award Scheme was 5,274,913 Shares, representing approximately 0.68% of the number of Shares in issue as at the date of the annual report (31 December 2021: 12,833,303 Shares), and the number of unvested Shares held by Tricor Trust (Hong Kong) Limited and capable of being reallocated to other non-connected person grantees under the Restricted Share Award Scheme was 8,474,304 Shares (31 December 2021: 3,296,245 Shares).

For further details of the Restricted Share Award Scheme (including the basis of determining the grant consideration), please refer to pages 8 to 21 of the Company's circular dated 3 August 2020, its announcement dated 23 December 2021 titled "(1) Grant of Award Shares under Restricted Share Award Scheme (2) Issue of New Shares under General Mandate (3) Amendment to Scheme Rules", its announcement dated 1 November 2022 titled "(1) Grant of Award Shares under Restricted Share Award Scheme (2) Connected Transaction Involving Issue of New Shares under Specific Mandate to Trustee Holding Shares on Trust for Connected Persons (3) Issue of New Shares under General Mandate to Trustee Holding Shares on Trust for Non-connected Persons (4) Housekeeping Amendments to Scheme Rules", its circular dated 8 December 2022 titled "Grant of Award Shares under Restricted Share Award Scheme Involving Issue of New Shares under Specific Mandate, Connected Transaction Involving Issue of New Shares to Trustee Holding Shares on Trust for Connected Persons, and Notice of Extraordinary General Meeting" and Note 27 to the consolidated financial statements.

RESTRICTED SHARE AWARD SCHEME *(cont'd)*

Details of the movements of the Restricted Award Shares granted under the Restricted Share Award Scheme during the year ended 31 December 2022 are as follows:

			Number of Restricted Award Shares						
Trustee	Date of grant	Grant consideration (per Share)[1]	Outstanding as at 31 December 2021	Granted, and allotted and issued to trustees[2] (during the year ended 31 December 2022)	Vested	Lapsed	Outstanding as at 31 December 2022	Earliest vesting date[1]	Expiry date
1. Grantee: Dr. Liu, Jun (Director)									
Teeroy Limited	29 May 2020	US$0.28634	623,093	–	–	–	623,093	1 January 2019	24 December 2027
		US$0.28634	623,093	–	–	–	623,093	1 January 2020	24 December 2027
		US$0.28634	623,093	–	–	–	623,093	1 January 2021	24 December 2027
		US$0.28634	623,093	–	–	–	623,093	1 January 2022	24 December 2027
		US$0.28634	49,848	–	–	–	49,848	The date of the fulfillment of certain R&D targets [3]	20 January 2029
		US$0.28634	49,848	–	–	–	49,848	The second anniversary of the fulfillment of certain R&D targets [3]	20 January 2029
		US$0.28634	49,847	–	–	–	49,847	The third anniversary of the fulfillment of certain R&D targets [3]	20 January 2029
		US$0.28634	49,847	–	–	–	49,847	The fourth anniversary of the fulfillment of certain R&D targets [3]	20 January 2029
		US$0.28634	49,847	–	–	–	49,847	The fifth anniversary of the fulfillment of certain R&D targets [3]	20 January 2029
	1 November 2022	HK$0.6	–	1,035,436	–	–	1,035,436	The later of 31 March 2023 and the date of the fulfillment of certain R&D targets [3]	The date of the termination of the Restricted Share Award Scheme (currently expected to be 28 May 2030)
		HK$0.6	–	1,183,356	–	–	1,183,356	The later of 31 March 2024 and the date of the fulfillment of certain R&D targets [3]	The date of the termination of the Restricted Share Award Scheme (currently expected to be 28 May 2030)
		HK$0.6	–	739,598	–	–	739,598	The later of 31 March 2024 and the date of the fulfillment of certain R&D targets [3]	The date of the termination of the Restricted Share Award Scheme (currently expected to be 28 May 2030)
			2,741,609	2,958,390	–	–	5,699,999		

RESTRICTED SHARE AWARD SCHEME *(cont'd)*

			Number of Restricted Award Shares						
Trustee	Date of grant	Grant consideration (per Share)[1]	Outstanding as at 31 December 2021	Granted, and allotted and issued to trustees[2] (during the year ended 31 December 2022)	Vested	Lapsed	Outstanding as at 31 December 2022	Earliest vesting date[1]	Expiry date
2. Grantee: Ms. Yeh-Huang, Chun-Ying (Director)									
Teeroy Limited	29 May 2020	US$0.28634	965,795	–	–	–	965,795	14 December 2019	13 December 2027
		US$0.28634	965,794	–	–	–	965,794	14 December 2020	13 December 2027
		US$0.28634	965,794	–	–	–	965,794	14 December 2021	13 December 2027
			2,897,383	–	–	–	2,897,383		
3. Consultants									
Tricor Trust (Hong Kong) Limited	29 May 2020	US$0.28634	772,634	–	–	–	772,634	Various dates, from the date of grant up to 30 January 2025	Various dates
			772,634	–	–	–	772,634		
4. Senior management and other employee grantees									
Tricor Trust (Hong Kong) Limited	29 May 2020	US$0.28634	16,624,687	–	–	3,078,059	13,546,628	Various dates, some of which are linked to the fulfillment of certain R&D targets[3]	Various dates
	23 December 2021	HK$0.6	13,700,000	–	–	2,100,000	11,600,000	Various dates, which are linked to the fulfillment of certain business and R&D targets	28 May 2030
	1 November 2022	HK$0.6	–	4,600,000	–	–	4,600,000	Various dates, which are linked to the fulfillment of a performance target relating to the CDMO/CMO business of the Group	The date of the termination of the Restricted Share Award Scheme (currently expected to be 28 May 2030)
			31,097,321	4,600,000	–	5,178,059	29,746,628		
Total			**36,736,313**	**7,558,390**	**–**	**5,178,059**	**39,116,644**[4]		

Notes:

(1) Pursuant to the scheme rules, the grant consideration is to be paid by a selected participant to the Company as a condition to the vesting of his/her Restricted Award Shares on or after the relevant vesting date, but not when the Restricted Award Shares are allotted and issued to the relevant trustee. The exact vesting date in respect of a Restricted Award Share is subject to the receipt of the full amount of the grant consideration by the Company in respect of such Restricted Award Share from the relevant selected participant.

(2) During the year ended 31 December 2022, the Board resolved to grant a total of 7,558,390 Restricted Award Shares to 8 grantees (including executive Director, Dr. Liu, Jun, and 7 non-Director employees of the Group) on 1 November 2022. The closing price per share was HK$2.59 as stated in the daily quotation sheets issued by the Stock Exchange on 31 October 2022, being the trading day immediately before the date of grant. Information on the accounting policies for Restricted Award Shares granted is provided in notes 2.24(a) and 4(d) to the consolidated financial statements. The grant date fair value of the Restricted Award Shares granted during the year ended 31 December 2022, measured in accordance with the accounting policies set out in notes 2.24(a) and 4(d) to the consolidated financial statements, amounted to RMB13,812,000.

(3) The fulfillment of the relevant R&D targets occurred on 1 March 2022.

(4) The 39,116,644 Restricted Award Shares which were outstanding as at 31 December 2022 have already been allotted and issued to the relevant trustees at various dates shortly after the relevant date of grant.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2022 and up to the date of this report, the Company had the following non-exempt connected transactions and continuing connected transactions.

Continuing connected transactions

Technical Service Agreement and Business Development Service Agreement

On 22 December 2021, TOT Suzhou and Lumosa entered into (i) the technical service agreement, pursuant to which TOT Suzhou agreed to provide certain technical services to Lumosa ("**Technical Service Agreement**"); and (ii) the business development service agreement, pursuant to which Lumosa agreed to provide certain business development services to TOT Suzhou ("**Business Development Service Agreement**"). The Technical Service Agreement and the Business Development Service Agreement pertain to TAA013, the Group's ADC candidate for the treatment of HER2+ advanced breast cancer.

The Technical Service Agreement is effective for a period of one year upon signing or until the completion by TOT Suzhou of the relevant services, whichever is later, but in any event not longer than three years. The service fees payable by TOT Suzhou under the Technical service Agreement were expected to be RMB2,385,800 and are payable in several installments. The proposed annual caps for the transaction amount under the Technical Service Agreement during its effective period are RMB818,080 and RMB2,600,000 respectively for the years ended 31 December 2021 and ending 31 December 2022. Such annual caps were determined primarily with reference to (i) the inclusion of the first installment of the service fees in the annual caps for both 2021 and 2022 because of the uncertainty as to the exact timing of payment; and (ii) the inclusion of the entirety of the service fees potentially receivable plus a buffer for possible additional fees for services beyond the originally agreed work scope in the annual cap for 2022. Service fees received by the Group for the year ended 31 December 2022 pursuant to the Technical Service Agreement did not exceed the proposed annual cap for the year ended 31 December 2022.

With regards to the Business Development Service Agreement, it is effective for a period of one year upon signing. Pursuant to the Business Development Service Agreement, with regards to any form of proceeds received from any third party in any mode as a result of any business development services provided by Lumosa, including but not limited to any signing fees, milestone fees, sales right fees, distributorship revenues and payments for goods ("**Business Proceeds**"), the service fees payable by TOT Suzhou to Lumosa shall be equal to the sum of (i) approximately USD700,000 being preliminary research and development fees ("**Preliminary Fees**"); and (ii) certain percentage of net Business Proceeds after deducting the Preliminary Fees. The proposed annual caps for the transaction amount under the Business Development Service Agreement during its effective period are RMB0 and RMB19,000,000 respectively for the years ended 31 December 2021 and ending 31 December 2022. Such annual caps were determined primarily with reference to the following factors: (a) that no service fee is expected to be payable during 2021; (b) the expected Business Proceeds potentially receivable by the Group during 2022 (up to USD30,000,000) as a result of the business development services provided by Lumosa; and (c) a buffer for exchange rate fluctuations between USD and RMB. The Group has not paid any service fees for the year ended 31 December 2022 pursuant to the Business Development Service Agreement.

Further details are set out in the announcement of the Company dated 22 December 2021.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(cont'd)*

Continuing connected transactions *(cont'd)*

Technical Service Agreement and Business Development Service Agreement (cont'd)

Listing Rules Implications

As at the date of the Technical Service Agreement and the Business Development Service Agreement, Lumosa was an associate of Centerlab (which, together with its associate BioEngine Technology, was a controlling shareholder of the Company), and hence a connected person of the Company pursuant to Rules 14A.07(1) and 14A.07(4) of the Listing Rules. Therefore, the transactions contemplated under the Technical Service Agreement and Business Development Service Agreement constituted continuing connected transactions of the Company. Pursuant to Rule 14A.80 of the Listing Rules, on the basis that the revenue ratio under Rule 14.07(3) of the Listing Rules would produce an anomalous result in measuring the size of the transactions contemplated under the Business Development Service Agreement, the Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to the Company, disregarding the revenue ratio in respect of the Business Development Service Agreement. As the highest applicable percentage ratio (under the meaning of Rules 14.04(9), 14A.77 and 14A.78 of the Listing Rules) in respect of the Business Development Service Agreement was less than 5%, and that in respect of the Technical Service Agreement was less than 25% with the total consideration less than HK$10,000,000, the Agreements are exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2), but are nonetheless subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

Confirmation of independent non-executive Directors

Our independent non-executive Directors have reviewed the aforesaid continuing connected transactions of the Group and confirmed that each of the transactions has been entered into: (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (3) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

Connected transactions

Capital Injection by Vivo Capital Fund VIII into Yaozhan

On 7 January 2022, the Company, Vivo Capital Fund VIII and Yaozhan entered into a capital increase agreement, pursuant to which Vivo Capital Fund VIII agreed to subscribe for new registered capital of Yaozhan in the amount of USD500,000 by way of cash injection ("**Capital Increase**"). Prior to the Capital Increase, Yaozhan was a direct wholly-owned subsidiary of the Company with registered capital of USD2,350,000. Upon completion of the Capital Increase, Yaozhan has a total registered capital of USD2,850,000, comprising (i) USD2,350,000 (approximately 82.46%) subscribed for by the Company; and (ii) USD500,000 (approximately 17.54%) subscribed for by Vivo Capital Fund VIII, and on this basis, Yaozhan has been accounted for as a non-wholly-owned subsidiary of the Company. Pursuant to the articles of association of Yaozhan after the Capital Increase, any profit distribution by Yaozhan will be made in proportion to the paid-up capital of its shareholders. Before the entering into of the equity transfer agreement by Vivo Capital Fund VIII, the Company and Yaozhan on 5 January 2023 (see the paragraphs about the connected transactions in relation to the equity transfers involving Yaozhan and Huayao below), the Company has paid up USD1,900,000 of the registered capital of Yaozhan, while Vivo Capital Fund VIII has fully paid up USD500,000 of the registered capital of Yaozhan that it subscribed.

Further details are set out in the announcement of the Company dated 7 January 2022.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(cont'd)*

Connected transactions *(cont'd)*

Capital Injection by Vivo Capital Fund VIII into Yaozhan (cont'd)

Listing Rules Implications

Based on public information, as at the date of the announcement of the Capital Increase, Vivo Capital Fund VIII and its affiliate Vivo Capital Surplus Fund VIII, L.P. (which has the same general partner as Vivo Capital Fund VIII) in aggregate held approximately 16.78% of the total issued share capital of the Company. As such, Vivo Capital Fund VIII was a substantial shareholder of the Company, and hence a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. Therefore, the Capital Increase constituted a connected transaction of the Company. As the highest applicable percentage ratio (as defined under Rules 14.04(9) and 14A.77 of the Listing Rules) in respect of the Capital Increase was 0.1% or more but was less than 5%, the Capital Increase is exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2)(a), but is nonetheless subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Equity transfers involving Yaozhan and Huayao

On 5 January 2023, Vivo Capital Fund VIII, the Company and Yaozhan entered into the equity transfer agreement, pursuant to which (i) Vivo Capital Fund VIII agreed to transfer the entirety of its fully paid-up registered capital in Yaozhan amounting to USD500,000 to the Company ("**First Equity Transfer**"); and (ii) Yaozhan agreed to transfer part of its partially paid-up registered capital in Huayao amounting to RMB6,000,000 (of which RMB3,000,000 has been paid up) to Vivo Capital Fund VIII ("**Second Equity Transfer**", together with the First Equity Transfer, "**Equity Transfers**"). Upon the completion of the equity transfers contemplated under the equity transfer agreement, Vivo Capital Fund VIII will no longer be a minority shareholder of Yaozhan and will instead become a minority shareholder of Huayao.

Pursuant to the First Equity Transfer, Vivo Capital Fund VIII agreed to transfer the entirety of its fully paid-up registered capital in Yaozhan amounting to USD500,000 to the Company, and the Company agreed to take up such registered capital from Vivo Capital Fund VIII, for a cash consideration of USD500,000 ("**First Consideration**"). The First Consideration was determined after arm's length negotiations between Vivo Capital Fund VIII and the Company with reference to the paid-up amount of the registered capital in Yaozhan being transferred, and is equal to the amount of capital injection by Vivo Capital Fund VIII into Yaozhan. The Company shall pay the First Consideration to Vivo Capital Fund VIII within 10 days after the completion of the required administrative procedures.

Pursuant to the Second Equity Transfer, Yaozhan agreed to transfer part of its partially paid-up registered capital in Huayao amounting to RMB6,000,000 (of which RMB3,000,000 has been paid up) to Vivo Capital Fund VIII, and Vivo Capital Fund VIII agreed to take up such registered capital from Yaozhan, for a cash consideration of RMB3,000,000 ("**Second Consideration**"). The Second Consideration was determined after arm's length negotiations between Yaozhan and Vivo Capital Fund VIII with reference to the paid-up amount of the registered capital in Huayao being transferred. Vivo Capital Fund VIII shall pay the Second Consideration to Yaozhan within 10 days after both the receipt of the First Consideration and the completion of the Second Equity Transfer.

Further details are set out in the announcement of the Company dated 5 January 2023.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(cont'd)*

Connected transactions *(cont'd)*

Equity transfers involving Yaozhan and Huayao (cont'd)

Listing Rules Implications

Based on public information, as at the date of the announcement of the Equity Transfers, Vivo Capital Fund VIII, Vivo Capital Surplus Fund VIII, L.P. and Vivo Suzhou Fund, all of which have the same ultimate fund manager (i.e. Vivo Capital LLC), in aggregate held approximately 28.40% of the total issued share capital of the Company. As such, Vivo Capital Fund VIII was a substantial shareholder of the Company, and hence a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. Also, as at the date of the announcement of the Equity Transfers, Vivo Capital Fund VIII held approximately 17.54% equity interest in Yaozhan. As such, Yaozhan was a connected subsidiary and hence connected person of the Company pursuant to Rules 14A.07(5) and 14A.16 of the Listing Rules. Therefore, the Equity Transfers constituted connected transactions of the Company.

Upon the completion of the Equity Transfers, the Company's percentage shareholding in Yaozhan will increase from approximately 82.46% to 100%, whilst Yaozhan's percentage shareholding in Huayao will decrease from 47% to 35%. As such, the Equity Transfers technically constituted the Group's acquisition of approximately 17.54% equity interest in Yaozhan and disposal of 12% equity interest in Huayao. Aggregating (i) the capital injection by Vivo Capital Fund VIII into Yaozhan and the resultant deemed disposal of approximately 17.54% of the Company's interest in Yaozhan; (ii) the First Equity Transfer; and (iii) the Second Equity Transfer, the highest applicable percentage ratio (as defined under Rules 14.04(9), 14A.77 and 14A.81 of the Listing Rules) was 0.1% or more but less than 5%. As such, the Equity Transfers are exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2)(a), but are nonetheless subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Subscription by Centerlab and Vivo Suzhou Fund for new shares to be issued under specific mandate

On 31 May 2022, to (i) improve the Group's cash flows without creating additional interest burden; (ii) enlarge the Group's capital base to support the long-term development of the Group; (iii) optimize the capital structure of the Group; and (iv) demonstrate the continuous and dedicated support for our development from our two largest Shareholders as well as their confidence in our prospects, the Company entered into subscription agreements with Centerlab and Vivo Suzhou Fund respectively, pursuant to which Centerlab and Vivo Suzhou Fund conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue to them a total of 150,000,000 shares (the "**Subscription Shares**") at the subscription price of HKD3.15 per share (the "**Subscriptions**"), which equals to the closing price of HK$3.15 per Share as quoted on the Stock Exchange on the date of the subscription agreements.

The subscription agreements and transactions contemplated thereunder were subject to, among other things, the approval by the independent shareholders of the Company at the extraordinary general meeting held on 22 July 2022, and the Listing Committee of the Stock Exchange approving the listing of, and the permission to deal in, the Subscription Shares.

On 29 July 2022, all conditions precedent under each of the subscription agreements were satisfied and completion of the Subscriptions took place in full, pursuant to which (i) Centerlab was allotted and issued 33,750,000 shares; and (ii) Vivo Suzhou Fund was allotted and issued 116,250,000 shares.

The gross proceeds from the Subscriptions were approximately HKD472,500,000 (equivalent to approximately RMB405,788 thousand), and the net proceeds from the Subscriptions after the deduction of the relevant fees and expenses were approximately HKD471,116,000 (equivalent to approximately RMB404,593 thousand).

Details of the Subscriptions were set out in the announcements of the Company dated 31 May 2022, 22 June 2022, 30 June 2022 and 29 July 2022 and the circular of the Company dated 5 July 2022.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(cont'd)*

Connected transactions *(cont'd)*

Subscription by Centerlab and Vivo Suzhou Fund for new shares to be issued under specific mandate (cont'd)

Listing Rules Implications

As at the date of the subscription agreements, (i) Centerlab and its associate BioEngine Technology in aggregate held approximately 30.16% of the issued share capital of the Company and were controlling shareholders of the Company; and (ii) Vivo Capital Fund VIII and Vivo Capital Surplus Fund VIII, L.P. in aggregate held approximately 16.78% of the issued share capital of the Company and were substantial shareholders of the Company while Vivo Suzhou Fund did not hold any Shares, and both Vivo VIII Funds and Vivo Suzhou Fund had the same ultimate fund manager (i.e. Vivo Capital LLC). Therefore, each of Centerlab and Vivo Suzhou Fund is a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. Given the status of Centerlab and Vivo Suzhou Fund as connected persons of the Company, the subscription of new Shares by Centerlab and the subscription of new Shares by Vivo Suzhou Fund constituted connected transactions of the Company, and are subject to the announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Issue of new shares under specific mandate to trustee holding shares on trust for connected persons

On 1 November 2022, the Board resolved to grant 2,958,390 Restricted Award Shares under the Restricted Share Award Scheme to Dr. Liu, Jun, an executive Director and to allot and issue the 2,958,390 Restricted Award Shares granted to Dr. Liu, Jun to Teeroy Limited under a specific mandate to be sought from the independent Shareholders. For further information, please refer to the Company's announcement dated 1 November 2022, the Company's circular dated 8 December 2022 and paragraph headed "Restricted Share Award Scheme" in this report.

Listing Rules Implications

Teeroy Limited holds Restricted Award Shares as trustee only on behalf of selected participants who are connected persons of the Company. Pursuant to Rule 14A.12(1)(b) of the Listing Rules, Teeroy Limited (acting in its capacity as a trustee under the Restricted Share Award Scheme) is an associate of such connected persons and is hence a connected person of the Company. As a result, the allotment and issue of the aforesaid Shares to Teeroy Limited constituted a connected transaction of the Company, and was subject to the announcement, circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Related Party Transactions

Details of the related party transactions for the year ended 31 December 2022 are set out in Note 35 to the consolidated financial statements. None of the related party transactions as disclosed in Note 35 to the consolidated financial statements constitute connected transaction or continuing connected transaction of the Group which has to be disclosed in accordance with Chapter 14A of the Listing Rules, except for the transactions described above in respect of which the requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no controlling shareholder of the Company or its subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2022.

NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, Centerlab executed a deed of non-competition in favour of the Company on 25 October 2019 (the "**Deed of Non-Competition**"), pursuant to which Centerlab has undertaken to the Group that for the duration of the Non-Compete Period (as defined below), it shall not, and shall use its best endeavors to procure that its respective close associates will not, solely or jointly or in cooperation with other parties, without the prior written consent of the Company: (a) hold and/or be interested in, either directly or indirectly, any shares or securities or interest in any company or other entity whose business primarily involves, directly or indirectly, research and development of innovative antitumor drugs (other than through contracting the Group to develop such drugs in transactions in compliance with the Listing Rules) (the "**Restricted Business**") in the PRC (the "**Restricted Region**"); or (b) otherwise engage or be involved in any Restricted Business in the Restricted Region (the "**Non-Competition Undertakings**").

The undertakings given by Centerlab under the Deed of Non-Competition are effective from the Listing Date and terminate on the earliest of: (i) the date on which Centerlab ceases to be a substantial shareholder of the Company as defined in the Listing Rules; (ii) the date on which the Shares cease to be listed on the Stock Exchange; and (iii) the date on which the Group ceases to engage in the Restricted Businesses (the "**Non-Compete Period**").

Centerlab has confirmed in writing to the Company of its compliance with the Non-Competition Undertakings for the year ended 31 December 2022.

The independent non-executive Directors have reviewed the implementation of the Non-Competition Undertakings and confirmed that, as far as they can ascertain, the Non-Competition Undertakings were complied with by Centerlab for the year ended 31 December 2022.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company, as required to be disclosed under section 543 of the Companies Ordinance, was entered into or existed during the year ended 31 December 2022.

MATERIAL LITIGATION

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

USE OF NET PROCEEDS FROM THE SUBSCRIPTIONS

On 31 May 2022, the Company entered into subscription agreements with Centerlab and Vivo Suzhou Fund respectively, pursuant to which Centerlab and Vivo Suzhou Fund conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue to them a total of 150,000,000 shares (the "**Subscription Shares**") at the subscription price of HKD3.15 per share (the "**Subscriptions**").

The subscription agreements and transactions contemplated thereunder were subject to, among other things, the approval by the independent shareholders of the Company at the extraordinary general meeting held on 22 July 2022, and the Listing Committee of the Stock Exchange approving the listing of, and the permission to deal in, the Subscription Shares.

On 29 July 2022, all conditions precedent under each of the subscription agreements were satisfied and completion of the Subscriptions took place in full, pursuant to which (i) Centerlab was allotted and issued 33,750,000 shares; and (ii) Vivo Suzhou Fund was allotted and issued 116,250,000 shares.

The gross proceeds from the Subscriptions were approximately HKD472,500,000 (equivalent to approximately RMB405,788 thousand), and the net proceeds from the Subscriptions after the deduction of the relevant fees and expenses were approximately HKD471,116,000 (equivalent to approximately RMB404,593 thousand) (the "**Net Proceeds**").

Details of the Subscriptions were set out in the announcements of the Company dated 31 May 2022, 22 June 2022, 30 June 2022 and 29 July 2022 and the circular of the Company dated 5 July 2022 (the "**Circular**").

USE OF NET PROCEEDS FROM THE SUBSCRIPTIONS *(cont'd)*

During the year ended 31 December 2022, part of the Net Proceeds were utilized in accordance with the proposed applications as set out in the paragraph headed "Letter from the Board – Connected Transactions Involving the Subscriptions – Use of Proceeds" in the Circular. During the year ended 31 December 2022, such Net Proceeds amounting to approximately RMB97,140 thousand were used, and the unused amount of the Net Proceeds was approximately RMB307,453 thousand as at 31 December 2022. The amount of the Net Proceeds which remain unused were being kept by the Group as deposits with licensed commercial banks. Such unused Net Proceeds are intended to be applied in accordance with the proposed applications as set out in the Circular.

A breakdown of the use of the Net Proceeds during the year ended 31 December 2022 in accordance with the disclosure in the Circular and an expected timeline as at the date of this report for the use of the unused amount are set forth as follows:

Purpose		Allocated percentage	Net Proceeds allocated *(RMB'000)*	Used during the year ended 31 December 2022 *(RMB'000)*	Unused amount as at 31 December 2022 *(RMB'000)*	Expected timing for the full utilization of the unused amount
(1)	For capital expenditure on the construction of Global Research and Development Centre and upgrade of ADC formulation production workshops to expand production capacity and to enhance production efficiency.	35%	141,608	33,691	107,917	30 June 2024
(2)	For the ongoing development of products, of which:	25%:	101,148	10,522	90,626	
	(a) To complete Phase III clinical trial of TAA013 (anti-HER2 ADC, HER2+ advanced breast cancer);	(a) 15.73%	63,643	9,696	53,947	31 December 2023
	(b) To fund ongoing and planned pre-clinical and clinical trials of TAE020 (new target ADC, acute myeloid leukemia) and TAC020 (new target mAb/recombinant protein, various solid tumors); and	(b) 8.02%	32,448	651	31,797	31 December 2024
	(c) To fund clinical trials, registration and filing for approval, as well as post-registration research and development of other drug candidates in the pipeline.	(c) 1.25%	5,057	175	4,882	30 June 2023
(3)	For the ongoing development and support of CDMO and CMO business.	20%	80,919	12,471	68,448	31 December 2023
(4)	For commercial production, marketing and sales activities of three products with marketing approvals obtained, namely TAB008, TOZ309 and TOM218.	10%	40,459	40,456	3	30 June 2023
(5)	For working capital and other general corporate purposes.	10%	40,459	–	40,459	30 September 2023
Total[1]		**100%**	**404,593**	**97,140**	**307,453**	

USE OF NET PROCEEDS FROM THE SUBSCRIPTIONS *(cont'd)*

Note:

(1) Amounts and percentage figures included in this table have been subject to rounding. Accordingly, figures shown as totals in this table may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

PUBLIC FLOAT

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, the Group does not have other plans for material investments and capital assets.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the section headed "Corporate governance report" of this annual report.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company will be held in June 2023. A notice convening the AGM and setting out the arrangements in relation to the closure of register of members will be published and dispatched to the Shareholders in due course in accordance with the requirements of the Listing Rules.

REVIEW BY AUDIT AND CONNECTED TRANSACTIONS REVIEW COMMITTEE

The Audit and Connected Transactions Review Committee has reviewed the financial reporting processes, risk management and internal control systems of the Group and the consolidated financial statements of the Group for the year ended 31 December 2022, and is of the opinion that these statements have complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosure has been made.

AUDITOR

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution to re-appoint PricewaterhouseCoopers and to authorise the Directors to fix its remuneration will be proposed at the AGM.

By the order of the Board
Dr. Liu, Jun
Chief Executive Officer and Executive Director

Hong Kong
23 March 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of TOT BIOPHARM International Company Limited
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of TOT BIOPHARM International Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 82 to 162, comprise:

- the consolidated balance sheet as at 31 December 2022;
- 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We 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 HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the 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 *(cont'd)*

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

- Revenue recognition: sales of goods
- Assessment of impairment indicators of property, plant and equipment

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition: sales of goods Refer to notes 2.27 (revenue recognition in summary of significant accounting policies) and 5 (Segment and revenue information) to the consolidated financial statements. For the year ended 31 December 2022, the Group recognised RMB304,361 thousand of revenue from sales of goods, 69% of the total revenue. Revenue from sales of goods is recognised at a point in time, and the performance obligations are satisfied when the control of products are transferred to the customers. We considered the recognition of revenue from sales of goods a key audit matter due to the huge volume of sales transactions, and thus significant audit time and resources were devoted in this area, in particular relating to the occurrence of such transactions.	Our procedures performed in relation to revenue recognition of sales of goods mainly include the following: • Understood, evaluated and validated management's key controls in respect of the Group's process of recognition of sales transactions, including contract approval, recording of sales based on contract terms, and customers' goods receipt notes; • Tested the revenue for selected samples by examination of the relevant supporting documents, including sales orders, invoices, goods delivery notes and customer's receipt notes to revenue recorded; • Confirmed selected trade receivables balances as at the balance sheet date on a sample basis by considering the amount, nature and characteristics of the customers; and • Performed cut-off test to assess whether revenue was recognised in the correct reporting periods. Based on our audit procedures, we found the Group's revenue recognition in relation to sales of goods was supported by the relevant evidence that we have gathered.

KEY AUDIT MATTERS *(cont'd)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of impairment indicators of property, plant and equipment Refer to notes 4 (Critical accounting estimates and judgements) and 15 (Property, plant and equipment) to the consolidated financial statements. As at 31 December 2022, the Group's property, plant and equipment amounted to approximately RMB465,328 thousand, 37% of total assets. The Group is a biotechnology company which engaged in the research and development ("R&D") activity. With the launch of drugs, the Group has realized the revenue of sales of goods, and also developed the Contract Development and Manufacturing Organization ("CDMO")/Contract Manufacture Organization ("CMO") business in 2022. During the year ended 31 December 2022, the Group had a continued operating loss. As the property, plant and equipment are mainly used for R&D and manufacturing activities, the failure of meeting the expected milestones and capacity according to the business plans may be an impairment indicator of property, plant and equipment. We considered the assessment of impairment indicators of property, plant and equipment a key audit matter because it involved critical management judgments including the expected milestones, sales of launched products and the outcome of the new drugs' development and whether there are any significant delays from the business plans.	Our procedures performed in relation to management's assessment of impairment indicators of property, plant and equipment mainly include the following: • Obtained an understanding of the management's internal control and assessment process of the impairment indicators of property, plant and equipment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as the management estimates involved in determining whether an impairment indicator existed at year end; • Obtained the business plans of the R&D and manufacturing activities prepared by management, which set out the details of the expected milestones and the outcome of the new drugs' development and CDMO/CMO services, and understood the key basis in preparing the business plans; • Considered whether the judgements made in the expected milestones and the outcome of the new drugs' development would give rise to indicators of possible management bias; • Inquired management and inspected the relevant supporting documents to understand the progress of major R&D projects to assess whether there were any significant delays from the business plans; • Discussed with management to understand the technological, market, economic and legal environment and corroborated with supporting evidence to assess whether there were any significant changes with an adverse effect on the Group; • Considered whether the carrying amount of the net assets of the Group was more than its market capitalization as at year end; and • Performed physical observation of property, plant and equipment to evaluate the condition of major property, plant and equipment to determine whether there were any damaged or outdated items. Based on the audit procedures performed, we found the key judgements used by management in the assessment of impairment indicators of property, plant and equipment to be supportable by the available evidence.

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 HKFRSs issued by the HKICPA and 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, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

As part of an audit in accordance with HKSAs, 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.

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

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 Chan Chiu Kong, Edmond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended 31 December 2022

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	5	**442,178**	76,325
Cost of revenue	6	**(71,563)**	(48,851)
Research and development expenses	6	**(151,168)**	(214,699)
Selling expenses	6	**(203,954)**	(22,849)
General and administrative expenses	6	**(62,587)**	(56,336)
Net impairment losses on financial and contract assets		**(597)**	–
Other income	9	**552**	167
Other gains – net	10	**8,063**	6,543
Operating loss		**(39,076)**	(259,700)
Finance income	11	**2,265**	969
Finance costs	11	**(6,602)**	(2,468)
Finance costs – net	11	**(4,337)**	(1,499)
Share of net loss of the joint venture accounted for using the equity method	12	**(6,633)**	(17)
Loss before income tax		**(50,046)**	(261,216)
Income tax expense	13	**–**	–
Loss for the year		**(50,046)**	(261,216)
Loss is attributable to:			
Equity holders of the Company		**(49,916)**	(261,216)
Non-controlling interests		**(130)**	–
		(50,046)	(261,216)
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity instruments at fair value through other comprehensive income		**–**	326
Items that may be reclassified to profit or loss			
Exchange difference on translation	26	**6,314**	(1,282)
Other comprehensive income/(loss) for the year, net of tax		**6,314**	(956)
Total comprehensive loss for the year		**(43,732)**	(262,172)
Total comprehensive loss for the year is attributable to:			
Equity holders of the Company		**(43,602)**	(262,172)
Non-controlling interests		**(130)**	–
		(43,732)	(262,172)
Loss per share for the year and attributable to the equity holders of the Company			
– Basic and diluted losses per share (RMB)	14	**(0.08)**	(0.46)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**465,328**	307,668
Prepayments for property, plant and equipment	15	**82,477**	55,759
Right-of-use assets	18	**15,007**	15,733
Investment properties	16	**3,184**	3,583
Intangible assets	17	**4,648**	5,123
Investments accounted for using the equity method	12	**–**	1,483
Other non-current assets	22	**14,590**	14,951
		585,234	404,300
Current assets			
Inventories	20	**94,821**	29,558
Other current assets	22	**38,254**	79,862
Trade and other receivables	21	**53,387**	15,032
Prepayments	22	**20,012**	16,754
Contract assets	5	**9,278**	11,952
Financial assets at fair value through profit or loss	19	**40,278**	–
Restricted cash	23	**2,998**	–
Cash and cash equivalents	23	**417,769**	152,805
		676,797	305,963
Total assets		**1,262,031**	710,263
EQUITY			
Share capital	25	**2,297,499**	1,892,906
Other reserves	26	**61,911**	37,797
Accumulated losses		**(1,645,528)**	(1,595,612)
Non-controlling interests		**1,557**	–
Total equity		**715,439**	335,091

Consolidated balance sheet
As at 31 December 2022

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	29	**212,133**	59,775
Lease liabilities	31	**345**	1,136
Other non-current liabilities	32	**58,767**	53,453
		271,245	114,364
Current liabilities			
Borrowings	29	**75,500**	146,191
Trade and other payables	30	**174,017**	86,238
Contract liabilities	5	**19,562**	22,199
Lease liabilities	31	**1,551**	1,463
Other current liabilities	32	**4,717**	4,717
		275,347	260,808
Total liabilities		**546,592**	375,172
Total equity and liabilities		**1,262,031**	710,263
Net current assets		**401,450**	45,155
Total assets less current liabilities		**986,684**	449,455

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

The consolidated financial statements on pages 82 to 162 were approved by the Board of Directors on 23 March 2023 and were signed on its behalf.

Mr. Liu, Jun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Note	Attributable to equity holders of the Company				Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000		
Balance at 1 January 2022		1,892,906	37,797	(1,595,612)	335,091	–	335,091
Loss for the year		–	–	(49,916)	(49,916)	(130)	(50,046)
Other comprehensive loss	26	–	6,314	–	6,314	–	6,314
Total comprehensive loss		–	6,314	(49,916)	(43,602)	(130)	(43,732)
Transactions with owners							
Share-based compensation expense	27	–	16,111	–	16,111	–	16,111
Capital injection from a non-controlling shareholder		–	1,689	–	1,689	1,687	3,376
Contributions of equity, net of transaction costs and tax	25	404,593	–	–	404,593	–	404,593
Total transactions with owners		404,593	17,800	–	422,393	1,687	424,080
Balance at 31 December 2022		2,297,499	61,911	(1,645,528)	713,882	1,557	715,439
Balance at 1 January 2021		1,874,438	49,503	(1,341,584)	582,357	–	582,357
Loss for the year		–	–	(261,216)	(261,216)	–	(261,216)
Other comprehensive loss	26	–	(956)	–	(956)	–	(956)
Total comprehensive loss		–	(956)	(261,216)	(262,172)	–	(262,172)
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings		–	(7,188)	7,188	–	–	–
Transactions with owners							
Share-based compensation expense	27	–	5,296	–	5,296	–	5,296
Issue of shares upon exercise of share options	26	3,249	(1,259)	–	1,990	–	1,990
Increase in share capital upon receipt of the grant consideration under 2020 Restricted Shares Award Scheme		15,219	(7,599)	–	7,620	–	7,620
Total transactions with owners		18,468	(3,562)	–	14,906	–	14,906
Balance at 31 December 2021		1,892,906	37,797	(1,595,612)	335,091	–	335,091

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	Year ended 31 December 2022 RMB'000	2021 Restated RMB'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	33(a)	**57,664**	(176,106)
Interest received		**2,265**	969
Net cash generated from/(used in) operating activities		**59,929**	(175,137)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(238,980)**	(112,283)
Purchase of intangible assets	17	**(1,143)**	(3,030)
Proceeds from disposal of property, plant and equipment	33(b)	**1,875**	18
Proceeds from disposal of financial assets at fair value through other comprehensive income		**–**	8,402
Investment in financial assets at fair value through profit or loss	19	**(255,000)**	–
Payment for investment in joint venture, net of cash acquired		**(5,150)**	(1,500)
Proceeds from disposal of financial assets at fair value through profit or loss	19	**215,634**	–
Net cash used in investing activities		**(282,764)**	(108,393)
Cash flows from financing activities			
Capital injections from shareholders	25	**405,788**	–
Payment for issuance costs		**(1,195)**	–
Capital contributions from minority shareholders	26	**3,376**	–
Proceeds from issue of shares upon exercise of share options		**–**	1,990
Proceeds from receipt of the grant consideration for award shares		**–**	7,620
Proceeds from bank borrowings	33(c)	**277,858**	205,966
Repayment of bank borrowings	33(c)	**(196,191)**	–
Payment of lease liabilities	33(c)	**(2,009)**	(1,494)
Interest paid		**(6,387)**	(2,000)
Net cash generated from financing activities		**481,240**	212,082
Net increase/(decrease) in cash and cash equivalents		**258,405**	(71,448)
Cash and cash equivalents at beginning of the year		**152,805**	225,533
Effects of exchange rate changes on cash and cash equivalents		**6,559**	(1,280)
Cash and cash equivalents at end of the year	23	**417,769**	152,805

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

TOT BIOPHARM International Company Limited (the "Company") was incorporated in Hong Kong on 4 December 2009 as a company with limited liability under the Hong Kong Law. The address of its registered office is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are primarily engaged in research and development ("R&D"), manufacturing, and marketing of anti-tumor drugs, contract development and manufacturing organization ("CDMO")/contract manufacture organization ("CMO") business and license-out of self-developed biological drugs in the People's Republic of China (the "PRC").

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 November 2019.

These financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

2.1.1 Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622.

2.1.2 Historical cost convention

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.3 New and amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

Standards	Key requirements	Effective Date
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRS Standards 2018-2020		1 January 2022
AG 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.4 New standards and interpretations not yet adopted

The following new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Standards	Key requirements	Effective Date
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2.2 Changes in accounting policies

2.2.1 Nature of change

In previous years, the Group presented the cash outflow of interest paid on the face of its Consolidated Statement of Cash Flows in operating activity. In 2022, the directors considered the developments of the Group's core business and concluded that to present the interest paid under financing activity would provide reliable and more relevant information. Consequently, the presentation of the Consolidated Statement of Cash Flows for the year ended 31 December 2022 has been revised and the comparative figures have been reclassified in order to conform to the current year's presentation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Changes in accounting policies *(cont'd)*

2.2.2 Impact on the financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. The following tables show the adjustments recognised:

Consolidated Statement of Cash Flows (extract)	Year ended 31 December 2021		
	As originally presented RMB'000	Impact RMB'000	Restated RMB'000
Cash flows from operating activities			
Net cash used in operations	(176,106)	–	(176,106)
Interest received	969	–	969
Interest paid	(2,000)	2,000	–
Net cash used in operating activities	(177,137)	2,000	(175,137)
Cash flows from financing activities			
Proceeds from issue of shares upon exercise of share options	1,990	–	1,990
Proceeds from receipt of the grant consideration for award shares	7,620	–	7,620
Proceeds from bank borrowings	205,966	–	205,966
Interest paid	–	(2,000)	(2,000)
Payment of lease liabilities	(1,494)	–	(1,494)
Net cash generated from financing activities	214,082	(2,000)	212,082

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.3 Subsidiaries and jointly controlled entities

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when 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.

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Jointly controlled entities

Jointly controlled entities are joint ventures that involve the establishment of corporation in which the Group and other venturers have their respective interests. The jointly controlled entities operate in the same way as other entities, except that a contractual agreement between the Group and other venturers established joint control and none of the participating parties has unilateral control over the economic activity of the jointly controlled entities. Investments in jointly controlled entities are accounted for using the equity method of accounting.

2.4 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.

2.5 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 *(cont'd)*

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group 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 (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

(c) Group companies

The results and financial position of foreign operations (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 exchange rate at the date of that balance sheet;

(ii) Income and expenses for each statement of comprehensive loss are translated at average exchange rates of that period; and

(iii) All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.7 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 are charged to the consolidated statement of comprehensive loss during the period in which they are incurred.

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. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

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

Building	10-20 years
Utilities equipment	10 years
Machinery	5-10 years
Testing equipment	5-10 years
Others	5-10 years

The assets' residual values representing 5% of the original cost, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in profit or loss.

2.8 Investment properties

Investment properties, principally comprising buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the income statement when the changes arise. The gain or loss on disposal of investment property is calculated as the difference between the net disposal proceeds and the carrying amount at the date of disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.9 Intangible assets

(a) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

(i) it is technical feasibility of completing the intangible assets so that it will be available for use;

(ii) management intends to complete the software and use or sell it;

(iii) the ability to use or sell the intangible assets;

(iv) it can be demonstrated how the software will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the software are available, and

(vi) the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(b) Research and development expenditures

The Group incurs significant costs and efforts on research and development activities, which include expenditures on biosimilar and oncology drug. Research expenditure and development expenditure that do not meet the criteria in (a) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(c) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Software	5 years

2.10 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are tested 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 to sell 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). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.11 Investments and other financial assets

2.11.1 Classification

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

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

(ii) 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.

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

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.11.3 Measurement

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.11 Investments and other financial assets *(cont'd)*

2.11.3 Measurement (cont'd)

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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through other comprehensive income ("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 – net". 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 as separate line item in the statement of profit or loss.

Fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "Other gains – net", in the period in which it arises.

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 other comprehensive income, 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 – net" in the consolidated statement of comprehensive loss as applicable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet 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.

2.13 Impairment of financial assets

The Group has three types of financial assets subject to HKFRS 9's expected credit loss model:

(a) trade receivables

(b) contract assets, and

(c) other receivables.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

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.

2.14 Inventories

Inventories including raw materials, work in progress, finished goods and consumables are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. 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.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within one year and therefore all classified as current.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.16 Prepayments

Prepayments which are generally due for transfer to expense within one year or less and therefore are all classified as current assets.

Prepayments may include upfront cash payments made to contract research organizations ("CROs"), which are organizations that provide support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis. Prepayments to CROs will be subsequently recorded as research and development expenses in accordance with the applicable performance requirements.

2.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows,cash and cash equivalents includes cash on 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.

2.18 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.

2.19 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. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Trade and other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.20 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement 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.

2.21 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. 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 in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(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 sheet 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(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, and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised 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 *(cont'd)*

2.23 Employee benefit expenses

(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.

TOT BIOPHARM Company Limited ("TOT Taipei"), a subsidiary of the Company, has established a defined contribution pension plan under the Labour Pension Act, covering all regular Taiwan employees. Under the plan, the Group contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labour Insurance.

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 contributions 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.

(e) Employee leave entitlement

Employee entitlement to annual leave are recognized when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlement to sick leave and maternity leave is not recognized until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.24 Share-based compensation benefits of the Group

(a) Equity-settled share-based payment transaction

The Group operates stock options and restricted shares 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) is recognized as an expense with a corresponding increase in equity. 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;

(iii) including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

At the end of each reporting period, the Group revises its estimates of the number of options and restricted shares 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 statement 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 during the period between service commencement date and grant date.

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 and restricted shares 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 *(cont'd)*

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 the consolidated statement 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 relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

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

Revenue is recognized to depict the provision of promised services and transfer of goods to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services or goods.

Revenue is recognized when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring products or services to a customer ("transaction price").

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

Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.27 Revenue recognition *(cont'd)*

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. There is normally no significant cost to obtain contract.

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

The following is a description of the accounting policy for the principal revenue streams of the Group.

(a) Revenue from contract manufacturing organization ("CMO") services

Contract manufacturing organization, or CMO, provides commercial manufacturing of products for companies that had already developed and validated pharmaceutical manufacturing processes.

The Group earns revenue from providing CMO services to other pharmaceutical companies. Contract duration is generally less than one year. If the contract is early terminated, the Company is only entitled to the compensation for the cost of any in-progress or undelivered products. Therefore the contract is accounted for at point in time upon transfer of the control of the products to the customers which is generally when the customers accept the products. Contract price is generally fixed and paid according to payment schedule as agreed in the contract. Upfront payments received by the Group are initially recognized as a contract liability. Costs including raw materials, labour, depreciation and other production costs attributable to CMO services are included in "cost of revenue".

(b) Revenue from contract development and manufacturing organization ("CDMO") services

Contract development and manufacturing organization, or CDMO, provides integrated services including drug manufacturing, development, optimization and trial production etc. These services allow companies to outsource development and manufacturing work and move quickly from product concept into first-in-human studies.

The Group earns revenue from providing CDMO services to other pharmaceutical companies. Contract duration is generally less than one year and includes a single performance obligation as delivery of integrated services over a period of time. The contract is normally at fixed price and paid according to milestones specified in the contract. Upfront payments received by the Group are initially recognized as a contract liability. Services revenue is recognized as the performance obligation satisfied over time based on the stage of completion of the contract. The Group uses input method to measure progress towards complete satisfaction of the performance obligation under HKFRS 15. Costs including raw materials, labour, depreciation and other production costs attributable to CDMO services are included in "cost of revenue".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.27 Revenue recognition *(cont'd)*

(c) Revenue from clinical research and other contract research organisation ("CRO") services

Clinical research services mainly include clinical development services, which include project planning, clinical operation and monitoring and managements of clinical trials, outcomes research and embedded outsourcing.

The Group earns revenues from providing CRO services to other pharmaceutical companies. Contracts mainly include a single performance obligation as delivery of integrated services over a period of time. The contracts are normally at fixed price and paid according to milestones specified in the contracts. Upfront payments received by the Group are initially recognized as a contract liability. Services revenue is recognized as the performance obligation satisfied over time based on the stage of completion of the contracts. The Group uses input method to measure progress towards complete satisfaction of the performance obligation under HKFRS 15. Costs including labour, outsourcing CRO services and other costs attributable to CRO services are included in "cost of revenue".

(d) Revenue from license granted

The Group provides license of its intellectual properties ("IP") to customers as well as providing certain R&D service. The license of IP and the R&D service are distinct performance obligations. The consideration comprises a fixed element (the upfront payment) and two variable elements (development milestone payment and royalties based on future sales). Initially only fixed consideration is included in the transaction price. The amount of the variable consideration for milestone payments included in the transaction price is determined to be zero at inception, based on the most likely amount and the application of the variable consideration constraint, i.e. such variable consideration is only included in the transaction price when it is highly probable that no significant reversal of revenue when the uncertainty is resolved. The non-refundable upfront payment only relates to the license and R&D service. The upfront payment is allocated between the two performance obligations based on the stand-alone selling price. The sales-based royalty will only be included in the transaction price when actual sales are made.

The control of the license transfers at point in time, when the customer obtains the right to use the underlying IP of the license. The sales-based royalties are recognized as revenue when the subsequent sales are made.

Costs related to licensing and R&D services are included in "research and development expenses".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.27 Revenue recognition *(cont'd)*

(e) Revenue from commission

The Group earns commission from providing promotion services to its customers, which are pharmaceutical companies, helping them to sell their products in the market. The Group is not the principal for selling those products, as it does not have control over the products to be sold, act as the primary obligor for selling the product neither, bear any inventory risk nor have any price discretion. The commission is based on pre-determined percentage of the actual monthly sales, and settled with the customers periodically, subject to annual price adjustment based on actual volume. The Group includes the price adjustment in the transaction price such that it is highly probable that there will not be significant reversal of revenue in future when the uncertainty is resolved. The right to consideration relating to price adjustment is recorded as contract assets and it will be transferred to receivables when the right is unconditional except for passage of time. The Group is not the principal in selling the products. Accordingly, the Group recognizes commission revenue at the net amount to which it expects to be entitled in exchange for its service. Costs related to the service are included in "selling expenses".

(f) Revenue from sales of goods

The Group sells certain pharmaceutical products to the customer. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location where the risks of obsolescence and loss have been transferred to the client, and either the client has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. The price is normally fixed and with no sales discount or volume rebate It is the Group's policy to sell its products to the customer with a right of return unmarketable products or expired products. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. Costs related to sales of goods are included in "cost of revenue".

2.28 Leases as lessee

The Group leases properties and land use right in the PRC as lessee. Rental contracts of properties are typically made for fixed periods of 2 to 5 years but may have extension options as described below. Land use right is made for fixed periods of 50 years.

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 the statement of comprehensive 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.

The consideration paid to lease the state-owned or collectively-owned land in the PRC are treated as prepayment for land use rights and included in right-of-use assets, which are stated at cost less accumulated amortization and impairment loss, if any. Land use rights are amortized over the lease period using straight-line method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.28 Leases as lessee *(cont'd)*

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 payments that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the incremental borrowing rate of respective entities. Right-of-use assets are measured at cost comprising the followings:

- 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 the consolidated statement of comprehensive loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise equipment and small items of office furniture.

Extension options are only included in the lease term if the lease is reasonably certain to be extended. The Group determine the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.29 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other 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).

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.

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, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

3.1.1 Market risk

(a) 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.

Certain bank balances and cash, trade receivables and other receivables, contract assets 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, New Taiwan Dollars ("NTD") 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.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

3.1.1 Market risk (cont'd)

(a) Foreign exchange risk (cont'd)

Most foreign exchange transactions were denominated in RMB for the Company that have functional currency in USD and USD or NTD for the Group companies that have functional currency in RMB. If the USD strengthened/weakened by 5% against the RMB with all other variables held constant, net loss for the year ended 31 December 2022 would have been RMB2,459,000 lower/higher (2021: RMB453,000 lower/higher). If the NTD strengthened/weakened by 5% against the RMB with all other variables held constant, net loss for the year ended 31 December 2022 would have been RMB578,000 lower/higher (2021: RMB582,000 lower/higher).

(b) Price risk

As at 31 December 2022, the Group had no financial assets at fair value through other comprehensive income (2021:Nil).

(c) 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. Borrowings issued at fixed rates exposed the Group to fair value interest rate risk.

The Group has not hedged its cash flow or fair value interest-rate risk. As at 31 December 2022, the Group's borrowings at floating rate and fixed rate amounted to approximately RMB212,633,000 and RMB75,000,000 respectively.

The Group currently does not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk exposure. Management will continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arise.

As at 31 December 2022, if the interest rates on borrowings at floating rates had been 10% higher/lower with all other variables held constant, the Group's loss before income tax for the year would have been higher/lower by approximately RMB461,000 (2021: RMB364,000), mainly as a result of higher/lower interest expenses on borrowings.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

3.1.2 Credit risk

Credit risk arises from cash and cash equivalents, financial assets at amortised cost and at fair value through profit or loss (FVPL), deposits with banks and financial institutions, as well as credit exposures to wholesale customers and CDMO/CMO customers, including outstanding receivables.

(a) Trade receivables and contract assets

According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored. Credit risks mainly arises from credit exposure from sales of goods and CDMO/CMO, and credit terms are ranging from 45 to 90 days. Management makes periodic assessments as well as individual assessment on the recoverability based on historical settlements records and experience and adjusts for forward-looking information.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

On that basis, the loss allowance for trade receivables as at 31 December 2022 was RMB597,000 with expected loss rate 1.2% (2021:Nil).

As at 31 December 2022, the Group has assessed that the expected loss rate for contract assets was immaterial, taking into consideration the low historical default rates and the expectation that significant change of forward-looking factors is unlikely. Thus, no loss allowance provision for contract assets were recognized during the year (2021: same).

(b) Cash and cash equivalents, Financial assets at fair value through profit or loss and other receivables

To manage this risk, cash and cash equivalents and financial assets at fair value through profit or loss are mainly placed or invested with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no history of default in the recent years in relation to these financial institutions and accordingly no loss allowance provision was recognized. Management makes periodic assessments as well as individual assessment on the recoverability based on historical settlements records and past experience and adjusts for forward-looking information. Management has assessed that during the year, 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 directors of the Company does not expect any losses from non-performance by the counterparties of other receivables and no loss allowance provision for other receivables was recognized.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

3.1.3 Liquidity risk

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

The table below analyses 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.

As at 31 December 2022

	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
Trade and other payables (Note 30)	**143,195**	**–**	**–**	**–**
Other non-current liabilities (Note 32)	**–**	**–**	**4,000**	**6,031**
Borrowings (including interest payables) (Note 29)	**85,001**	**15,732**	**193,553**	**24,826**
Lease liabilities (Note 31)	**1,619**	**346**	**–**	**–**
	229,815	**16,078**	**197,553**	**30,857**

As at 31 December 2021

	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
Trade and other payables (Note 30)	60,403	–	–	–
Borrowings (including interest payables) (Note 29)	152,102	2,540	62,873	–
Lease liabilities (Note 31)	1,530	1,000	198	–
	214,035	3,540	63,071	–

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.2 Fair value estimation

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

The Group applies HKFRS 13 for financial instruments that are measured in the consolidated balance sheet 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 publicly traded derivatives, and 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 (For example, over-the-counter derivatives) is determined using valuation techniques which maximize 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.

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 assets that were measured at fair value at 31 December 2022 (2021:Nil):

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Financial assets at fair value through profit and loss	–	–	**40,278**	**40,278**

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques during the year ended 31 December 2022 (2021: same).

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2022 (2021: same).

The changes in level 3 instruments for the years ended 31 December 2022 are presented in Note 19.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.2 Fair value estimation *(cont'd)*

Fair value of the Group's investment properties has been disclosed in Note 16. The fair value is within level 3 of the fair value hierarchy.

3.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital and provide returns for shareholders if the operation turns to profit. In order to maintain or adjust the capital structure, the Group may issue shares, obtain borrowings from bank and dispose assets in order to repay or refill operation capital, adjust the amount of dividends and return capital to shareholders, to maintain or adjust the capital structure, but not limited to the above.

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 less cash and cash equivalents and restricted cash. The net debt equity ratios as of 31 December 2022 and 2021 were as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Borrowings	**287,633**	205,966
Lease liabilities	**1,896**	2,599
Less: Cash and cash equivalents	**(417,769)**	(152,805)
Restricted cash	**(2,998)**	–
Net (cash)/debts	**(131,238)**	55,760
Total equity	**715,439**	335,091
Net debt to equity ratio	**N/A**	17%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(cont'd)*

(a) Assessment of impairment indicators of property, plant and equipment

At the end of each reporting period, the Group assesses whether there is any indication that the Group's property, plant and equipment may be impaired. To determine whether an impairment indicator exist, management considers both internal and external source of information, including the plan and progress of the research and development projects and the prospect of the technology. If any such indication exists, the Group will estimate the recoverable amount of the asset. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

(b) 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 assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the year, all expenses incurred for research and development activities were regarded as research expenses and therefore were expensed when incurred.

(c) Useful life of fixed assets

The management of the Group determines the estimated useful lives of fixed assets. This estimate is based on experience with the actual useful lives of fixed assets of similar nature and function. This estimate may change significantly due to technological innovation or competitors taking action against severe industry cycles.

Management will increase the depreciation rate for assets with shorter useful lives than previously estimated, or give up and write off technically obsolete assets, or sell non-essential assets.

(d) Recognition of share-based compensation expenses

As mentioned in Note 27, share-based compensation plans were granted to the employees and other qualifying participants. The fair value of the options and restricted shares are determined by the Black-Scholes option-pricing model and market price respectively at the grant date, and is expected to be amortized over the respective vesting period. Significant estimate on assumptions, including underlying equity value, risk free interest rate, expected volatility, dividend yield and fulfilment of R&D targets, is required to be made by the directors.

5 SEGMENT AND REVENUE INFORMATION

(a) Description of segments and principal activities

The Group is mainly engaged in the research and development, manufacturing, selling of anti-tumor drugs, CDMO/CMO business and license-out of self-developed biological drugs. The outcome of the Group's research and development activities will be given preference to be used by the Group for its own commercialization. There is one team managing and operating all revenue streams. Accordingly, management considers there is only one segment and hence no segment information is presented.

(b) The amount of each category of revenue is as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Timing of revenue recognition		
At a point in time:		
– Sales of goods	**304,361**	6,129
– Revenue from license granted	**54,151**	5,943
– CDMO/CMO	**20,630**	9,003
– Commission revenue	**9,098**	8,673
– Others	**708**	96
Over time:		
– CDMO	**51,908**	44,687
– Others	**1,322**	1,794
	442,178	76,325

(c) The following table presents the analysis of contract assets and contract liabilities related to the above-mentioned arrangements.

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Contract assets:		
– CDMO/CMO	**7,067**	11,210
– Sales commission	**2,211**	742
	9,278	11,952
Contract liabilities		
– CDMO/CMO (i)	**(18,420)**	(22,199)
– Sales of goods	**(1,142)**	–
	(19,562)	(22,199)

(i) Contract liabilities arise from CDMO/CMO which are recognized when the payments are received before the services are rendered to customers.

5 SEGMENT AND REVENUE INFORMATION *(cont'd)*

(d) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year – Service revenue – CDMO/CMO	**20,827**	5,684

(e) Unfulfilled long-term contracts

In January 2017, the Group entered into an agreement with a pharmaceutical company for licensing one of its bio-pharmaceutical know-how to the customer for development and commercialization for a period of 10 years.

The license contract includes an upfront fee, certain development-milestone payments and commercial-milestone payments of RMB84,500,000 (including tax) in aggregate. The contract also includes sales-based royalties. The Group has received the upfront payment and development-milestone payments of RMB55,500,000 (including tax) in total as at 31 December 2022. For the year ended 31 December 2022, certain development milestone and commercial milestones of RMB32,400,000 (including tax) in total were achieved by the Group (For the year ended 31 December 2021: certain development milestones of RMB6,300,000 (including tax) was achieved). The Group is further entitled to receive up to an aggregate of RMB29,000,000 (including tax) upon the achievement of additional development and commercial milestones.

In January 2022, the Group entered into an agreement with another pharmaceutical company for licensing one of its biological antibody drugs to the customer for development and commercialization in certain overseas regions (the "Cooperation Area") for 10 years after the date of obtaining the marketing authorization by the first regulatory authority in the Cooperation Area.

The license contract includes an upfront fee and certain development milestone payments of RMB30,000,000 (including tax) in aggregate. The contract also includes sales-based royalties. For the year ended 31 December 2022, the Group has received the upfront payment and the first two development-milestone payments of RMB25,000,000 (including tax) in total. The Group is further entitled to receive up to an aggregate of RMB5,000,000 (including tax) upon the achievement of additional specified milestones related to the development and regulatory approval of the biological antibody drugs.

Contract duration of CDMO/CMO services are generally less than one year. As permitted under HKFRS15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5 SEGMENT AND REVENUE INFORMATION *(cont'd)*

(f) Geographical information

Geographical information of revenue and non-current assets other than financial assets for the years ended 31 December 2022 and 2021 is as follows:

	Year ended 31 December			
	2022		2021	
	Revenue RMB'000	**Non-current assets RMB'000**	Revenue RMB'000	Non-current assets RMB'000
Mainland China	**442,178**	**570,366**	76,325	389,062
Others	**–**	**328**	–	458
	442,178	**570,694**	76,325	389,520

6 EXPENSES BY NATURE

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Changes in inventories of finished goods and work in progress	**(39,628)**	(8,617)
Promotion and advertisement expenses	**195,934**	1,224
Employee benefit expenses (Note 7)	**137,960**	129,518
Raw materials used	**39,735**	23,777
Clinical trials (exclude employee benefit expenses)	**38,056**	66,287
Amortization and depreciation (Notes 15, 16, 17 and 18)	**38,039**	34,237
Utilities	**17,028**	14,743
Professional services	**10,667**	9,991
Repairs and maintenance expenses	**9,358**	9,343
R&D materials and consumables	**5,620**	26,946
Other third-party research contracting costs	**3,892**	2,289
Pre-clinical trials	**3,884**	3,841
Other taxes	**3,308**	1,489
Auditor's remuneration		
– audit service	**3,200**	2,825
– non-audit service	**30**	250
Write-down of inventories	**2,696**	197
Transportation expenses	**2,012**	131
Travelling expenses	**1,562**	2,719
Other expenses	**15,919**	21,545
Total cost of revenue, research and development expenses, selling expenses and general and administrative expenses	**489,272**	342,735

7 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS)

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, wages and bonuses	**100,194**	106,405
Share-based compensation expenses (Note 27)	**16,111**	5,296
Contributions to pension plans (a)	**9,960**	7,271
Housing fund, medical insurance and other social insurance	**8,965**	8,005
Other welfare for employees	**2,730**	2,541
	137,960	129,518

(a) The employees of the Group in the PRC are members of a state-managed pension scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

TOT Taipei has established a defined contribution pension plan under the Labour Pension Act, covering all regular Taiwan employees. Under the plan, the Group contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labour Insurance. The only obligation of the Group with respect to the defined contribution pension plan is to make the specified contribution under the plan.

8 DIRECTORS' AND OTHER SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

Directors and chief executives' emoluments for the years ended 31 December 2022 and 2021 are set out as follows:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Employer's social security costs RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Year ended 31 December 2022						
Chairman of the Board						
Mr. Fu, Shan	–	–	–	–	–	–
Non-executive directors						
Mr. Chang, Hong-Jen	–	253	–	–	–	253
Ms. Hu, Lan	–	253	–	–	–	253
Dr. Wang, De Qian(Note 2)	–	203	–	–	–	203
Mr. Qiu, Yu Min	–	–	–	–	–	–
Mr. Sun, Lijun Richard(Note 3)	–	51	–	–	–	51
Mr. Kung, Frank Fang-Chien (Note 3)	–	–	–	–	–	–
Mr. Kang, Pei (Note 3)	–	–	–	–	–	–
Executive directors						
Ms. Yeh-Huang, Chun-Ying (Note 1)	–	2,621	72	9	–	2,702
Dr. Liu, Jun	–	2,878	64	83	1,881	4,906
	–	6,259	136	92	1,881	8,368

8 DIRECTORS' AND OTHER SENIOR MANAGEMENT'S EMOLUMENTS *(cont'd)*

(a) Directors' and chief executive's emoluments *(cont'd)*

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Employer's social security costs RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Year ended 31 December 2021						
Chairman of the Board						
Mr. Fu, Shan	–	–	–	–	–	–
Non-executive directors						
Mr. Kung, Frank Fang-Chien (Note 3)	–	–	–	–	–	–
Mr. Kang, Pei (Note 3)	–	–	–	–	–	–
Mr. Qiu, Yu Min	–	–	–	–	–	–
Mr. Chang, Hong-Jen	–	193	–	–	–	193
Ms. Hu, Lan	–	193	–	–	–	193
Mr. Sun, Lijun Richard (Note 3)	–	193	–	–	–	193
Executive directors						
Ms. Yeh-Huang, Chun-Ying (Note 1)	–	2,506	–	10	659	3,175
Dr. Liu, Jun	–	2,132	74	70	1,166	3,442
	–	5,217	74	80	1,825	7,196

Note 1: Ms. Yeh-Huang, Chun-Ying will be re-designated from an executive Director to a non-executive Director of the Company with effect from 1 January 2023 but remain as the Vice Chairman of the Board.

Note 2: Dr. Wang, De Qian was appointed as an independent non-executive Director on 12 March 2022.

Note 3: Dr. Kung, Frank Fang-Chien, Mr. Kang, Pei and Dr. Sun, Lijun Richard were resigned on 12 March 2022.

(b) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2021: Nil).

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

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

(d) 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 (2021: Nil).

8 DIRECTORS' AND OTHER SENIOR MANAGEMENT'S EMOLUMENTS *(cont'd)*

(e) Inducement or waiver of emoluments

During the year, no directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office, and no directors waived or had agreed to waive any emoluments (2021: Nil).

(f) 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 (2021: Nil).

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors (2021: two directors) for the year ended 31 December 2022. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals (2021: three individuals) during the year are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, wages and bonuses	**4,347**	5,093
Social security costs	**269**	318
Share-based compensation expenses	**2,379**	1,650
	6,995	7,061

The emoluments of the top five highest paid individuals fell within the following bands:

	Year ended 31 December	
	2022	2021
Emoluments bands		
HKD2,000,000 to HKD2,500,000	**1**	1
HKD2,500,000 to HKD3,000,000	**1**	1
HKD3,000,000 to HKD3,500,000	**2**	1
HKD3,500,000 to HKD4,000,000	**–**	1
HKD4,000,000 to HKD4,500,000	**–**	1
HKD5,000,000 to HKD5,500,000	**1**	–
	5	5

9 OTHER INCOME

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Rental income of investment properties	**285**	90
Others	**267**	77
	552	167

10 OTHER GAINS – NET

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Government grants (Note)	**8,260**	10,956
Net foreign exchange gains – net	**1,302**	1,244
Net fair value gains on financial assets at fair value through profit or loss (Note 19)	**912**	–
Loss on disposals of property, plant and equipment	**(2,359)**	(5,487)
Donations	**–**	(265)
Others	**(52)**	95
	8,063	6,543

Note: There are no unfulfilled conditions or other contingencies attaching to these grants.

11 FINANCE COSTS – NET

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Finance income		
– Interest income on bank deposits	**2,265**	969
Finance costs		
– Interest expenses on bank borrowings	**(6,487)**	(2,239)
– Interest expenses on lease liabilities	**(115)**	(229)
	(6,602)	(2,468)
	(4,337)	(1,499)

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in a jointly controlled entity

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Share of net assets, unlisted	**–**	1,483
As at 1 January	**1,483**	–
Additions	**5,150**	1,500
Share of loss for the year	**(6,633)**	(17)
As at 31 December	**–**	1,483

The particulars of the joint venture of the Company at 31 December 2022, which is unlisted, are set out as follows:

Company name	Place of incorporation	Registered capital	Issued and fully paid capital	Attributable equity interest to the Group as at 31 December 2022	Principle activities
Huayao Pharmaceutical (Suzhou) Company Limited. ("Huayao Suzhou")	Suzhou	RMB50,000,000	RMB13,110,000	**65.80%**	Pharmaceutical technology promotion and application service

Huayao Suzhou is a private company and there are no quoted market prices available for their shares.

Since the decisions of the shareholder meeting require the approval by over 90% of voting rights of Huayao Suzhou' shareholders, and decisions of the Board of Directors require unanimous approval of directors from all shareholders, Huayao Suzhou was accounted for as a jointly controlled entity by the Group.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(cont'd)*

Investment in a jointly controlled entity *(cont'd)*

Set out below are the summarised financial information for the Group's jointly controlled entity which is accounted for using the equity method:

Huayao Suzhou:

Summarised balance sheet

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Current		
Total current assets	**130**	1,284
Total current liabilities	**(3,394)**	–
Non-current		
Total non-current assets	**114**	180
Total non-current liabilities	**–**	–
Net (deficit)/assets	**(3,150)**	1,464

Summarised statement of comprehensive loss

	Year ended 31 December 2022 RMB'000	For the period from 23 November 2021 (date of incorporation) to 31 December 2021 RMB'000
Revenue	**–**	–
Loss before income tax expense	**(16,224)**	(36)
Income tax expense	**–**	–
Loss for the period	**(16,224)**	(36)
Share of net loss of the joint venture accounted for using the equity method	**(6,633)**	(17)

13 INCOME TAX EXPENSE

The Group's principal applicable taxes and tax rates are as follows:

(a) Hong Kong

No provision for Hong Kong profits tax has been provided for at the rate of 16.5% (2021: 16.5%) as the Company has no estimated assessable profit.

(b) Mainland China

No provision for mainland China income tax has been provided for at the rate of 25% or 15% (2021: 25% or 15%) 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 profit.

TOT BIOPHARM Co., Ltd. ("TOT Suzhou") was qualified as a "High and New Technology Enterprise" under the relevant PRC laws and regulations from 2020 to 2022. Accordingly, TOT Suzhou was entitled to a preferential income tax rate of 15% commencing from 2020 to 2022.

(c) Taiwan corporate income tax

No provision for Taiwan corporate income tax has been provided for at the rate of 20% (2021: 20%) as the Group's Taiwan subsidiary has no estimated assessable profit.

(d) The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Loss before income tax	**(50,046)**	(261,216)
Tax calculated at statutory tax rates applicable to each Group entity	**(11,037)**	(64,944)
Tax effect of:		
Preferential tax rate of certain subsidiary	**8,619**	34,987
Expenses not deductible for tax purposes	**8,534**	3,158
Additional deduction of research and development	**(20,419)**	(26,047)
Tax loss not recognized as deferred tax assets	**14,303**	52,846
Income tax expense	**–**	–

13 INCOME TAX EXPENSE *(cont'd)*

(e) Deferred tax assets not recognized:

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Deductible losses	**1,730,771**	1,641,425
Deductible temporary differences	**87,508**	71,215
	1,818,279	1,712,640

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
2022	**–**	3,684
2023	**45,221**	45,221
2024	**49,487**	49,487
2025	**60,608**	60,608
2026	**85,825**	85,825
2027	**130,419**	130,286
2028	**289,901**	289,901
2029	**297,972**	297,972
2030	**384,046**	384,046
2031	**294,395**	294,395
2032	**92,897**	–
	1,730,771	1,641,425

Note: The tax losses of the Company's PRC subsidiaries will expire within five years (except for TOT Suzhou which will expire within ten years for High and New Technology Enterprise) while the tax losses of the Company's Taiwan subsidiary will expire within 10 years.

14 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss of the Group attributable to owners of the Company by weighted average number of ordinary shares issued during the year excluding treasury shares.

	Year ended 31 December	
	2022	2021
Loss attributable to equity holders of the Company (RMB'000)	**(49,916)**	(261,216)
Weighted average number of ordinary shares in issue (thousand)	**639,307**	573,360
Basic loss per share (RMB)	**(0.08)**	(0.46)

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2022, the Company had one category of potential ordinary shares: the stock options granted to employees (Note 27) (2021: same). As the Group incurred losses for the years ended 31 December 2022 and 2021, the potential ordinary shares have not been 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 2022 and 2021 is the same as basic loss per share of the respective years.

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Utilities equipment RMB'000	Machinery RMB'000	Testing equipment RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2022							
Cost	119,737	47,404	63,499	104,782	28,041	65,977	429,440
Accumulated depreciation	(36,489)	(16,985)	(16,938)	(41,430)	(9,930)	–	(121,772)
Net book amount	83,248	30,419	46,561	63,352	18,111	65,977	307,668
Year ended 31 December 2022							
Opening net book amount	83,248	30,419	46,561	63,352	18,111	65,977	307,668
Additions	426	176	1,826	7,359	5,165	181,051	196,003
Disposals	(1,805)	–	(653)	(1,703)	(73)	–	(4,234)
Transfers	2,035	538	194	2,484	367	(5,618)	–
Depreciation charge (Note 6)	(7,194)	(4,633)	(6,154)	(10,244)	(5,879)	–	(34,104)
Net exchange differences	–	–	(5)	–	–	–	(5)
Closing net book amount	76,710	26,500	41,769	61,248	17,691	241,410	465,328
At 31 December 2022							
Cost	110,899	48,118	64,669	108,714	33,268	241,410	607,078
Accumulated depreciation	(34,189)	(21,618)	(22,900)	(47,466)	(15,577)	–	(141,750)
Net book amount	76,710	26,500	41,769	61,248	17,691	241,410	465,328
At 1 January 2021							
Cost	150,549	46,250	52,911	92,187	17,121	45,549	404,567
Accumulated depreciation	(51,309)	(12,455)	(11,441)	(32,435)	(6,560)	–	(114,200)
Net book amount	99,240	33,795	41,470	59,752	10,561	45,549	290,367
Year ended 31 December 2021							
Opening net book amount	99,240	33,795	41,470	59,752	10,561	45,549	290,367
Additions	46	1,159	2,638	8,611	9,444	35,747	57,645
Disposals	(5,374)	(3)	(69)	(31)	(28)	–	(5,505)
Transfers	1,106	–	8,285	4,149	1,779	(15,319)	–
Transfer to investment properties (Note 16)	(3,644)	–	–	–	(19)	–	(3,663)
Depreciation charge (Note 6)	(8,126)	(4,532)	(5,760)	(9,129)	(3,626)	–	(31,173)
Net exchange differences	–	–	(3)	–	–	–	(3)
Closing net book amount	83,248	30,419	46,561	63,352	18,111	65,977	307,668
At 31 December 2021							
Cost	119,737	47,404	63,499	104,782	28,041	65,977	429,440
Accumulated depreciation	(36,489)	(16,985)	(16,938)	(41,430)	(9,930)	–	(121,772)
Net book amount	83,248	30,419	46,561	63,352	18,111	65,977	307,668

15 PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

(a) Depreciation charges have been charged to the consolidated statement of comprehensive loss as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Research and development expenses	**21,424**	27,547
Cost of sales	**10,945**	2,089
General and administrative expenses	**1,726**	1,518
Selling expenses	**9**	19
	34,104	31,173

(b) Prepayments for property, plant and equipment amounted to RMB82,477,000 (2021: RMB55,759,000) as at 31 December 2022. During the year, RMB33,259,000 (2021: RMB416,000) was transferred from prepayments for property, plant and equipment to testing equipment, machinery and construction in progress.

(c) Borrowing costs of RMB3,606,000 have been capitalized in the year ended 31 December 2022 (2021: RMB865,000).

16 INVESTMENT PROPERTIES

Investment properties are all located in the PRC with estimated useful lives within 50 years.

The movement of investment properties is analysed as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost	**8,409**	8,409
Accumulated depreciation	**(5,225)**	(4,826)
Net book amount	**3,184**	3,583
Opening net book amount	**3,583**	–
Transfer from property, plant and equipment (Note 15)	**–**	3,663
Depreciation (Note 6)	**(399)**	(80)
Closing net book amount	**3,184**	3,583

16 INVESTMENT PROPERTIES *(cont'd)*

As at 31 December 2022, the fair values of the investment properties were approximately RMB7,700,000 (2021: RMB8,100,000). These estimates are made by the directors with reference to market transacted prices for similar properties in the vicinity of the relevant properties.

(a) Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Rental income	**285**	90
Direct operating expenses from investment properties that generated rental income	**(399)**	(80)

(b) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

17 INTANGIBLE ASSETS

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Software		
Cost	**9,727**	8,584
Accumulated amortization	**(5,079)**	(3,461)
Net book amount	**4,648**	5,123
Opening net book amount	**5,123**	3,229
Additions	**1,143**	3,030
Amortization charge (Note 6)	**(1,618)**	(1,136)
Closing net book amount	**4,648**	5,123

Amortization charge has been charged to the consolidated statement of comprehensive loss as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
General and administrative expenses	**1,618**	1,136

18 RIGHT-OF-USE ASSETS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Land use rights	**12,982**	13,328
Others	**2,025**	2,405
	15,007	15,733

18 RIGHT-OF-USE ASSETS *(cont'd)*

(a) Land use rights

The Group's interests in land use rights represent prepaid operating lease payments for land located in the PRC and the lease term is 50 years. The net book amount of which is analysed as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost	**17,273**	17,273
Accumulated amortization	**(4,291)**	(3,945)
Net book amount	**12,982**	13,328
Opening net book amount	**13,328**	13,674
Amortization charges (Note 6)	**(346)**	(346)
Closing net book amount	**12,982**	13,328

Amortization charge has been charged to the consolidated statement of comprehensive loss as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Research and development expenses	**307**	307
General and administrative expenses	**39**	39
	346	346

18 RIGHT-OF-USE ASSETS *(cont'd)*

(b) Others

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost	**4,405**	3,212
Accumulated depreciation	**(2,380)**	(807)
Net book amount	**2,025**	2,405
Opening net book amount	**2,405**	6,965
Additions	**1,193**	3,458
Termination	**–**	(6,516)
Depreciation charge (Note 6)	**(1,572)**	(1,502)
Net exchange differences	**(1)**	–
Closing net book amount	**2,025**	2,405

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Depreciation and amortization charge of right-of-use assets	**1,918**	1,848
Interest expenses	**115**	229
Expenses relating to short-term leases	**504**	742

The total cash outflow for leases in 2022 was RMB2,513,000 (2021: RMB2,236,000).

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Opening balance	**–**	–
Additions	**255,000**	–
Changes in the fair value of financial assets at fair value through profit or loss	**912**	–
Disposal	**(215,634)**	–
Closing balance	**40,278**	–

The Group entered into contracts in respect of wealth management products from banks with an expected but not guaranteed rates of return ranging from 1.30% to 3.45% per annum for the year ended 31 December 2022. According to the contracts terms,the Group should hold the financial products for at least 30 days. The Group managed and evaluated the performance of investments on a fair value basis as at 31 December 2022.

20 INVENTORIES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Raw materials	**45,073**	16,312
Work in progress	**25,228**	5,080
Finished goods	**21,776**	3,681
Consumables	**2,744**	4,485
	94,821	29,558

(a) Amounts recognised in profit or loss

Write-downs of inventories to net realisable value amounted to RMB2,696,000 (2021: RMB196,000). These were recognised as an expense during the year ended 31 December 2022 and included in 'cost of revenue' in the consolidated statement of profit or loss.

21 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade receivables	**49,721**	11,735
Other receivables	**4,263**	3,297
Less: provision for impairment of trade receivables	**(597)**	–
Trade and other receivables	**53,387**	15,032

(a) Trade receivables

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade receivables	**49,721**	11,735

Customers are generally granted with credit terms ranging from 45 to 90 days.

As of 31 December 2022 and 2021, the ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Within 30 days	**28,716**	1,336
31 days to 90 days	**17,490**	10,399
91 days to 180 days	**2,210**	–
181 days to 270 days	**1,298**	–
271 days to 360 days	**7**	–
	49,721	11,735

As at 31 December 2022, the carrying amounts of the Group's trade receivables are denominated in RMB and approximate to their fair values (2021: same).

Information about the impairment of trade receivables and the Group's exposure to credit risk and foreign currency risk can be found in note 3.1.2.

21 TRADE AND OTHER RECEIVABLES *(cont'd)*

(b) Other receivables

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Deposits	**3,181**	2,577
Others	**1,082**	720
Other receivables	**4,263**	3,297

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
RMB	**53,622**	14,556
USD	**362**	473
HKD	**–**	3
	53,984	15,032

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

The carrying amounts of the Group's other receivables approximate to their fair values.

22 PREPAYMENTS AND OTHER CURRENT AND NON-CURRENT ASSETS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Prepayments – current		
Prepayments for consumables	**16,612**	11,291
Prepaid research expenses	**415**	2,922
Others	**2,985**	2,541
	20,012	16,754
Other current assets		
Value – added tax recoverable	**38,077**	79,195
Right to returned goods (Note 30)	**177**	667
	38,254	79,862
Other non-current assets		
Deposits (Note(i))	**14,540**	14,780
Others	**50**	171
	14,590	14,951
	72,856	111,567

Note (i) Deposits are paid for entering into exclusive distribution agreements with certain pharmaceutical companies. As at 31 December 2022, the Group has paid deposits of NTD 62,100,000, equivalent to RMB14,115,000 (2021:NTD 62,100,000, equivalent to RMB14,221,000).

23 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash at bank and on hand	**420,767**	152,805
Less: Restricted cash	**(2,998)**	–
	417,769	152,805

Restricted cash were bank deposits pledged as security for issuance of letter of credit.

The carrying amounts of the Group's cash at bank and on hand are denominated in the following currencies:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash on hand		
– NTD	**4**	4
Cash at bank		
– RMB	**319,611**	112,405
– HKD	**92,456**	15,211
– USD	**6,919**	21,099
– EUR	**1,777**	236
– NTD	**–**	3,850
	420,767	152,805

24 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Assets		
Financial assets at fair value:		
– Financial assets at fair value through profit or loss (Note 19)	**40,278**	–
Financial assets at amortized costs:		
– Deposits – non-current (Note 22)	**14,540**	14,780
– Trade receivables and other receivables (Note 21)	**53,387**	15,032
– Cash and cash equivalents including restricted cash (Note 23)	**420,767**	152,805
Total	**528,972**	182,617
Liabilities		
Financial liabilities at amortized cost		
– Trade and other payables (Note 30)	**143,549**	60,641
– Borrowings – current (Note 29)	**75,500**	146,191
– Borrowings – non-current (Note 29)	**212,133**	59,775
– Other non-current liabilities (Note 32)	**10,031**	–
Lease liabilities at amortized cost – current (Note 31)	**1,551**	1,463
Lease liabilities at amortized cost – non-current (Note 31)	**345**	1,136
Total	**443,109**	269,206

25 SHARE CAPITAL

Issued:

	Number of ordinary shares issued	Share capital RMB'000
As at 1 January 2021	600,466,697	1,874,438
Issue of shares upon exercise of share options (Note (a))	1,062,800	3,249
Increase in share capital upon receipt of the grant consideration under 2020 Restricted Shares Award Scheme (Note (b))	–	15,219
Issue of shares for 2021 Restricted Shares Award Scheme (Note (c))	13,700,000	–
As at 31 December 2021	615,229,497	1,892,906
As at 1 January 2022	**615,229,497**	**1,892,906**
Issue of shares to shareholders (Note (d))	**150,000,000**	**404,593**
Issue of shares for 2022 Restricted Shares Award Scheme (Note (e))	**7,558,390**	**–**
As at 31 December 2022	**772,787,887**	**2,297,499**

Note (a) A total of 1,062,800 ordinary shares were issued from March to May 2021 pursuant to the Company's Stock Option Plans at an exercise price of approximately USD0.29 per ordinary share. Upon the aforesaid exercise of share options, share-based compensation reserve of RMB1,259,000 was transferred to share capital.

Note (b) During March to May 2021, award shares representing a total of 4,134,139 ordinary shares were vested to certain participants of the Company's 2020 Restricted Shares Award Scheme at a grant consideration of approximately USD0.29 per ordinary share. Upon the aforesaid vesting of award shares, share-based compensation reserve of RMB7,599,000 was transferred to share capital.

Note (c) On 23 December 2021, the Company allotted and issued 13,700,000 ordinary shares to certain trustees at a subscription price of zero under the Company's 2021 Restricted Share Award Scheme. These award shares are within the Company's control until the shares are vested to the participants and hence are considered as treasury shares in substance.

Note (d) On 29 July 2022, the Company allotted and issued 150,000,000 subscription shares at the price of HKD 3.15 per share to two shareholders: (i) Center Laboratories, Inc. has been allotted and issued 33,750,000 subscription shares; and (ii) Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership) has been allotted and issued 116,250,000 subscription shares. The two shareholders injected capital of approximately HKD 472,500,000 (equivalent to approximately RMB405,788,000) in total. The gross proceeds, net of transaction costs, are capitalized as share capital accordingly.

Note (e) On 1 November 2022, the Company allotted and issued 7,558,390 ordinary shares to certain trustees at a subscription price of zero under the Company's 2022 Restricted Share Award Scheme. These award shares are within the Company's control until the shares are vested to the participants and hence are considered as treasury shares in substance.

As at 31 December 2022, a total of 47,590,948 ordinary shares are within the Company's control until the shares are vested to the participants and hence are considered as treasury shares in substance (2021:40,032,558).

26 OTHER RESERVES

	Share-based compensation reserve (i) RMB'000	Foreign currency translation reserve (ii) RMB'000	Transactions with non-controlling interests (iii) RMB'000	Gain from investments in equity instruments measured at fair value through other comprehensive income RMB'000	Total RMB'000
At 1 January 2022	**57,862**	**(20,065)**	**–**	**–**	**37,797**
Share-based compensation expense (Note 27)	**16,111**	**–**	**–**	**–**	**16,111**
Currency translation differences	**–**	**6,314**	**–**	**–**	**6,314**
Others	**–**	**–**	**1,689**	**–**	**1,689**
At 31 December 2022	**73,973**	**(13,751)**	**1,689**	**–**	**61,911**
At 1 January 2021	61,424	(18,783)	–	6,862	49,503
Share-based compensation expense (Note 27)	5,296	–	–	–	5,296
Issue of shares upon exercise of share options	(1,259)	–	–	–	(1,259)
Increase in share capital upon receipt of the grant consideration under 2020 Restricted Shares Award Scheme	(7,599)	–	–	–	(7,599)
Currency translation differences	–	(1,282)	–	–	(1,282)
Gain from investments in equity instruments measured at fair value through other comprehensive income	–	–	–	326	326
Disposal of investments in equity instruments measured at fair value through other comprehensive income	–	–	–	(7,188)	(7,188)
At 31 December 2021	57,862	(20,065)	–	–	37,797

26 OTHER RESERVES *(cont'd)*

(i) Share-based compensation reserve arises from share-based payments granted to employees of the Group.

(ii) Foreign currency translation reserve 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 Group.

(iii) On 7 January 2022, Vivo Capital Fund VIII, L.P. ("Vivo Capital Fund VIII"), the Company and its subsidiary Yaozhan Pharmaceutical Jiangsu Co., Ltd. ("Yaozhan") entered into the agreement of capital injection to Yaozhan, pursuant to which Vivo Capital Fund VIII agreed to contribute USD500,000 to Yaozhan. Before the capital injection, the Group held 100% equity interests of Yaozhan and had control over it. Upon completion of the capital injection, the Group and Vivo Capital Fund VIII hold 82.46% and 17.54% equity interest in Yaozhan respectively and the Group still has control over Yaozhan. As a result, the capital injection was deemed as a disposal of 17.54% equity interest in Yaozhan to the non-controlling interest without change of control by the Group.

The carrying amount attributable to Vivo Capital Fund VIII after the disposal and the consideration of the disposal of equity interest in Yaozhan were RMB1,687,000 and USD500,000 (equivalent to RMB3,376,000) respectively. Accordingly, the Group recognised RMB1,687,000 as an increase in non-controlling interest and the difference of RMB1,689,000 between the carrying amount and the consideration was recognised in other reserves.

27 SHARE-BASED PAYMENTS

(a) Stock options and restricted shares granted

On 23 December 2021, the Board of Directors passed a resolution to grant 13,700,000 shares under the 2021 Restricted Share Award Scheme to certain employees of the Group, as rewards for their services to certain of the Group's subsidiaries. The exercise price of the restricted shares is HKD0.6. All restricted shares shall expire in ten years from the respective grant dates. The details of the vesting conditions are set out in note (c) below.

On 1 November 2022, the Board of Directors passed a resolution to grant 7,558,390 shares under the 2022 Restricted Share Award Scheme to certain employees of the Group, as rewards for their services to certain of the Group's subsidiaries. The exercise price of the restricted shares is HKD0.6. All restricted shares shall expire in ten years from the respective grant dates. The details of the vesting conditions are set out in note (c) below.

27 SHARE-BASED PAYMENTS *(cont'd)*

(b) Employee stock options

(i) The Group's employee stock options arrangements are as follows:

Type of arrangement	Grant date	Contract period	Vesting conditions
Employee stock options – 2017 ("2017 Plan")	2017.12-2018.7	10 years	(Note i)
Employee stock options – 2018 ("2018 Plan")	2019.1-2019.2	10 years	(Note ii)
Employee stock options – 2018	2019.1	10 years	(Note iii)

(Note i) Options are vested at different rates according to years worked as of 31 December 2017. The rates are shown as follows:

Years worked as of 31 December 2017	Vesting rates					
	1st year	2nd year	3rd year	4th year	5th year	6th year
Within 3 years	5%	10%	15%	20%	25%	25%
Between 3 and 4 years	10%	15%	20%	25%	30%	–
Between 4 and 5 years	15%	20%	20%	20%	25%	–
Over 5 years	25%	25%	25%	25%	–	–

(Note ii) Options are vested at different rates according to years worked as of 31 December 2018. The rates are shown as follows:

Years worked as of 31 December 2018	Vesting rates					
	1st year	2nd year	3rd year	4th year	5th year	6th year
Within 3 years	5%	10%	15%	20%	25%	25%
Between 3 and 4 years	10%	15%	20%	25%	30%	–
Between 4 and 5 years	15%	20%	20%	20%	25%	–
Over 5 years	25%	25%	25%	25%	–	–

(Note iii) The options are vested at different rates conditional on achievement of certain performance conditions.

27 SHARE-BASED PAYMENTS *(cont'd)*

(b) Employee stock options *(cont'd)*

(ii) Set out below are summaries of options granted:

	Year ended 31 December			
	2022		2021	
	Average exercise price per stock option (in USD)	**Number of share options (thousand shares)**	Average exercise price per stock option (in USD)	Number of share Options (thousand shares)
As at beginning of the year	**USD0.29**	**9,855**	USD0.29	12,074
Exercise of share options	**USD0.29**	**–**	USD0.29	(1,063)
Forfeited during the year	**USD0.29**	**(1,190)**	USD0.29	(1,156)
As at year end	**USD0.29**	**8,665**	USD0.29	9,855
Vested and exercisable at end of year	**USD0.29**	**7,079**	USD0.29	5,115

There were no options expired during the current year (2021: same).

27 SHARE-BASED PAYMENTS *(cont'd)*

(c) Restricted share award scheme

(i) The Group's employee restricted share award scheme is as follows:

Type of arrangement	Grant date	Contract period	Vesting conditions
Employee restricted shares – 2020	2020.05	10 years	(Note 27(b)(i))
Employee restricted shares – 2021	2021.12	10 years	(Note i)
Employee restricted shares – 2022	2022.11	10 years	(Note i)

i) The restricted shares are vested in tranches conditional on achievement of certain performance conditions.

(ii) Set out below are summaries of restricted shares granted:

	Year ended 31 December			
	2022		2021	
	Average exercise price per restricted shares (in USD)	Number of restricted shares (thousand shares)	Average exercise price per restricted shares (in USD)	Number of restricted shares (thousand shares)
As at beginning of the year	**USD0.21**	**36,736**	USD0.29	30,093
Granted during the year	**USD0.08**	**7,558**	USD0.08	13,700
Exercise of restricted shares	**–**	**–**	USD0.29	(4,134)
Forfeited during the year	**USD0.20**	**(5,178)**	USD0.29	(2,923)
As at year end	**USD0.21**	**39,116**	USD0.21	36,736
Vested and exercisable at end of year	**USD0.27**	**17,412**	USD0.29	10,539

There were no restricted shares expired during current the year (2021: Nil).

27 SHARE-BASED PAYMENTS *(cont'd)*

(d) The fair value of the stock options granted have been valued by an independent qualified valuer using binomial option-pricing model for 2017 Plan and 2018 Plan as at the grant date. Key assumptions are set as below:

	2017 Plan	2018 Plan
Risk-free interest rate	3.6306%-4.0004%	3.2260%-3.2634%
Expected term-year	6.66-6.84	7.27-7.36
Expected volatility	39.98%-42.22%	40.39%
Grant date option fair value per share	USD0.967-USD1.258	USD1.028-USD1.237
Exercise price	USD1.00	USD1.00

(e) The fair value of the restricted shares for 2021 Restricted Share Award Scheme

As at the grant date, market price per share is HKD3.95, the exercise price is HKD0.6 per share.

(f) The fair value of the restricted shares for 2022 Restricted Share Award Scheme

As at the grant date, market price per share is HKD2.59, the exercise price is HKD0.6 per share.

(g) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognized during the year ended 31 December 2022 as part of employee benefit expense are RMB16,111,000 (2021:RMB5,296,000).

28 DIVIDEND

No dividend has been paid or declared by the Company or the companies now comprising the Group during the year (2021: Nil).

29 BORROWINGS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Current		
– Unsecured bank borrowings (Note (a))	**75,500**	146,191
Non-current		
– Unsecured bank borrowings (Note (b))	**212,133**	59,775
	287,633	205,966

Note (a): As at 31 December 2022, bank loans of RMB75,500,000 are unsecured, will be repayable within one year and bear annual interest rate ranging from 3.80% to 4.00% with undrawn facilities up to RMB100,000,000. (2021: RMB146,191,000, from 1.68% to 3.95%,Nil)

Note (b): As at 31 December 2022, bank loans of RMB212,133,000 are unsecured, will be repayable over one year and bear annual interest rate ranging from 3.80% to 4.25% with undrawn facilities up to RMB137,367,000 for specific use on construction of plant, production line and equipment (2021: RMB59,775,000, 4.25%, RMB120,225,000).

29 BORROWINGS *(cont'd)*

As at 31 December 2022 and 31 December 2021, the Group's bank borrowings were repayable as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Within 1 year	**75,500**	146,191
Between 1 and 2 years	**7,294**	–
Between 2 and 5 years	**183,937**	59,775
Over 5 years	**20,902**	–
	287,633	205,966

As at 31 December 2022 and 2021, the weighted average effective interest rates per annum were as follows:

	31 December 2022	31 December 2021
Bank borrowings	**3.89%**	3.78%

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31 December 2022 RMB'000	31 December 2021 RMB'000
RMB	**287,633**	195,876
EUR	**–**	10,090
	287,633	205,966

The fair values of borrowings equal to their carrying amounts as the discounting impact is not significant.

As at 31 December 2022, the Group has unutilised bank facilities of RMB237,367,000 (2021: RMB120,225,000).

30 TRADE AND OTHER PAYABLES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Accrued promotion expenses	**77,780**	–
Trade payables	**25,983**	28,214
Staff salaries and welfare payables	**21,944**	19,898
Deposits payables (Note (i))	**15,502**	10,200
Payables for purchase of property, plant and equipment	**12,072**	6,457
Refund liabilities (Note (ii))	**5,987**	5,699
Tax payable	**2,537**	–
Others	**12,212**	15,770
	174,017	86,238

Note (i): In December 2020, the Group entered into an exclusive sales promotion agreement with a third party. For the year ended 31 December 2022, the Group received deposits of RMB10,000,000.The return terms of the deposit are linked to the sales condition. The management re-estimates the future sales and evaluated that the deposits will not be returned in one year, so it is reclassified to non-current liabilities this year (2021:RMB10,000,000).

In December 2021, the Group entered into an exclusive sales promotion agreement with a third party. As at 31 December 2022, the Group has received deposits of RMB200,000 (2021:RMB200,000).

In December 2022, the Group entered into an exclusive sales promotion agreement with a third party. For the year ended 31 December 2022, the Group received deposits of RMB15,302,000 (2021:Nil).

Note (ii): Where a customer has a right to return a product, the Group recognises a refund liability for the amount of consideration received for which the entity does not expect to be entitled. The Group also recognises a right to the returned goods measured by reference to the former carrying amount of the goods.

30 TRADE AND OTHER PAYABLES *(cont'd)*

As at 31 December 2022 and 2021, the ageing analysis of trade payables based on invoice date are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Within 3 months	**24,982**	27,037
3 months to 6 months	**724**	507
6 months to 12 months	**133**	160
1 year to 2 years	**76**	510
2 years to 3 years	**68**	–
	25,983	28,214

The Group's trade and other payables are denominated in the following currencies:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
– RMB	**171,865**	81,098
– NTD	**1,011**	638
– HKD	**586**	3,862
– USD	**555**	74
– EUR	**–**	566
	174,017	86,238

31 LEASE LIABILITIES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Minimum lease payments due		
– Within 1 year	**1,619**	1,530
– Between 1 and 2 years	**346**	1,000
– Between 2 and 5 years	**–**	198
	1,965	2,728
Less: future finance charges	**(69)**	(129)
Present value of lease liabilities	**1,896**	2,599

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Within 1 year	**1,551**	1,463
Between 1 and 2 years	**345**	940
Between 2 and 5 years	**–**	196
Present value of lease liabilities	**1,896**	2,599

The Group leases various properties and equipment and these lease liabilities were measured at net present value of the lease payments to be paid during the lease terms.

Extension options, at the Group's discretion, are included in a number of property leases across the Group.

Lease liabilities were discounted at incremental borrowing rates of the Group ranging from 4.76% to 4.90%.

For the total cash outflows for leases including payments of lease liabilities and payments of interest expenses on leases are disclosed in Note 18.

32 OTHER CURRENT AND NON-CURRENT LIABILITIES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Current		
Deferred upfront payments (a)	**4,717**	4,717
Non-current		
Deferred upfront payments (a)	**37,736**	42,453
Government grant (b)	**11,000**	11,000
Deposits(Note 30 (i))	**10,031**	–
	58,767	53,453

(a) Other current and non-current liabilities mainly contain non-refundable upfront fee relating to promotion service arrangement, which will be amortized during the service period.

(b) As at 31 December 2022, the government grants with total amount of RMB11,000,000 was recorded as deferred government grants with unfulfilled conditions.The grants will be credited to the profit or loss on a straight-line basis over the expected useful lives of the related assets or recognised in profit or loss over the period necessary to match them with the expense that they are intended to compensate after all conditions fulfilled.

33 CASH USED IN OPERATIONS

(a) Reconciliation of loss before income tax to net cash used in operations

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Loss before income tax	**(50,046)**	(261,216)
Adjustments for:		
– Depreciation and amortization (Notes 15, 16, 17 and 18)	**38,039**	34,237
– Share-based compensation expenses (Note 27)	**16,111**	5,296
– Interest income (Note 11)	**(2,265)**	(969)
– Interest on bank borrowings (Note 11)	**6,487**	2,239
– Interest on lease liabilities (Note 11)	**115**	229
– Fair value change on financial assets at fair value through profit or loss	**(912)**	–
– Share of net loss of the joint venture (Note 12)	**6,633**	17
– Losses on disposals of property, plant and equipment (Note 10)	**2,359**	5,487
– Gains on disposals of right-of-use assets	**–**	(484)
	16,521	(215,164)
Changes in working capital:		
– Inventories (Note 20)	**(65,263)**	(21,444)
– Trade receivables and other receivables	**(38,355)**	(9,181)
– Prepayments and other current and non-current assets	**63,950**	(23,345)
– Contract assets (Note 5)	**2,674**	(11,050)
– Cash paid for deposits	**(2,998)**	(10,166)
– Trade and other payables and other current and non-current liabilities (Note 30 and 32)	**83,772**	101,149
– Contract liabilities (Note 5)	**(2,637)**	13,095
	41,143	39,058
Cash received/(used) in operations	**57,664**	(176,106)

33 CASH USED IN OPERATIONS *(cont'd)*

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net book amount (Note 15)	**4,234**	5,505
Loss on disposal of property, plant and equipment (Note 10)	**(2,359)**	(5,487)
Proceeds from the disposal	**1,875**	18

(c) Changes in liabilities from financing activities:

	Short-term liabilities		**Long-term liabilities**	
	Lease Liabilities RMB'000	**Borrowings RMB'000**	**Lease Liabilities RMB'000**	**Borrowings RMB'000**
At 1 January 2022	**1,463**	**146,191**	**1,136**	**59,775**
Cash flows	**(2,009)**	**(71,191)**	**–**	**152,858**
Interest expense	**115**	**–**	**–**	**–**
Increase of right-of-use assets	**1,056**	**–**	**137**	**–**
Reclassification	**928**	**500**	**(928)**	**(500)**
Net exchange differences	**(2)**	**–**	**–**	**–**
At 31 December 2022	**1,551**	**75,500**	**345**	**212,133**
At 1 January 2021	1,323	–	6,083	–
Cash flows	(350)	146,191	(1,144)	59,775
Interest expense	6	–	223	–
Increase of right-of-use assets	1,697	–	1,761	–
Disposals of right-of-use assets	(1,213)	–	(5,787)	–
At 31 December 2021	1,463	146,191	1,136	59,775

34 COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at each balance sheet date, but not yet incurred are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Property, plant and equipment	**120,668**	155,746

(b) Operating lease commitments

At the balance sheet dates, lease commitments of the Group for short-term leases and leases of low-value assets not yet commenced are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
No later than 1 year	**95**	542
Later than 1 year and no later than 2 years	**37**	74
Later than 2 years and no later than 5 years	**–**	37
	132	653

(c) Investment commitment

The investment of the Group to the joint venture but not yet injected is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Huayao Suzhou	**26,250**	31,400

35 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2022 and 2021, and balances arising from related party transactions as at 31 December 2022 and 2021.

(a) Name and relationship with related parties

Name of related party	Nature of relationship
Center Laboratories, Inc. ("Centerlab")	Entity with significant influence over the Company
Lumosa Therapeutics Co., Ltd.	Associate of Center Laboratories, Inc.
Huayao Suzhou	Joint venture of the Company

(b) Transactions with related parties

(i) Service revenue:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Lumosa Therapeutics Co., Ltd.	**2,534**	–

(ii) Rental expenses:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Lumosa Therapeutics Co., Ltd.	**81**	61

35 RELATED PARTY TRANSACTIONS *(cont'd)*

(b) Transactions with related parties *(cont'd)*

(iii) Sale of FVOCI:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Centerlab	**–**	8,402

The related party transactions above were carried out on terms mutually agreed between the parties. In the opinion of the directors of the Company, these transactions are in the ordinary courses of business of the Group and in accordance with the terms of underlying agreements.

(c) Balances with related parties

(i) Payables on rental expenses

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Lumosa Therapeutics Co., Ltd.	**14**	81

(ii) Other receivables from related parties

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Huayao Suzhou	**680**	–

35 RELATED PARTY TRANSACTIONS *(cont'd)*

(d) Leasing arrangements

In February 2016, the Group signed a five-year office rental contract with Centerlab, which has an option for automatic extension upon expiry of the contract. This rental contract with Centerlab was terminated in September 2021. In October 2021, the Group entered into a 15-month office rental contract with Lumosa Therapeutics Co., Ltd. in substitution. The lease terms and prices were determined in accordance with mutual agreement, and rental payments are made on a monthly basis.

(i) Acquisition of right-of-use assets:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Centerlab	**–**	297
Lumosa Therapeutics Co., Ltd.	**–**	100
	–	397

(ii) Lease liabilities:

– Outstanding balance:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Lumosa Therapeutics Co., Ltd.	**–**	81

35 RELATED PARTY TRANSACTIONS *(cont'd)*

(d) Leasing arrangements *(cont'd)*

(iii) Rental payment:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Lumosa Therapeutics Co., Ltd.	**81**	21
Centerlab	**–**	211
	81	232

(e) Key management compensation

Key management includes directors and senior management of the Company. The compensation paid or payable to key management for their services is shown below:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, wages and bonuses	**11,866**	15,140
Housing funds, medical insurance and other social insurance	**543**	778
Share-based compensation expenses	**5,020**	6,150
	17,429	22,068

Except for the directors mentioned in Note 8(a), the Company's other key senior management's remuneration includes salaries, wages, bonuses, housing funds, medical insurance and other social insurance and share-based compensation expenses. For the year ended 31 December 2022, the Company's other key senior management's remuneration was within the range from RMB1,500,000 to RMB3,000,000 (2021: RMB1,000,000 to RMB3,000,000).

36 SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at year ended 31 December 2022 and 2021 are set out below:

Company name	Place of registration/ incorporation and place of operations and date of incorporation	Principle activities	Effective interests held by the Group 2022	2021	Direct or Indirect
TOT BIOPHARM Co., Ltd.* (東曜藥業有限公司)	Suzhou, PRC 5 July 2010	Research and development, Manufacturing and sales of new drugs	100%	100%	Direct
TOT BIOPHARM Company Limited (東源國際醫藥股份有限公司)	Taipei, Taiwan 14 March 2016	Business development	100%	100%	Direct
Shengyang Biopharm (Hong Kong) Limited (昇洋醫藥國際有限公司)	Hong Kong 24 June 2008	Investing company	100%	100%	Direct
Dongyuan Biotech (Shanghai) Co., Ltd.* (東源生物醫藥科技(上海)有限公司)	Shanghai, PRC 14 April 2010	Research and development New drugs	100%	100%	Indirect
Jiang Su Tung Yang Biopharm Tech Co., Ltd.* (江蘇東揚醫藥科技有限公司)	Taizhou, PRC 11 February 2009	Research and development And sales of new drugs	100%	100%	Indirect
Yaozhan Pharmaceutical Jiangsu Co., Ltd. (曜展醫藥江蘇有限公司)	Suzhou, PRC 13 May 2021	Marketing promotion	82.46%	100%	Direct

* Registered as wholly foreign owned enterprises under PRC law.

36 SUBSIDIARIES *(cont'd)*

Company name	Registered capital 2022	Registered capital 2021	Issued and paid up capital 2022	Issued and paid up capital 2021
TOT BIOPHARM Co., Ltd. (東曜藥業有限公司)	**USD277,600,000**	USD222,450,000	**USD277,600,000**	USD222,450,000
TOT BIOPHARM Company Limited (東源國際醫藥股份有限公司)	**NTD230,000,000**	NTD230,000,000	**NTD230,000,000**	NTD230,000,000
Shengyang Biopharm (Hong Kong) Limited (昇洋醫藥國際有限公司)	**USD5,906,415**	USD5,906,415	**USD5,906,415**	USD5,906,415
Dongyuan Biotech (Shanghai) Co., Ltd. (東源生物醫藥科技(上海)有限公司)	**USD3,730,000**	USD3,730,000	**USD3,730,000**	USD3,730,000
Jiang Su Tung Yang Biopharm Tech Co., Ltd. (江蘇東揚醫藥科技有限公司)	**USD2,000,000**	USD2,000,000	**USD2,000,000**	USD2,000,000
Yaozhan Pharmaceutical Jiangsu Co., Ltd. (曜展醫藥江蘇有限公司)	**USD2,850,000**	USD2,350,000	**USD2,400,000**	USD1,900,000

The nature of all the legal entities established in the mainland of China is limited liability company.

The English names of Taiwan and PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies, as no English names have been registered.

37 BALANCE SHEET OF THE COMPANY

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**2,052,053**	1,666,710
Current assets			
Other receivables		**478**	475
Amounts due from subsidiaries		**58,797**	44,045
Prepayments		**24**	88
Cash and cash equivalents		**40,538**	23,713
		99,837	68,321
Total assets		**2,151,890**	1,735,031
EQUITY			
Share capital	25(a)	**2,297,499**	1,892,906
Other reserves		**59,294**	37,021
Accumulated losses		**(206,226)**	(195,462)
Total equity		**2,150,567**	1,734,465
LIABILITIES			
Current liabilities			
Trade and other payables		**1,323**	566
Total liabilities		**1,323**	566
Total equity and liabilities		**2,151,890**	1,735,031
Net current assets		**98,514**	67,755
Total assets less current liabilities		**2,150,567**	1,734,465

The balance sheet of the Company was approved by the Board of Directors on 23 March 2023 and was signed on its behalf.

Mr. Liu, Jun
Director

37 BALANCE SHEET OF THE COMPANY *(cont'd)*

(a) Reserve movement of the Company

		Attributable to equity holders of the Company			
		Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2022		**1,892,906**	**37,021**	**(195,462)**	**1,734,465**
Loss for the year		**–**	**–**	**(10,764)**	**(10,764)**
Other comprehensive loss		**–**	**6,162**	**–**	**6,162**
Total comprehensive loss		**–**	**6,162**	**(10,764)**	**(4,602)**
Transactions with owners					
Share-based compensation expense	27	**–**	**16,111**	**–**	**16,111**
Contributions of equity, net of transaction costs and tax	25	**404,593**	**–**	**–**	**404,593**
Total transactions with owners		**404,593**	**16,111**	**–**	**420,704**
Balance at 31 December 2022		**2,297,499**	**59,294**	**(206,226)**	**2,150,567**
Balance at 1 January 2021		1,874,438	48,807	(198,309)	1,724,936
Loss for the year		–	–	(4,341)	(4,341)
Other comprehensive loss		–	(1,036)	–	(1,036)
Total comprehensive loss		–	(1,036)	(4,341)	(5,377)
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings		–	(7,188)	7,188	–
Transactions with owners					
Share-based compensation expense	27	–	5,296	–	5,296
Issue of shares upon exercise of share options		3,249	(1,259)	–	1,990
Increase in share capital upon receipt of the grant consideration for award shares		15,219	(7,599)	–	7,620
Total transactions with owners		18,468	(3,562)	–	14,906
Balance at 31 December 2021		1,892,906	37,021	(195,462)	1,734,465

38 SUBSEQUENT EVENTS

On 5 January 2023, Vivo Capital Fund VIII, the Company and Yaozhan entered into the Equity Transfer Agreement, pursuant to which the parties agreed to carry out the Equity Transfers, specifically that (i) Vivo Capital Fund VIII agreed to transfer the entirety of its fully paid-up registered capital in Yaozhan amounting to USD500,000 to the Company, which had been completed at 13 January 2023; and (ii) Yaozhan agreed to transfer part of its partially paid-up registered capital in Huayao amounting to RMB6,000,000 (of which RMB3,000,000 has been paid up) to Vivo Capital Fund VIII.Upon the completion of the Equity Transfers, Vivo Capital Fund VIII will no longer be a minority shareholder of Yaozhan and will instead become a minority shareholder of Huayao.

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	**442,178**	76,325	22,491	45,308	39,219
Operating loss	**(39,076)**	(259,700)	(288,672)	(269,604)	(237,177)
Loss before income tax	**(50,046)**	(261,216)	(288,498)	(299,300)	(268,263)
Loss for the year and attributable to the equity holders of the Company	**(49,916)**	(261,216)	(288,498)	(299,300)	(268,263)
Total comprehensive loss for the year and attributable to the equity holders of the Company	**(43,602)**	(262,172)	(291,752)	(313,230)	(287,471)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Non-current assets	**585,234**	404,300	391,956	402,999	377,551
Current assets	**676,797**	305,963	249,227	614,363	299,687
Total assets	**1,262,031**	710,263	641,183	1,017,362	677,238
Non-current liabilities	**271,245**	114,364	6,083	12,299	786,577
Current liabilities	**275,347**	260,808	52,743	146,786	75,139
Total liabilities	**546,592**	375,172	58,826	159,085	861,716
Total equity/(deficit)	**715,439**	335,091	582,357	858,277	(184,478)

DEFINITIONS

"ADC"	antibody-drug conjugate
"AGM"	the annual general meeting of the Company to be held in June 2023
"Amended and Restated Articles of Association"	the amended and restated articles of association of the Company which were adopted on 30 September 2019 and became effective on 28 October 2019
"ANDA"	abbreviated new drug application
"BioEngine Technology"	BioEngine Technology Development Inc. (玉晟管理顧問股份有限公司), a company incorporated in Taiwan with limited liability on 27 September 2007, which is an associate of Centerlab
"Board"	the board of Directors of the Company
"CDE"	the Center for Drug Evaluation of the NMPA
"CDMO"	contract development and manufacturing organization, which is a pharmaceutical company that develops and manufactures drugs for other pharmaceutical companies on a contractual basis
"Centerlab"	Center Laboratories Inc. (晟德大藥廠股份有限公司), a company incorporated in Taiwan with limited liability on 4 November 1959 whose shares are listed on the Taipei Exchange (stock code: 4123)
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"CMC"	chemistry, manufacturing and controls
"CMO"	contract manufacturing organization, which is a pharmaceutical company that manufactures drugs for other pharmaceutical companies on a contractual basis
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	TOT BIOPHARM International Company Limited (東曜藥業股份有限公司) (formerly known as TOT BIOPHARM International Company Limited (東源國際醫藥股份有限公司)), a company incorporated in Hong Kong with limited liability on 4 December 2009 whose Shares are listed on the Stock Exchange (stock code: 1875)
"CRO"	contract research organization, which is a pharmaceutical company that conducts research for other pharmaceutical companies on a contractual basis
"date of this report"	23 March 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication

DEFINITIONS

"Director(s)"	the director(s) of the Company
"EMA"	the European Medicines Agency
"EU"	the European Union
"FDA"	the Food and Drug Administration of the United States
"GMP"	good manufacturing practice
"Group", "we", "us" or "TOT BIOPHARM"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKAS(s)"	Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKFRS(s)"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huayao" or "Huayao Suzhou"	Huayao Pharmaceutical (Suzhou) Company Limited (華曜醫藥(蘇州)有限公司), a company incorporated in the PRC with limited liability on 23 November 2021, which is an associate of the Company and a joint venture of the Group
"IND"	investigational new drug application
"IPO" or "Global Offering"	the initial public offering of the Company which was completed on the Listing Date
"Listing Date"	8 November 2019, the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Lumosa Therapeutics"	Lumosa Therapeutics Co., Ltd. (順天醫藥生技股份有限公司), a company incorporated in Taiwan with limited liability on 13 November 2000 whose shares are listed on the Taipei Exchange (stock code: 6535), which is an associate of Centerlab
"mAb"	monoclonal antibody
"Macau"	the Macau Special Administrative Region of the PRC

"mCRC"	metastatic colorectal cancer
"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"	the National Medical Products Administration of the PRC
"NSCLC"	non-small-cell lung cancer
"nsNSCLC"	non-squamous NSCLC
"NTD"	New Taiwan dollar(s), the lawful currency of Taiwan
"PRC" or "China"	the People's Republic of China, excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
"Pre-IPO Share Option(s)"	the share option(s) granted under the Pre-IPO Share Option Scheme
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on 20 February 2013 and subsequently amended on 11 December 2017, 20 December 2018, 12 March 2019, 16 April 2019 and 22 July 2019, details of which are disclosed on pages V-36 to V-47 of the Prospectus and in the section headed "Directors' Report – Pre-IPO Share Option Scheme" of this annual report
"Prospectus"	the prospectus dated 29 October 2019 published by the Company
"QP"	Qualified Person
"R&D"	research and development
"RMB"	Renminbi, the lawful currency of the PRC
"Restricted Award Share(s)"	the Share(s) granted under the Restricted Share Award Scheme and allotted and issued (or to be allotted and issued) to the trustees thereunder
"Restricted Share Award Scheme"	the restricted share award scheme adopted by the Company on 29 May 2020 and subsequently amended on 29 July 2020, 23 December 2021, 1 November 2022 and 31 December 2022, details of which are disclosed on pages 8 to 21 of the Company's circular dated 3 August 2020, in its announcements dated 23 December 2021 and 1 November 2022 and in the section headed "Directors' Report – Restricted Share Award Scheme" of this annual report

DEFINITIONS

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriptions" or "2022 Equity Financing"	the allotment and issue of Shares by the Company to Centerlab and Vivo Suzhou Fund, which was announced on 31 May 2022 and completed on 29 July 2022
"Taipei Exchange"	Taipei Exchange (證券櫃檯買賣中心) in Taiwan
"TOT Suzhou"	TOT BIOPHARM Co., Ltd. (東曜藥業有限公司), a company incorporated in the PRC with limited liability on 5 July 2010, which is a wholly-owned subsidiary of the Company
"United States" or "US"	the United States of America
"US$" or "USD"	United States dollar(s), the lawful currency of the United States
"Vivo Capital"	Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P., both of which are limited partnerships organized in the State of Delaware of the United States on 17 December 2014 and are Shareholders
"Vivo Capital Fund VIII" or "Vivo Capital Fund VIII, L.P."	Vivo Capital Fund VIII, L.P., a limited partnership organized in the State of Delaware of the United States on 17 December 2014, which is a Shareholder
"Vivo Suzhou Fund"	Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership) (維梧(蘇州)健康產業投資基金(有限合夥)), a limited partnership organized in the PRC on 26 November 2021, which is a Shareholder
"wAMD"	wet age-related macular degeneration
"Yaozhan"	Yaozhan Pharmaceutical Jiangsu Co., Ltd. (曜展醫藥江蘇有限公司), a company incorporated in the PRC with limited liability on 13 May 2021, which is a wholly-owned subsidiary of the Company

In this annual report, the terms "associate(s)", "close associate(s)", "connected person(s)", "connected transaction(s)", "continuing connected transaction(s)", "controlling shareholder(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENTS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

1. Report description

This is the fourth Environmental, Social and Governance (hereinafter referred to as "ESG") report issued by TOT BIOPHARM International Company Limited (hereinafter referred to as the "Report"). This Report is issued annually, which mainly discloses the performance of TOT BIOPHARM International Company Limited in responsible governance, product quality, innovation and Research & Development (R&D), talent development, production safety, occupational health, environmental protection, supply chain management and giving back to society.

2. Basis of compilation

This Report is prepared in accordance with the requirements of the *Environmental, Social and Governance Reporting Guide* (hereinafter referred to as the "ESG Reporting Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities (hereinafter referred to as "Listing Rules") on The Stock Exchange of Hong Kong Limited (hereinafter referred to as "HKEX"), and with reference to the "*GRI Standards*" core program (2021 edition) issued by the Global Sustainable Development Standards Committee (GSSB). The Report strictly follows the "comply-or-explain" requirement under the ESG Reporting Guide. The part on climate change was compiled in accordance with the recommendations of the Guidance on Climate Disclosures of HKEX and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

3. Scope and boundary of the Report

Unless otherwise specified, the information relating to the period from 1 January 2022 to 31 December 2022 (hereinafter referred to as the "reporting period"), together with certain contents which contain information outside the reporting period. The scope of the Report includes TOT BIOPHARM International Company Limited and its subsidiaries (hereinafter referred to as "the Group", "TOT BIOPHARM", "the Company" or "we"). The monetary amounts involved in this Report are measured in RMB, unless otherwise specified.

4. Assurance on data sources and reliability

Data in the Report comes from the Group's internal materials, survey and interview records, and relevant documents. The Board of Directors ("the Board", the members of which are "Directors") undertakes that the Report does not contain any false or misleading information and accepts liability for the truth, accuracy and completeness of the contents of this Report.

5. Consideration and approval

The Report was approved by the Board on 25 April 2023 after consideration by the Management.

6. Availability of and response to the Report

The Report is available in both Traditional Chinese and English. The electronic version of the Report is available on our website, www.totbiopharm.cn or on the HKEX's website, www.hkexnews.hk. If there is any discrepancy between the two versions, the Chinese version shall prevail.

KEY PERFORMANCE AND HONORS IN 2022

Key Performance in 2022

Improve governance	Integrity Commitment signing rate of suppliers was **100%**;
	0 corruption lawsuit.
Green development	The achieving rate of the 2022 environmental key performance target reached **100%**;
	Greenhouse gas emission intensity decreased by **87%** year on year;
	100% complied with the standard of discharging waste water and gas.
Quality service	**ICH Q8-Q10** drug quality system life cycle management;
	A total of **25** patents/trademarks were granted;
	0 breach of customer privacy.
Giving back to society	Women employees made up **53%** of the workforce;
	Total employees training hours was **18,003 hours**.

Honors received by the Company

List of Awards	Issuing Entity
The Most Socially Responsible Listed Company	Zhitong Finance and China Galaxy Securities, RoyalFlush Finance
The CXO Enterprise with Best Growth Potential	Hua Yi Research Institute
Snowball Annual Gold List of Top 100 Listed Companies with Potential in 2022	Snowball Investor Community
2022 Gazelle Enterprises in Jiangsu Province	Jiangsu Productivity Promotion Center
Suzhou Enterprise Technology Center	Suzhou Municipal Bureau of Industry and Information Technology
Suzhou Demonstrative Smart Workshop	Suzhou Municipal Bureau of Industry and Information Technology
Potential Landmark Enterprise of Suzhou Biomedical Industry	Suzhou Municipal People's Government
Outstanding Units of Social Responsibility	CPC Suzhou Industrial Park High-end Manufacturing and International Trade Zone Working Committee, Suzhou Industrial Park High-end Manufacturing and International Trade Zone Management Committee

I IMPROVE CORPORATE GOVERNANCE AND PURSUE LONG-TERM DEVELOPMENT FOR TOT BIOPHARM

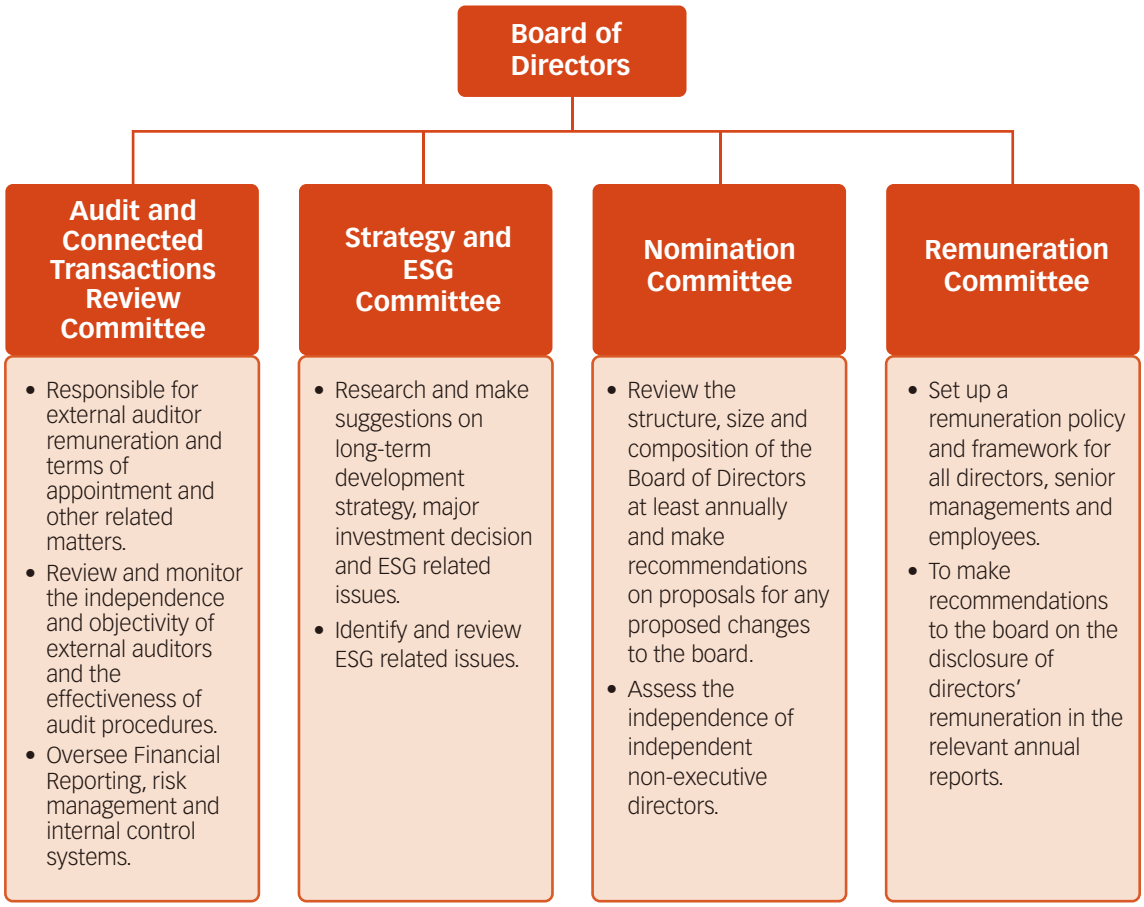
TOT BIOPHARM strictly abides by the laws and the regulatory requirements of countries and regions where it operates and is listed in, constructs a well-established management system, regulates business ethics, reduces operational risk and implements compliance management. We constantly improve corporate governance and enhance our competitiveness to protect the interests of all of our stakeholders in the long term.

1. Corporate governance

a) Board's statement

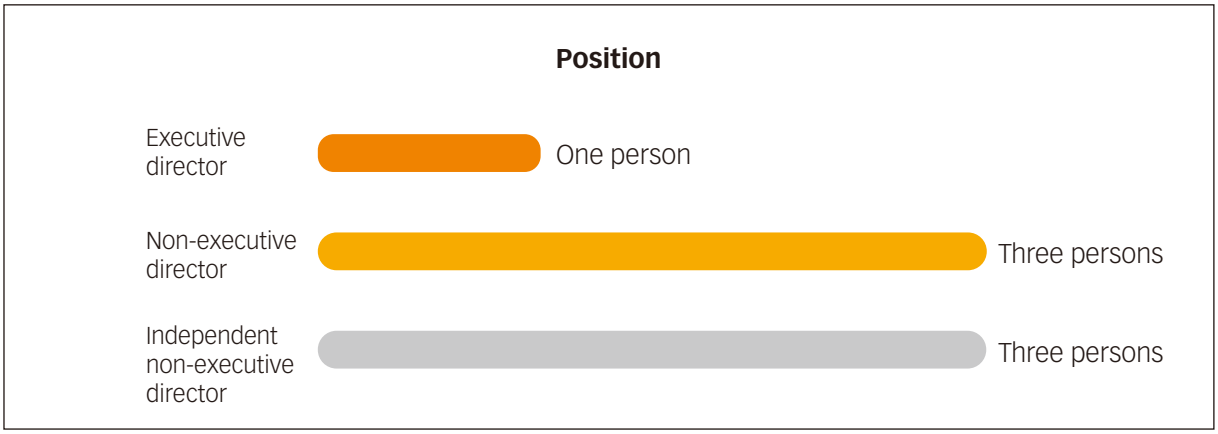
(1) Governance structure

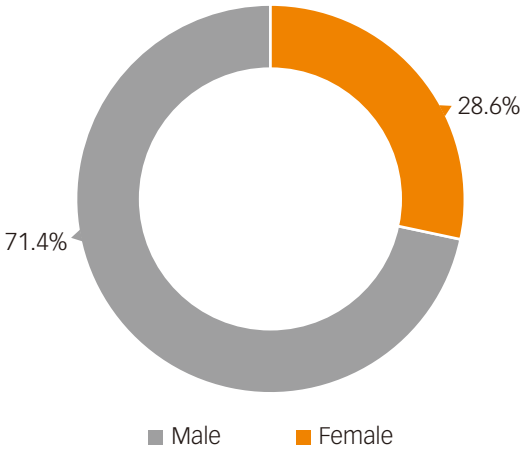
In order to achieve the sustainable development of the Company, TOT BIOPHARM strictly complies with laws and regulations such as the *Company Ordinance* of Hong Kong and regulatory requirements of authorities (the *Listing Rules* including the *Code of Corporate Governance* of HKEX), establishes a solid governance structure, improves corporate governance, enhances enterprise competitiveness and protects the interests of shareholders. We set up the general meeting of shareholders as the highest decision-making body, with the Board of Directors being responsible for daily business decision-making and supervision, including the supervision of ESG related work, to ensure stable operation and sustainable development of the Company. There are four professional committees under the Board, including the Audit and Connected Transactions Review Committee, the Strategy and ESG Committee, the Nomination Committee, and the Remuneration Committee, which are responsible for the management of specific aspects of the Company. Two of the three members of the Nomination Committee are independent non-executive directors. The specific duties of the Board committees are as follows:



Specific Responsibilities of the Board committees

TOT BIOPHARM strictly implements the Board Diversity Policy. The Board composition is diversified. The directors of the Company are highly educated and have different majors. Their professional knowledge, experiences and skills complement each other, which ensures scientific decision-making by the Board. At the end of the reporting period, the Board comprised seven directors, including one executive director, three non-executive directors and three independent non-executive directors, among which two of them are women.





(2) *Management policy and strategy*

TOT BIOPHARM attaches great importance to effectively communicate with stakeholders, continuously pay attention and respond to the needs of stakeholders. In order to further enhance ESG management, we identified stakeholders including shareholders and investors, and assessed the importance of material issues each year by making reference to relevant ESG reporting standards in the industry and at home and abroad.

In order to supervise and implement the work of ESG management enhancement, we reviewed ESG management enhancement results through a collection of environmental, social and governance highlight cases in 2022. Furthermore, in this Report, we have reviewed the 2022 environmental key performance targets, including energy consumption intensity, greenhouse gas emission intensity, water consumption intensity, wastewater discharge intensity, hazardous waste discharge intensity and non-hazardous waste discharge intensity. All targets had been achieved by 2022. We have also set 2023 environmental key performance targets to sustain our efforts to reduce pollution and carbon emissions.

(3) *Target review*

According to the direction of sustainable development and the Company's strategic direction of development, TOT BIOPHARM sets the goals of environmental key performance targets, covering greenhouse gas emissions, energy, waste and other aspects. Strategy and ESG committee is responsible for regularly reviews the progress in achieving the Company's environmental, social and governance objectives. The progress towards achieving the environmental key performance targets in 2022, and the details of environmental key performance targets in 2023 can be found in the Environment Management System section of this Report.

b) Business ethics

(1) *Standardize the system management*

TOT BIOPHARM strictly abides by the relevant laws and regulations of the nation, industry and the places where we operate, including the Criminal *Law of the People's Republic of China*, the *Anti-Monopoly Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China and the Interim Provisions on the Prohibition of Commercial Bribery*. We are committed to building a strict system of business ethics, to maintain the openness, transparency, honesty, and integrity of enterprise operation, and resolutely put an end to all illegal acts against business ethics.

Based on the corporate culture of honesty and integrity, we have refined the *Code of Business Conduct*, adhering to the basic principles of legal compliance in operations, and establishing the concept of fair and honest treatment of business partners and third parties, advocating open and transparent business practices, actively fulfill our responsibilities to society and the environment, pay attention to human care, respect and protect the human dignity of employees. We regulate the business behavior through "Inside and outside" dual channels; inside the Company, we formulated the *TOT BIOPHARM Employee Handbook* to regulate the internal staff's business behavior and to strengthen the staff business ethics capacity building; outside the Company, we actively promote suppliers to sign the *Integrity Commitment* in the contract signing process.

TOT BIOPHARM has been in good creditworthiness. We have no serious breach of trust, and no criticism, warning or punishment record. At the same time, we are high-quality customer of many banks and have a good reputation, which provides certain safeguard to promote our enterprise development.

Our business ethics performance in 2022:

Integrity Commitment signing rate of suppliers reached **100%**

No corruption lawsuit

(2) Management of Whistleblowing

Employees, customers, suppliers and other stakeholders are encouraged to report any malpractices and irregularities within the group company on a non-anonymous basis. We will verify the report according to the content and give corrective measures timely. We have formulated and issued the *Whistle-blowing Policy*, which provides a multi-channel whistleblowing mechanism and establishes a comprehensive whistle-blower protection policy.

Whistleblowing channels:

- Seek advice from their direct supervisors, either orally or in writing
- E-mail

Whistle-blower protection:

- All whistle-blowers who report truthfully and properly are not subject to unfair dismissal, persecution, or improper disciplinary action
- Our Group reserves the right to take appropriate action against any person who takes or threatens retaliation against a whistle-blower

c) Risk and compliance

(1) Risk management

TOT BIOPHARM attaches great importance to risk management, and constantly improve the risk management system and communication mechanism to enhance the level of risk management. The Board of Directors and the Audit and Connected Transactions Review Committee are responsible for determining the overall objectives of the Company's overall risk management, assessing the nature and impact of our significant risks, approving solutions to the significant risks, monitoring and evaluating the implementation of risk management; management is responsible for the implementation of risk management policies and procedures of the Board, identification and assessment of risk in multi-dimensions, and taking effective measures to reduce operational risk; internal audit is responsible for evaluating the effectiveness of enterprise risk management in an objective manner and making recommendations for improvement.

Among the risks identified in 2022, supply chain, asset management and marketing management got more attention with the development of the Company's business. We promptly set up a response mechanism and take response measures to ensure that the corresponding risks are in the affordable range.

Operational risk	Type of risk	Risk description	Mitigation Measures
Supply chain risk	Cost control risk	Since product launch in 2022, our Company is faced with the transformation from an R&D-oriented enterprise to a production-oriented enterprise after product launch. At the same time, with the gradual promotion of the Company's CDMO business, the demand for material cost control has been greatly enhanced.	• Optimize the procurement business from the perspective of rules and regulations; • To control different purchasing links such as supplier management, price inquiry and comparison management and bidding and tendering; • Strengthen the role of internal audit in the supervision of procurement and payment cycle.
Asset management risk	Risk management of construction in progress	In order to realize the long-term strategic goal, our Company increased the investment in many construction projects, such as the research and development building, and highly focused on whether the construction project procedure is legal, whether the project progress meets the business needs, whether the project quality conforms to the construction standards, and whether the project cost is within the budget.	• Set up a special project team, and engage outside professional organizations and personnel to manage the project; • The internal audit supervises the whole process of the projects, and reduces risks from two dimensions of frequency and influence of the occurrence of any fraud.
Marketing management risk	Product pricing risk	The products launched by the Company in 2022 are facing fierce competition in the market. Before national procurement, the Company hopes to expand its market share by means of price advantage and so on, the rationality of price is not only related to the realization of the Company's annual operating goals, but also has a great impact on the realization of the Company's strategic goals in the future.	• Set up a scientific product pricing model to ensure that the Company achieve a balance in responding to external business needs and having a reasonable control of risk and achieve efficiency and effectiveness; • Flexible adjustment of pricing mechanisms and sales prices to ensure the promotion of product sales in compliance with the requirements of state medical institutions.

(2) Compliance management

Recognizing the importance of compliance management to the steady operation of the Company, we formulated the "Compliance Operation Manual" to guide the Company's compliance management. We conducted a systematic review based on the Compliance Operation Manual, focusing on anti-commercial bribery and anti-fraud compliance, which are of high-risk and violations of which frequently occur in the pharmaceutical industry. The commercialization of our products grew rapidly in 2022. In view of the possible compliance risks, we hired a third-party law firm to conduct a special compliance audit on business marketing to standardize business compliance management.

TOT BIOPHARM carries out compliance training in accordance with the part B7 of HKEX's ESG Reporting Guide to enhance the awareness of compliance in operation and foster a compliance culture. During the reporting period, our Group provided regular consultation to Directors in aspects including but not limited to anti-corruption. In order to enhance the compliance awareness of all staff and reduce the compliance risk, we have conducted compliance training including anti-corruption training for our staff through a variety of channels.

2. ESG management

a) ESG management framework

TOT BIOPHARM is committed to our social responsibility and mission, focusing on the impact of our business on the surrounding environment, industry development and social impact, and integrating the concept of sustainable development into corporate strategy and management, and aims to continuously creating value for society.

To ensure the implementation of ESG objectives, we set up a solid ESG governance system. ESG working team is established under the Strategy and ESG Committee. The ESG working team is composed of the CEO and executive Director and management of the Company. The CEO and executive Director of the Company acts as the leader of ESG working team and designates the company secretary to promote and supervise the related work. The company secretary is responsible for the daily liaison and meeting organization of the strategy and ESG committee, assisting the Chairman of the strategy and ESG Committee to supervise the implementation of the ESG related strategies. Other members of the working group from the operations, finance, legal, human resources, R&D and other relevant departments, regularly assess ESG-related risks, actively communicate with stakeholders, promote and implement ESG related work in an all-round way. In 2022, the Strategy and ESG committee actively managed and responded to key issues such as climate change, anti-corruption, supplier management, data privacy and information security, including comprehensive management of climate change risks and opportunities, strengthening anti-corruption and supply chain ESG management, actively introduce information security management system and other important initiatives.

b) Stakeholder communication

TOT BIOPHARM attaches great importance to timely and effectively communicate with stakeholders, maintain close contact with all stakeholders through the construction of diversified channels of communication. We regularly update corporate announcements, financial reports and other presentation materials on the Group's website and other channels to ensure that stakeholders have fair channel to the Group's public information on time. By operating our business, we identify our stakeholders as shareholders and investors, government and regulators, employees, community and non-governmental organization, media and public, suppliers, partners and customers.

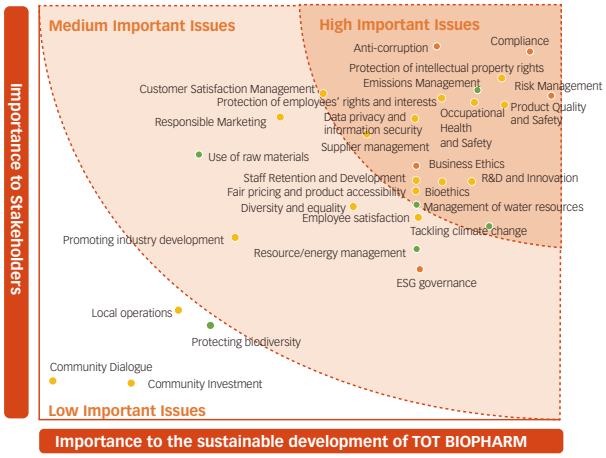
Stakeholder concerns and communication channels are as follows:

Stakeholders	Concerns	Communication Channels
Shareholders and investors	• Board involvement in ESG management • Abide by business ethics • Operational risk management • Industry trends • Technology and innovation	• Shareholders' Meeting • Performance briefing • Roadshows • Investor research activities • Investor hotline • Company announcement • WeChat official account
Government and regulators	• Abide by business ethics • Operational risk management • Energy and greenhouse gas management • Waste management • Management of the use of water resources	• Press Releases/information announcements • Regular communication • On-site visits
Employees	• Diversity and integration of staff • Employee health and safety • Employee training and development • Employment policy • Employee compensation and benefits	• Suggestion box and union channels • Group building activities • Employee satisfaction surveys
Community/non-governmental organization	• Charitable and community contributions • Emissions management • Energy and greenhouse gas management	• Carrying out public welfare activities • Regular visits • Undertake activities to reduce emissions
Media and public	• Timely release and transparency of information • Product quality • News coverage	• Timely release of information through the Group's official website and its WeChat official account • Pay attention to the needs of doctors and patients
Suppliers	• Abide by business ethics • ESG management of suppliers • Fair and transparent procurement	• On-site assessment • Supplier evaluation • Supplier audit • Improving the management of bidding and procurement
Partners	• Product quality control • Protection of intellectual property rights • Innovative research and development	• Technical meetings • Online communication • Industry communication conferences
Customers	• Product quality control • Protection of customer privacy • Marketing and branding	• Customer satisfaction investigation • Handling of customer complaints • Brand promotion • Label management

With a solid information disclosure mechanism in place, we communicate with shareholders, investors and analysts through our investor relations department to convey information to shareholders and investors timely and completely. In 2022, in order to reduce the inconvenience caused by the pandemic, we convey our latest business progress and strategic direction to the capital market and investors through online digital platform combined with site investigation, and established good communication channels. In 2022, we communicated with over 500 people in the capital markets including shareholders, financial institutions, investment banks, etc.

c) *Analysis of material issues*

TOT BIOPHARM identified and summarized 29 material issues based on HKEX's ESG Reporting Guide, domestic and overseas sustainability reporting guidelines and ESG issues in the industry, evaluated the importance of the Group's ESG issues by using the matrix analysis method, and distinguished the importance and priority of material issues from two dimensions, namely "Importance to stakeholders" and "Importance to the sustainable development of TOT BIOPHARM".



- **High Important Issues:**

Compliance	Protection of intellectual property rights
Risk Management	Product Quality and Safety
Emissions management	Occupational Health and Safety
Protection of employees' rights and interests	Customer Satisfaction Management
Data Privacy and information security	Supplier management
Business Ethics	Staff retention and development
Bioethics	R&D and innovation
Management of water resources	Fair pricing and product availability
Anti-corruption	Tackling climate change

- **Medium Important Issues:**

Responsible Marketing	Use of raw materials
Diversity and equality	Employee satisfaction
Resource/energy management	ESG governance
Promoting industrial development	

- **Low Important Issues:**

Localized Operations	Protecting biodiversity
Community Dialogue	Community Investment

Note: The issues identified in green, yellow and orange represent the substantive issues of environmental, social and corporate governance.

II PROMOTE THE BUSINESS MANAGEMENT AND CONTROL THE QUALITY OF PRODUCTS FOR TOT BIOPHARM

Quality is the life of the enterprise and the brand, but also the cornerstone of the value pursuit of TOT BIOPHARM. "Zero tolerance for quality defects" is the quality standard that TOT BIOPHARM has always upheld, and ensuring high quality is a crucial part of drug development. We continue to perfect and improve the quality management system, ensure product quality and safety, cultivate the quality cultural atmosphere, enhance the ability of drug registration management and customer service competitiveness, strengthen scientific and technological innovation, and strive to provide more patients and customers with better quality, convenient and safe products and service.

1. Responsible products

a) Quality management

TOT BIOPHARM strictly abides by relevant laws and regulations and industry standards, continuously improves the quality management system, controls and ensures the product quality in the whole process, actively cultivates the multi-level quality culture of TOT BIOPHARM, guarantees the drug safety of consumers in an all-round way, and reduces drug safety risks.

(1) Improve quality management system

We strictly abide by the Drug *Administration Law of the People's Republic of China, Drug Manufacturing Quality Management Standards, Drug Non-clinical Research Quality Management Standards* and other relevant laws and regulations. At the same time, in accordance with the relevant laws and regulations of the United States, the European Union and other foreign countries and regions, combined with own characteristics, we constantly perfect the quality management system, and improve the quality management system.

During the reporting period, we added *Quality Management System Manual, Quality Risk Management, Quality Continuous Improvement Standard Management Process, Good Quality Document Management System,* and optimized *Measurement Management Standard Management Regulations, Standard Substance Standard Management Regulations* and other quality management documents. We have established a quality management system, including quality management system, production management system, material management system, packaging and label management system, plant facilities management system and quality control management system, aiming to minimize the pollution, cross pollution, confusion, error risk to ensure the production of drug products that meet the scheduled use and registration requirements. The quality management system covers the entire life cycle of a drug, that is, all stages from the initial development, marketing to delisting. Quality management for the entire life cycle from research and development to commercial mass production meets the requirements of regulators and customers. In addition, the quality data are managed through electronic systematic management and regular backup to ensure the integrity, authenticity and traceability of the data.

In 2022, our performance in quality management:

- The commercial production base of antibody and antibody-drug conjugate (ADC) has successfully passed the QP audit **in one go with zero defects**;
- Integrated the quality system of chemical drugs and biological drugs, and optimized the quality system file management of DMS computerized system electronic file management system (DMS system).

(2) *Cultivate quality culture*

TOT BIOPHARM pays attention to the construction of quality culture, strengthens the quality culture awareness of employees, and enhances the quality culture identity of each employee, so as to implement the quality management system of the Group and improve the quality management level of the Group. By organizing staff training, we implement diversified activities, spread professional knowledge of quality culture, carry out the awareness of quality culture in every link of drug production, ensure "quality" and "safety", and escort our drug quality.

In order to ensure that on-the-job employees master the GMP requirements and internal standard operating procedures, we have formulated an annual on-job staff training plan according to international GMP standards and group quality management requirements, covering GMP knowledge, microbial knowledge and common standard operating procedures in the quality management system. In 2022, we carried out 20 company-level training sessions and 92 department-level training sessions through a combination of lecturers and self-study. In the end, all the participants passed the written test and assessment after the training, and achieved good training results. During the reporting period, in order to stimulate the interest of all staff, we organically combined the annual training plan with a series of activities, organized GMP knowledge competitions, and spread GMP professional knowledge in novel and interesting ways and rich forms.

Case: Develop GMP knowledge competition activities

In 2022, we have organically combined the annual training plan with a series of activities, organizing a series of GMP knowledge contests by means of "online quiz + on-site guessing", including GMP theory summary, drug administration law, drug production supervision and management measures, record management requirements, data integrity, microbial knowledge and so on, to ensure that we absorb enough theoretical knowledge. During the online quiz, more than 270 employees participated in the online quiz, the average score of them more than 90 points. During the on-site competition, all departments of the Company actively participated, the scene of answering questions was very exciting and brilliant. Through this activity, the participants have a deeper understanding and mastery of GMP knowledge.

(3) *Drug Registration Management*

TOT BIOPHARM has set up regulatory affairs offices in Suzhou headquarters and Beijing. At present, we have completed more than 10 domestic and foreign registration projects, including China-US IND application and ANDA/NDA application, and equipped with domestic and international knowledge of drug regulations and practical experience in registration applications. TOT BIOPHARM strictly complies with the *Drug Administration Law of the People's Republic of China* and *Measures for the Administration of Drug Registration*, constantly regulates the management of drug registration and evaluation, and pays attention to the improvement of drug registration and evaluation ability.

In 2022, we continue to improve from the internal management and process optimization, optimize nearly 10 department management/operation standard process including training, filing data preparation, entrust translation, one-time import, domestic/international general name application, drug annual report preparation. According to the CDMO project registration business characteristics, we made the general technical training materials, further standardize the drug registration and review management.

In addition, we pay close attention to changes in domestic and international registration and reporting regulations, actively participate in industry conferences, and carry out relevant targeted training and research. We organized the training about chemical acceptance review guide, biological products acceptance review guide, biological products FDA declaration data preparation process and drug annual report management regulation, participated in the meetings held by the Center for Drug Evaluation (CDE) of China Food and Drug Administration and other industry association, and learned the drug registration verification system interpretation, biological drug registration regulations and practice and other related contents, constantly improve the drug registration and review ability. During the reporting period, our supplementary application for the treatment of new indications of liver cancer with Bevacizumab Injection Pusintin® was accepted by the National Medical Products Administration (NMPA).

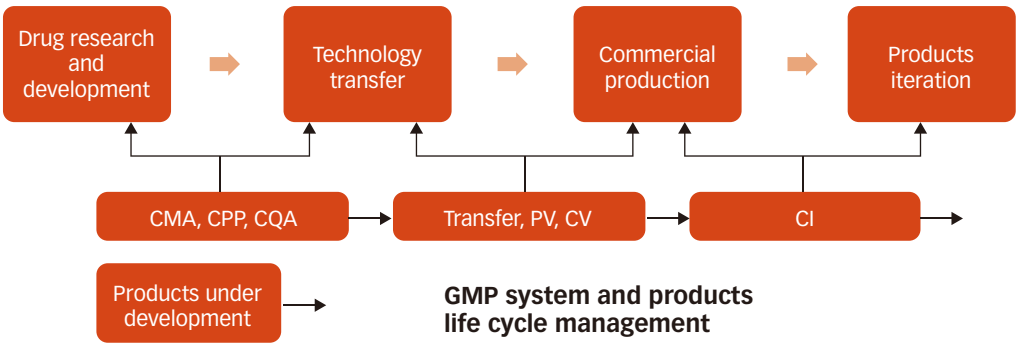
b) *Product safety*

TOT BIOPHARM guarantees the drug safety of consumers, establishes and improves the drug safety supervision mechanism, ensures the quality of drugs in the whole life cycle, actively carries out the pharmacovigilance system, timely recalls and deals with defective medicare drugs, perfects the drug label management, and guarantees the product quality and safety in an all-round way.

(1) *Quality guarantee*

A solid quality system is an important part for ensuring product quality. According to the ICH Q8-Q10 drug quality system life cycle management, we have established a quality management system approved by the drug administration department. We implement the GMP system and product life cycle management in the stages of drug research and development, technology transfer, commercial production and product iteration, and strictly control product quality and product quality risks. In addition, we standardize information records and regular backup for the raw materials, facilities, packaging and label, production and laboratory quality control through information system to ensure the timeliness, integrity, authenticity and traceability of quality data, and the compliance management of products, realizing the quality assurance of the whole life cycle from drug development, design, inspection, training, production, technology transfer, product to validation.

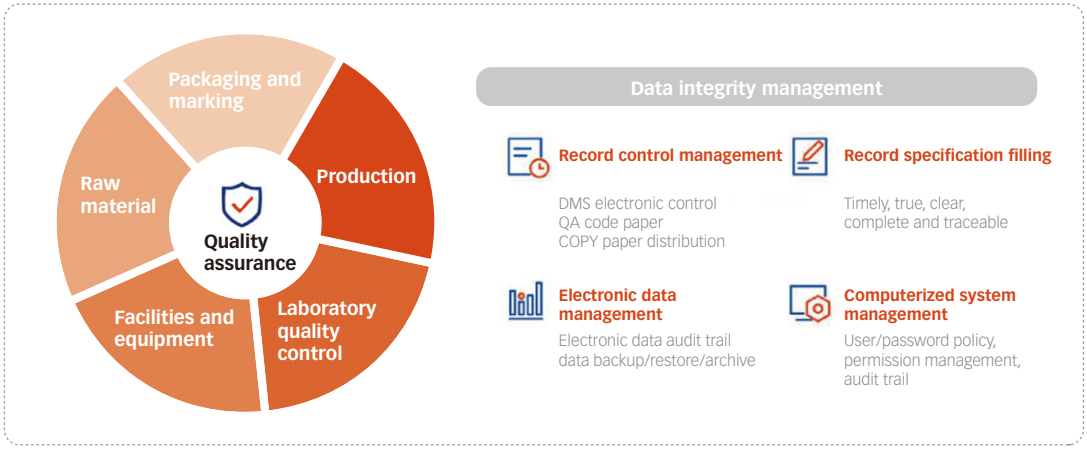
We have passed the on-site inspection and GMP compliance inspection of the drug administration for many times, as well as the review of customers and third-party consulting agencies. We introduce the high-level GMP management system for customers from the clinical stage, and provide reliable services for customers to smoothly conduct regulatory filing. Both parties will strive to achieve the milestone goal of new products, and jointly realize a stable and reliable development of biological drug pipeline products.



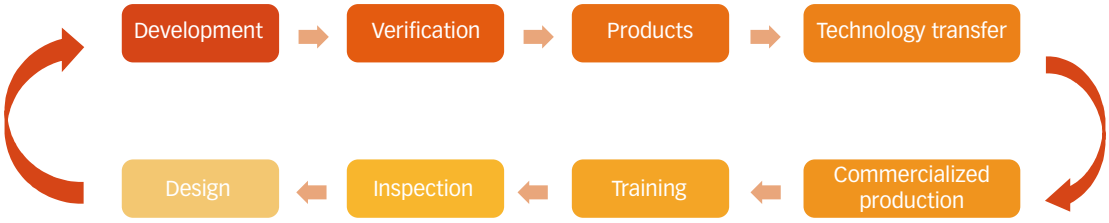
Management responsibility

PQS elements	Enabling CI
• Process performance verification and continuous process validation quality assurance • DV & corrective measures/preventive measures (CAPA system) • Change management system • Annual product quality management review • Periodic management review	• Knowledge management • Quality risk management • Quality system management

ICH Q8, Q9 and Q10 Full Life Cycle Management of Drug Quality



The Management of Quality System



Full Life Cycle Management of Drug Quality

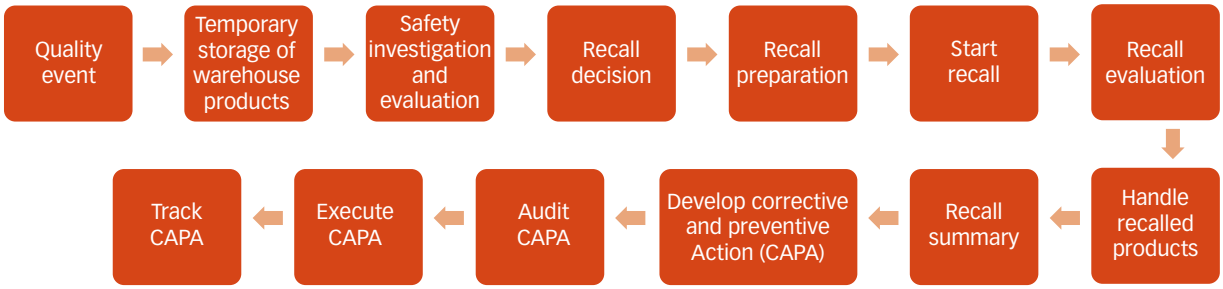
(2) *Pharmacovigilance*

Pharmacovigilance is an important means to ensure people's drug safety. With the marketing approval and sales of the Company's products, we have further strengthened the pharmacovigilance management. We have a full-time pharmacovigilance staff responsible for carrying out activities in accordance with pharmacovigilance regulations. During the reporting period, we carried out pharmacovigilance-related activities, including pharmacovigilance training, drug risk management, and medication guidance, to strengthen drug safety. In addition, we have participated in the basic knowledge and skills training of pharmacovigilance and the online training of ICH drug series guidelines sponsored by the High Research Institute and the Center for Drug Evaluation of China Food and Drug Administration, actively participated in industry exchanges, and constantly improve our own pharmacovigilance ability.

Pharmacovigilance activities	Purpose
To implement pharmacovigilance-related training, including timely handling of safety events, assessment of drug safety and risk control, management of pharmacovigilance agreements signed with partners	• Ensure the safe use of patients and ensure that the pharmacovigilance activities comply with the requirements of relevant laws and regulations • Improve the pharmacovigilance capability
To assess and manage drug risks, maintain close communication with regulatory agencies, medical personnel and patients	• Achieve the goal of minimizing drug risk • Timely notice the regulatory authorities of the drug risks, and fulfill the obligation of timely informing the relevant risks
To guide the medical staff and patients using drugs safely	• Effectively reduce the risk of economic losses brought to the Company due to drug safety • Reduce the risk of drug withdrawal for safety reasons

(3) Drug Recalling

TOT BIOPHARM strictly abides by the *Measures for the Administration of Drug Recall*, constantly optimizes the drug recall management mechanism, strengthens drug quality supervision, and reduces product safety risks. We have revised the *Standard Operating Procedures for Drug Recall* and formulated a strict drug recall process, stipulating that the recall decision-making team should investigate and evaluate the product safety risks, make decisions, and to determine whether to recall the product. According to the severity of drug safety risks and hazards, we divided the product recall level into level primary, secondary and tertiary. During the reporting period, there was no drug recall incident due to product safety.



The Products Recall Process of TOT BIOPHARM

Recall level	Recall conditions
Primary recall	The use of the drug may cause consequences of serious health hazards.
Secondary recall	The use of the drug may cause temporary or reversible health hazards.
Tertiary recall	The use of the drug generally does not cause health hazards, but it needs to be recovered for other reasons.

2. Customer service

a) One-stop for CDMO service

TOT BIOPHARM has a large-scale GMP compliance biological drug production base, which relies on rich practical experience and mature technology platform quality system, providing drug development and production one-stop CDMO solution, establishing "One-base, End-to-end" ADC industrialization platform. We have the core research and development technology advantage and realize the one-stop commercial production of drug substances and drug products for antibodies and ADC drugs at the Suzhou Industrial Park headquarters. At the same time, we have the GMP standard ADC pilot and commercial production workshop. The designed annual output of ADC drug substances reaches 60,000g. TOT BIOPHARM is committed to becoming the world's leading and trusted partner in biomedicine, helping customers accelerate the development and production of biological drugs, especially ADC, and enabling the high-quality development of the industry.

TOT BIOPHARM organized or participated more than 10 exhibition activities (including online) in 2022 to demonstrate the Company's CDMO capabilities and further empower the biomedical industry. A number of technical experts from research and development, production, regulations and quality links deeply discussed the development strategy of innovative biological drug, analyzed the technological pain points in research and development and commercial production of biological drugs especially ADC drugs, and shared the solution of TOT BIOPHARM.

Case:

In the Healife Medical Conference, the Company and its partner BrightGene jointly promoted biological drug CDMO for the first time, especially the ADC CDMO business. We enhanced the publicity through linkage of resources and strengthening market connection.

TOT BIOPHARM participated in the "6th China Biomedical Innovation Cooperation Conference"

In the online live broadcast jointly carried out with Enmore Medical, the Company tried to adopt the three-party broadcast method for the first time, inviting upstream and downstream partners to jointly show the "whole process of ADC drug development" from the perspective of ADC drug research and development, production and technical support, so as to further expand the influence in the industry.

TOT BIOPHARM Co-Hosted the "ADC Drug Development Whole Process Series of Seminars"

Our service advantages:

- The "One-base, End-to-end" ADC industrialization platform can realize the one-stop commercial production of drug substances and drug products for antibodies and ADC drugs in Suzhou Industrial Park.
- A quality management system in line with commercial production has been established, covering the whole process from research and development to the commercial stage.
- Large-scale biopharmaceutical production bases in line with GMP specifications are equipped with several complete upstream and downstream production lines with sufficient capacity.
- The core team is mature and stable, with rich industry experience in the fields of biopharmaceutical process development, commercial production, quality, regulation declaration and other fields.
- The Company has obtained a highly recognized reputation and credit in the industry, with a solid CDMO service reputation and good service reputation.

Case: Build a smart workshop to provide better CDMO service

TOT BIOPHARM continues to improve the digital intelligence capacity of production. It is one of the few biopharmaceutical enterprises listed in the List of Demonstrative Smart Workshops in Suzhou in 2022. Through intelligent manufacturing technology and management system, we improve the level of production automation, optimize process control, ensure production quality, shorten the delivery cycle, and provide both quality and efficient services for CDMO partners.

The GMP production workshop of TOT BIOPHARM is equipped with view Linc temperature and humidity continuous monitoring system, EMS system, ERP system and other intelligent equipment, automatic identification technology facilities and information software, which realizes the dynamic optimization of real-time monitoring of equipment operation status, automatic fault alarm, rapid response to abnormal events, energy consumption intelligent control and automatic recovery.

Case: Reduce drug fluid loss and improve customer satisfaction

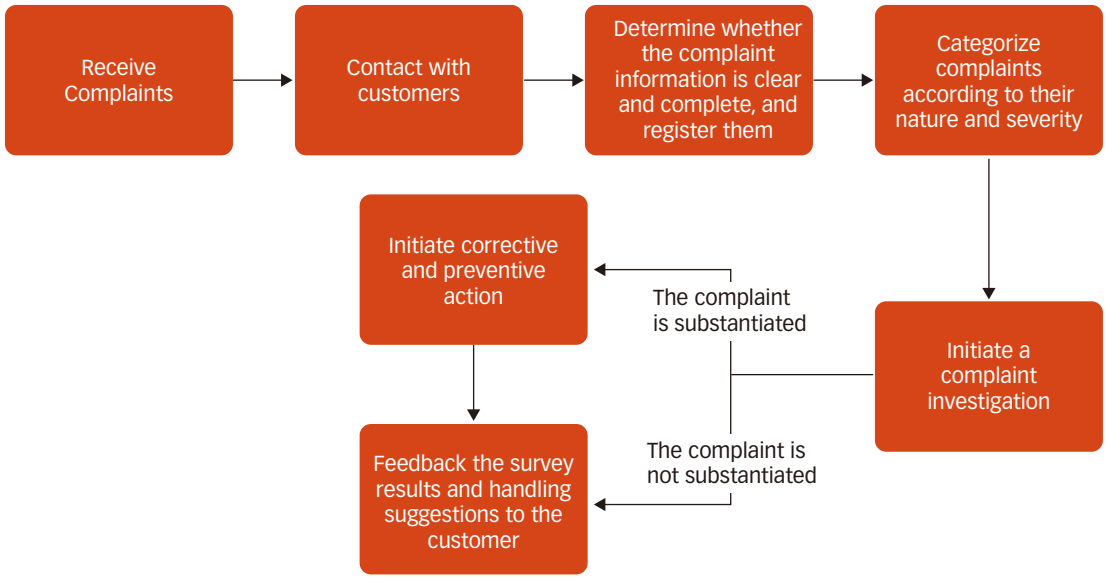
In the production process of ADC drug products, the production personnel found that when the liquid passed the sterilization filtration module, there was in the liquid residual sterilization filtration module, resulting in the loss of the liquid. In 2022, the production personnel studied the working principle of the sterilizing filtration module, and put forward the improvement to reduce the loss of the sterilizing filtration module, which significantly improved the yield of the sterilizing liquid and improved customer satisfaction.

b) Dealing with complaint

In view of the complaints from the clinical trial stage of TOT BIOPHARM and the marketed drugs, we have continuously optimized the *Standard Operating Procedures for Drug Complaint Handling* to ensure that all complaints have been investigated and handled in a timely and correct manner. We have standardized the process of handling complaints, classified complaints, actively and effectively addressed the demands of customers from doctors, patients and agents, so as to provide guarantee for after-sales products. We fully accept customer feedback to improve customer satisfaction. We inform the customer of the findings of each complaint and close the complaint after the customer's satisfactory response to the survey response report. During the reporting period, we have received no major customer complaints.

Classification basis of complaints	Description
Complaint form	Oral complaints (including telephone complaints), written complaints, and electronic complaints (including E-mail, Internet, etc.)
The nature of the complaint events	Medical complaints, quality complaints, and suspected counterfeit drug complaints
The severity of the complaint events	Based on the assessment of the nature of complaints and the safety risks of consumers, the complaint events are divided into categories I, II, III, IV and V (the degree of defects on the health of patients is successively reduced)

Complaint handling process:



c) Customer privacy protection

TOT BIOPHARM attaches great importance to customer privacy and data security protection, strictly abides by the *Personal Information Protection Law of the People's Republic of China*, the *Cybersecurity Law of the People's Republic of China* and other laws and regulations, performs the obligation of information security protection, and observes the principle of data protection when processing customers' personal data. We collect, preserve and use personal information data in accordance with the principles of legality, legitimacy and necessity. In order to effectively protect customer privacy, we implement information security risk management from multiple perspectives. During the reporting period, we did not occur the customer privacy leakage incidents.

In order to effectively implement the information security protection work, the Company actively introduced the ISO27001 information security management system. We take the management system as the standard, adhere to the principle of "security consciousness in mind, information security starts from me". We have established a perfect information security working mechanism to promote the integration of information security into the business process and ensure the standardized implementation of information security work. We stipulate that the information technology department is responsible for planning the Company's information security construction strategy, implementing, operating and maintaining the information security system of the Company, and cooperating with the legal affairs department, human resources and administration department and other departments to jointly build the information security protection network. At the same time, other departments also define the function of information security, set up information security liaison to coordinate the promotion and implementation of the Company's information security management in each department, and convey the customer's requirements and expectations for the Company's information security work to the information technology department, so as to jointly achieve the information security objectives.

We have established multi-level defense measures for data assets to address data leakage and actively respond to accidents. We strictly regulate the relevant work processes of employees and their behaviors in the use of information equipment, work account password security, anti-phishing email, anti-virus and other aspects to effectively prevent information leakage caused by personal unconscious operation, virus damage and illegal intrusion. We strictly control the use of mobile storage devices in the Company and protect the data of the Company in mobile storage devices. Furthermore, we regularly select professional security testing providers to conduct vulnerability scanning and penetration testing on internal networks and systems to ensure that security risks are within a controllable range.

In 2022, the Company did not have any security incidents in violation of laws and regulations related to the protection of information security and customer privacy. We take the following steps to protect privacy and data security:

Institutional aspects	The internal information security management systems such as *Information Security Management Manual*, *Information Security Risk Management Procedure* and *Information Classification Management Procedure* are formulated to standardize the Company's information security system and provide basic support for the development of CDMO business.
Compliance aspects	Identify laws and regulations related to information security and customer privacy protection, and implement laws and regulations through management or technical measures to ensure compliance of the Company's operations.
Technical aspects	Achieve the security, availability and traceability of information assets in the whole life cycle through advanced information security technology, the establishment of network control and defense tools and network security testing activities, and ensure that the trade secrets of the Company and partners are protected by anonymity before and after the business cooperation.
Management aspects	Integrate information security management into the ordinary course of business, and carry out information security audit and employee information security awareness training within the Company.
Propaganda aspects	Carry out information security training for employees through the information security publicity and implementation activities, so as to effectively improve the employees' information security awareness, and form a good enterprise information security culture. In 2022, various forms of information security training carried out by the Company achieved a **100%** employee coverage rate.

Case: Carry out information security publicity week activities

In order to enhance employees' awareness of information security, the Company continued to strengthen information security publicity. For the new employees, the Company carried out the information security induction training. For current employees, the Company promoted daily information security awareness mainly through the information security publicity week activity. We publicized information security knowledge through **internal WeChat official account, promotional leaflets, screensavers, posters, short videos and e-mail materials**, and promoted information security norms and knowledge from aspects of office environment security, personal information security, social security, e-mail security, etc., supplemented by on-site information security knowledge activities, to strengthen information security and enhance information protection awareness of all staff. The employees' ability to identify and actively avoid information security risks was further improved, and the compliance use of business data was standardized through the employee information security training.

Information Security Training

Information Security Promotion

d) Label management

As important means to guide consumers to choose and use drugs properly, drug labels and insert sheets are closely related to the health and life safety of the public. TOT BIOPHARM strictly complies with the laws and regulations such as the *Drug Administration Law of the People's Republic of China* and the *Provisions for Drug Insert Sheets and Labels* and has established the *SOP for Printed Packaging Materials Management*, the *SOP for Material (including Packaging Materials) Management*, the *SOP for Material Receipt and Inspection* and the *SOP for Material Storage, Delivery and Return* to ensure that our product roll labels and instructions meet the regulatory requirements. In view of the market feedback of drug packaging and labeling, we have timely and close communicated with customers, and improved the drug packaging and labeling. During the reporting period, TOT BIOPHARM did not receive major complaints and penalties related to product defects. TOT BIOPHARM always pays close attention to the laws, regulations and policy requirements of the NMPA for labels and insert sheets to ensure that the management system of drug labels and insert sheets can be timely revised and improved.

3. Technology management and innovation

a) Technical innovation

TOT BIOPHARM has always adhered to the innovative technology to improve patients' life quality, protect human health, build a core technology platform, enhance market competitiveness, and contribute to the development of bio-pharmaceutical industry. During the reporting period, we have improved the production of antibodies by developing continuous flow technology, built a technological innovation platform and strengthened team building by increasing R & D investment.

Case: Develop continuous flow technology to improve the yield and stabilize quality

The perfusion technology mainly serves the production of monoclonal antibodies, bispecific antibodies or polyspecific antibodies, and ADC conjugated drugs. The traditional process cannot meet the subsequent market demand. With the process route of high-density inoculation, this process can double the antibody yield as compared with the traditional culture process, while the product quality can remain relatively stable.

Case: Continue to strengthen the construction of innovative technology platform

In 2022, the company has significantly expanded its capabilities in later stage process research and process characterization in terms of technology based on the original platform functions, and can simultaneously promote multiple projects, further strengthening the construction of the functional platform. In addition, the global R&D center set up in Suzhou Industrial Park was successfully completed the topping out, with a gross floor area of 25,000 m^2. The global R & D center will be put into use in the second half of 2023.

Global Research and Development Center

Strengthening the construction of innovative technology platform can support the promotion of more antibody, ADC and other projects in parallel, attract excellent talents, so as to promote product innovation and achievement transformation.

b) Technical ethics

(1) Clinical trials

TOT BIOPHARM strictly abides by the relevant laws and regulations of drug clinical trials, abide by the high standards of ethics, and carries out clinical trials, including but not limited to:

- *Declaration of Helsinki*
- *Code of Quality Management of Drug Clinical Trials (Version 2020)*
- *Key Points and Judgment Principles of Verification of Drug Registration*
- *Guidelines for Ethics Review of Drug Clinical Trials*

In the process of clinical research, TOT BIOPHARM has taken a variety of measures to protect the legitimate rights and interests and life safety of the subjects. TOT BIOPHARM has established more than 200 process documents, including the *Formulation and Review of Informed Consent, Writing or Revision of Clinical Trial Protocol, Preparation and Submission of Ethics Review Document, Management of Protocol Deviation in Clinical Research* to standardize the operation of clinical trials, so that the operation of clinical trials meets the requirements of regulations and ethics. We have set up special departments and standardized processes to manage and supervise all clinical studies, provide an important guarantee for the implementation of relevant systems. We submit relevant data to the Ethics Committee for review in strict accordance with the requirements, inform the clinical risk and other information in strict accordance with the global ethical norms, ensure that each subject fully understands the characteristics of the investigational drug and the test process, ensure that each subject signs a standardized informed consent form before entering the clinical research, and fully protect the free rights and interests of the subjects and the informed consent rights.

(2) Animal welfare

TOT BIOPHARM has respect and gratitude to the animals used in the experiment, and spares no effort to maintain the basic welfare of animals in physiology, psychology, environment, behavior, health and other aspects. We strictly abides by the *Regulations on the Management of Experimental Animals*, the *Ethics Code of Experimental Animal Welfare* and other laws and regulations on experimental animals, and constantly improve and update the management system and documents related to the welfare of experimental animals. In the management of animal experiment work, we always adhere to the 3R principle, that is, (Reduction, Replacement, Refinement) into the management system of animal experiment work, respect and treat animals well. In addition, we have formulated the *R&D Project Management Regulations* to standardize the animal test operation and realize the whole process management from the opening of the project to the completion of the *R&D* report. For the entrusted service providers, we will take irregular audits according to the process to ensure that the suppliers meet the requirements and requirements of the relevant regulations: integrate the 3R principle of animal experiment into the animal experiment work management system, treat animals well, and reduce pain and mortality.

3R Principles:

Reduction: A scientific method of using a small number of animals to obtain the same much experimental data or using a fixed number of animals to obtain more experimental data.

Replacement: A scientific method of using other methods without animal tests or other research topics to achieve a test purpose, or using unconscious test materials instead of using conscious living vertebrates.

Refinement: On the basis of meeting the scientific principles, by improving the conditions, treat animals well, improve animal welfare.

c) Intellectual property protection

TOT BIOPHARM strictly abides by the *Trademark Law of the People's Republic of China,* the *Copyright Law of the People's Republic of China,* the *Patent Law of the People's Republic of China* and other national laws and regulations, continuously optimizes the internal management system, establishes and improves the working mechanism of intellectual property management, patent management and patent application. During the reporting period, we held many intellectual properties training to improve the professional knowledge of employees' intellectual property rights, guide employees to respect and protect intellectual property rights, guide them to be familiar with the Company's relevant provisions on intellectual property rights, and explore patents in cooperation projects. In external services, we abide by the intellectual property agreement and protect the rights and interests of customers. In the process of production and operation, we encourage employees to innovate, explore patents and promote innovation and development. In terms of institutions and management, we:

- promote the update and improvement of the *Patent Award Management Regulations*, so as to stimulate the enthusiasm of employees for intellectual property innovation and improve the core competitiveness of the Company's intellectual property;
- formulate the *Overview Map of Patent Application and Layout in the Process of New Drug Research and Development* to guide and standardize patent application and risk prevention at different stages of research and development;
- promote the construction of intellectual property management system related certification.

In order to increase the importance of employees to intellectual property, we require new employees to understand and sign the labor contract on confidentiality, non-competition, prohibition of infringement of intellectual property rights of cooperative manufacturers. In order to clarify the rights and interests of enterprises and individuals in intellectual property rights and prevent the violation of the non-competition agreement with the former employer due to hiring employees, we require new employees to sign the document of *TOT BIOPHARM Entry Statement* to avoid the occurrence of relevant intellectual property disputes.

Case: Morning Light Program intellectual property training

Intellectual property was one theme in the Morning Light Program training around ESG. We organized team members to conduct training, publicity, integration into research and development, carried out 4-6 offline training on "Basic Patent Knowledge", "Patent Retrieval " and other related training, and we produced reports and rehearsed the melodrama "Awareness of Intellectual Property Protection", with 10 participants. Targeted to all employees of the Company, this training improved their professional knowledge of intellectual property, guided them to respect and protect intellectual property, and played a positive guidance and publicity for intellectual property protection.

Case: Offline intellectual property training

The ADC technology research and development department carried out offline intellectual property training, which provided professional training with cases on the application process of intellectual property, patent interpretation, patent retrieval, license conditions, infringement judgment and other aspects, guiding employees to familiarize with the Company's relevant provisions on intellectual property, and to explore patents in cooperation projects.

We actively encourage employees to break through innovation, and improve and mobilize their enthusiasm for intellectual property innovation through the *Patent Award Management Regulations*, so as to continuously enhance the core competitiveness of the Company's intellectual property. The patent statistics during the reporting period are shown as follows:

Type	Total number of patent/ trademark applications (2022)	Total number of patents/ trademarks acquired (2022)	Total number of valid patents/ trademarks of the Company (as of 2022)
Patent of invention	4	3	26
Patent for utility models	2	3	7
Design patent	0	0	0
Trademark	14	19	297

III GREEN OPERATION FOR TOT BIOPHARM'S SUSTAINABILITY

In order to implement green development, TOT BIOPHARM actively practices the concept of sustainable development, strictly abides by relevant environmental laws and regulations. We formulate environmental management system based on its own reality, standardizes resource management, continuously invests in environmental protection, and promotes harmonious coexistence between human and nature. During the reporting period, we set environmental key performance targets by 2023 to strictly control pollutant emissions and improve resource efficiency.

1. Climate change

In the context of the global impact of climate change, tackling climate change has become the focus of all stakeholders. In response to the expectations of all stakeholders, TOT BIOPHARM has actively responded to climate change, implemented the concept of energy saving and low carbon, and reduced greenhouse gas emissions. Under the framework of the Task Force on Climate-related Financial Disclosures (TCFD), we provide transparent, reliable and consistent climate-related information to the stakeholders in the following four areas.

TCFD Framework

a) Governance

The Board of Directors of the Company attaches great importance to the impact of climate change-related risks on the Group's business. We implement the division of responsibilities layer by layer through a strict management mechanism to promote the sustainable development of the Company.

Board-level responsibilities:

- The Board of Directors is responsible for monitoring the business, strategy and performance of the Group and making decisions in the best interests of the Company;
- The Group has established the Strategy and ESG Committee under the Board, which is responsible for managing climate-related issues, including reviewing the domestic and international ESG situation and effectively assessing its potential impact, opportunities and risks on the business. The ESG report, which includes the topic of "Addressing Climate Change", is reviewed on an annual basis.

Management-level responsibilities:

- The Group has established an ESG working team, which is responsible for establishing KPIs, including GHG emissions in Scope 1 and Scope 2, to review the Group's performance in ESG.
- The Group has promoted ESG-related issues, including GHG emission reduction and environmental impact reduction, through a cross-functional ESG working mechanism.

b) Strategy

TOT BIOPHARM identified the physical risk and transformation risks with potential financial impact on the Company's business and operations. We analyzed the potential impact of climate change-related risks on its own business segments in terms of time, so as to further formulate corresponding strategies to address climate change.

Risk Type	Factors	Risk Classification	Risk Examples	Time Dimension	Business Involved	Impact Intensity
	Heat Wave	Acute Operational Risk	During heat waves, employees may be unable to work due to heat exhaustion, heat stroke or other illnesses caused by the extreme heat, resulting in higher operating costs. Production machinery may face overheating problems, resulting in a shortened service life. Both scenarios have the potential to result in lost revenue.	Long-term	Whole Group	High
	Earthquake	Acute Operational Risk	As the Group's manufacturing plants are located in Suzhou Industrial Park and its geographical location is not in an area with high seismic risk, it is exposed to low seismic risk.	Long-term	Whole Group	Low
Physical Risk	Typhoon	Acute Operational Risk	As the Group 's manufacturing plants are located in Suzhou Industrial Park and its geographical location does not have high typhoon areas, it is exposed to low risk of typhoons.	Long-term	Whole Group	Low
	Mosquito breeding	Chronic Operational Risk	Temperature rising and precipitation increase leads to mosquito breeding, thus increasing the risk of mosquito-borne disease transmission.	Long-term	Whole Group	Low
	Sea level rise	Chronic Operational Risk	Due to the low topography of Suzhou Industrial Park, the infill method is used in the development process of the industrial park, and the ground elevation is 3.5~5.0 meters. To a certain extent, the risk of flooding caused by sea level rise is mitigated.	Long-term	Whole Group	Low

Risk Type	Factors	Risk Classification	Risk Examples	Time Dimension	Business Involved	Impact Intensity
Transformation Risk	Energy pressure	Acute Operational Risk	The local government's power restriction policy may lead to a direct shutdown or reduction in production, and the power restriction may also affect the upstream supply chain, thus increasing production costs.	Short-term	Whole Group	High
	Water pressure	Acute Operational Risk	As the Group's production plants are located in Suzhou, a non-high water stress area, the risk of water shortage faced by the Group is low.	Short-term	Production department	Low
	New policies for low carbon economy transition	Market and Technology Risk	With China's commitment to a 3060 dual carbon target and new government policies to support a low carbon transition, high emission economic activity will come under pressure, increasing the cost of research and development for green production.	Long-term	Whole Group	High
	Energy transition policy	Market and Technology Risk	As a result of more stringent government policies to reduce emissions, the Group needs lower-emission green energy to replace existing higher-emission energy sources, increasing the cost of transitioning to lower-emission technologies.	Medium and long term	Production department	Medium
	Carbon market price volatility	Market and Reputation Risk	The Group's cash flow may be affected by fluctuations in carbon market prices due to the introduction of more stringent government policies on carbon emissions.	Medium and long term	Whole Group	High
	Mandatory Disclosure	Operation and Reputation Risk	Regulators require mandatory disclosure of climate-related financial information. Lack of historical data and accurate accounting methods affects the quality of disclosure.	Short-term	Whole Group	Low
	Environmental standards increase	Market and Technology Risk	As a result of the government's more stringent environmental protection policy, the Group needs to improve its production energy standard and invest in energy saving and environmental protection improvement.	Long-term	Whole Group	High
	The response effort failed to meet investors' expectations	Reputation risk	Investors pay close attention to sustainable development and climate change, and inadequate corporate information disclosure will damage corporate reputation.	Short-term	Whole group	High

Note: Short term (1~2 years), medium and long term (6~9 years) and long term (10 years and above)

c) Risk management

TOT BIOPHARM fully identifies, evaluates and manages climate risks, and incorporates climate-related risks into the Company's risk management system.

Climate risk identification:

We identify climate risks by conducting industry-level risk reviews. At the same time, we encourage stakeholders to participate and actively communicate effectively with internal and external stakeholders to help the Company identify climate-related risks that may be overlooked by internal managers.

Climate risk assessment:

We use the qualitative assessment method to rank the identified risks as "low", "medium" and "high" impact intensity based on the possibility, influence, adaptability and resilience of the event.

In order to standardize the management and response climate change risks, TOT BIOPHARM has formulated the *Management Regulations for Climate Change* according to the identified climate risk contents. The management is responsible for making commitments and actions to the stakeholders on climate change, supervising the implementation of the action plan for energy conservation and emission reduction. EHS department is responsible for leading the publicity of the awareness of energy conservation and emission reduction and related activities, promoting all functional departments to formulate and implement environmental management plans including energy conservation and emission reduction, and establishing a reward system. The mitigation methods and adaptation measures for tackling climate change were specified in the *Management Regulations for Climate Change*.

Mitigation measures

- Change the energy structure, control the use of fossil fuels, increase the proportion of renewable energy;
- Upgrade old equipment with high energy consumption;
- Choose environmentally friendly and energy-saving buildings and green refrigerants, reduce greenhouse gas emissions.

Adaptation measures

- Institutional measures and technical measures: dynamically identify domestic and foreign climate-related policies and regulations; establish climate risk identification, evaluation and control procedures within the group; formulate the *Extreme Weather Emergency Plan*, form a monitoring and early warning mechanism for extreme weather and climate events, and regularly conduct emergency drills and training for natural disasters.
- Engineering measures: build infrastructure to cope with climate change, such as emergency pools for accidents; improve the climate resilience of new buildings, such as seismic design, wind protection design, lightning protection design, flood protection design, fire protection design, etc.
- Economic measures: purchase extreme weather insurance to prevent losses caused by extreme weather.

TOT BIOPHARM Risk Management Process:

Examples of climate change-related risks in our current risk management:

- Operations: Maintain production and provide reliable service in the face of frequent extreme weather conditions.
- Environmental health and safety: health and safety events caused by climate change (e.g. floods, storms).
- Strategy: Adapt to increasingly stringent emissions policies.
- Legal and Compliance: Changes in legal policy related to climate change.
- Reputation: Ability to meet customer and stakeholder expectations for clean energy.
- Finance: Impact of climate policy on energy prices.

d) Metrics & Targets

In order to obtain comparable emission reduction data, we still choose the greenhouse gas emission intensity (i.e., the ratio of total GHG emissions to the Group's annual revenue of RMB10,000 yuan) as the measure of the Group's greenhouse gas emission reduction index. During the reporting period, we made statistics on greenhouse gas emissions from natural gas, diesel, refrigerant and purchased electricity. The intensity of greenhouse gas emissions was 0.26 tonnes of carbon dioxide equivalent (tCO_2e) per RMB10,000 yuan of revenue. The greenhouse gas emission intensity decreased by 87 percent from the same period last year. We achieved the goal of reducing the intensity of greenhouse gas emissions of the Group by 50%–87% in 2022 with 2021 as the baseline year. Taking 2021 as the baseline year, we set the target of reducing greenhouse gas emission intensity (per RMB10,000 yuan of revenue) by 71%–86% in 2023.

We continue to optimize the structure of energy use, choose environmentally friendly materials, promote the awareness of energy conservation and emission reduction, encourage green office and travel, and continue to achieve energy conservation and emission reduction.

Category	**Unit**	2022	2021	2020
Scope I GHG emissions	tco_2e	**4,516**	4,722	5,075
Scope II GHG emissions	tCO_2e	**6,915**	10,291	9,693
Total GHG emissions (Scope I + Scope II)	tCO_2e	**11,431**	15,014	14,769
Intensity of GHG emission	tCO_2e/RMB10'000	**0.26**	1.97	6.57

2. Environmental management

a) Environmental management system

TOT BIOPHARM attaches great importance to measuring the relationship between its operation and environmental protection, strictly abides by the *Law of the People's Republic of China on the prevention and control of atmospheric pollution,* the *Law of the People's Republic of China on the prevention and control of water pollution*, the *Law of the People's Republic of China on prevention and control of environmental pollution by solid waste, the comprehensive sewage discharge standards*, and the *comprehensive discharge standards of atmospheric pollutants* and other environmental related laws and regulations, and reduces their business adverse impact on the environment. We have established a strict environmental management organizational structure, with the CEO of the Group as the head of the environmental management organization. The various functional departments should formulate and implement environmental management plans according to their own specific situation. The EHS department is established to formulate environmental protection programmatic policies and supervise the implementation of environmental protection plans of all functional departments. In 2022, the ISO14000 environmental management system was successfully passed the triennial renewal audit. In the operation process of ISO14000 environmental management system in 2022, the upgrade and review of system documents such as environmental factor identification, internal audit and management review were completed.

During the reporting period, we continued to adhere to the three-year qualitative environmental target with 2021 as the benchmark year, so as to ensure that we as an enterprise still adhere to the environmental responsibility and practice the concept of sustainable development during a period of rapid business growth. We actively implemented the measures of energy conservation and consumption reduction, pollution reduction and carbon reduction, and achieved the quantitative environmental key performance target of 2022 with high quality. With 2021 as the benchmark, we have formulated the quantitative environmental key performance objectives for 2023.

Our three-year qualitative environmental key performance objectives: Energy saving and consumption reduction

- Energy saving: Continuously improve energy efficiency and reduce energy consumption per unit of output value by technical transformation, equipment upgrade and management energy conservation.
- Water conservation: Continuously optimize the use of water resources and reduce water consumption per unit of output value, by expanding the scale of water recycling and upgrading traditional water-using equipment to water-saving equipment.
- Material conservation: Continuously improve the utilization rate of raw materials, reduce paper consumption and the amount of waste generated per unit of output value, by technical transformation, equipment upgrades, and digitalization.

Our three-year qualitative goal: Reducing pollution and GHG emissions

- Reduce GHG emissions: Continuously reduce GHG emissions per unit of output value by installing distributed photovoltaic systems, purchasing electricity from renewable sources, electrification, optimizing energy use in new buildings, and using green refrigerants.
- Exhaust gas treatment: Continuously promote electrification, reduce emissions due to fossil fuel combustion, 100% collection and treatment of exhaust gas, and 100% compliance with emission standards.
- Wastewater treatment: 100% of wastewater is collected and treated, and 100% meets the emission standards.
- Waste disposal: Waste will be collected separately and 100% handed over to qualified third parties for disposal as required by relevant regulations.

Our quantitative environmental key performance objectives:

Index[1]	Unit	2021 (baseline)	2022 Target: decline	2022	2022 Actual decline	2023 decline target (Taking 2021 as the baseline year)
Energy consumption intensity	tce (tonnes of standard coal equivalent)/ RMB10'000 revenue	0.47	50%-87%	0.09	81%	68%-85%
Greenhouse gas emission intensity	tCO_2e/RMB10'000 revenue	1.97	50%-87%	0.26	87%	71%-86%
Water consumption intensity	tonnes/RMB10'000 revenue	32.16	48%-86%	6.11	81%	71%-86%
Wastewater discharge intensity	tonnes/RMB10'000 revenue	6.43	48%-86%	1.19	81%	74%-88%
Hazardous waste discharge intensity	kilogram/RMB10'000 revenue	2.52	42%-84%	0.77	69%	66%-84%
Non-hazardous waste discharge intensity	kilogram/RMB10'000 revenue	14.06	55%-88%	1.44	90%	81%-91%

b) "Three waste" management

TOT BIOPHARM strictly abides by the *Soil Pollution Discharge Law of the People's Republic of China*, the *Water Pollution Prevention* and *Control Law of the People's Republic of China*, the *Measures for the Management of Discharge Permits*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, and other relevant laws and regulations, controls the discharge of pollutants, and standardizes the treatment of waste, wastewater and waste gas. We reviewed the achievement of environmental targets for 2022 and proposed quantitative emissions targets for 2023 and measures to achieve them.

[1] In 2022, the relevant intensity fluctuated significantly compared with the later data, due to the acceleration of product commercialization and the increase of operating income.

(1) Waste management

TOT BIOPHARM has formulated the *Waste Management Process* to control the waste discharge within the compliance scope and strive to reduce the generation and discharge of waste. Our waste includes hazardous waste, non-hazardous solid waste and recyclable household waste. During the reporting period, the emission intensity of hazardous waste of TOT BIOPHARM was 0.77 kg per RMB10,000 yuan of revenue, down 69% compared to last year, achieving the emission reduction target of 2022. The emission intensity of non-hazardous waste was 1.44 kg per RMB10,000 yuan of revenue, down 90% compared to last year, exceeding the emission reduction target of non-hazardous waste in 2022. In addition, through continuous garbage classification and recycling management, the utilization rate of recyclable household garbage of cardboard, metal, plastic, glass and other materials reached 33.6% in 2022, compared with the recycling rate of 16.46% in 2021, and the recycling rate of 13.2% in 2020, showing an increasing trend year by year. Due to the significant decrease in the consumption of household waste in 2022, the utilization rate of recyclable household waste in 2022 is much higher than that in 2021. According to the specific situation of TOT BIOPHARM, we have set the emission reduction target to reduce the emission intensity of hazardous waste (per RMB10,000 yuan of revenue) by 66%~84% and the emission intensity of non-hazardous waste (per RMB10,000 yuan of revenue) by 81%~91% by 2023, taking 2021 as the baseline year.

In order to reduce waste discharge, we have taken the following measures:

Adopt DMS paperless office system;

Manage packaging materials of hazardous waste products;

At the packaging design stage, the concept of environmental protection was added to reduce the environmental pollution at the source.

Category	**Unit**	2022	2021	2020
Hazardous waste generated	Kilograms	**34,000**	19,241	14,975
Intensity of hazardous waste	Kilograms/ RMB10'000	**0.77**	2.52	6.66
Non-hazardous waste generated	Kilograms	**63,888**	107,275	105,170
Intensity of non-hazardous waste	Kilograms/ RMB10'000	**1.44**	14.06	46.76
Recyclable domestic waste generated	Kilograms	**32,235**	21,141	16,000

(2) Wastewater management

The wastewater sources of TOT BIOPHARM include production wastewater from containers, equipment, pipelines and cleaning of production areas, as well as domestic wastewater from restaurants, office buildings and other places. We strictly control the compliance of wastewater discharge. Before the production wastewater is discharged into the municipal sewage pipe network, we will treat it in advance to prevent the behavior of discharge exceeding the standard. We reduce the generation of domestic sewage from the source by urging employees to save water and regulating the cleaning of cars and office supplies. During the reporting period, our wastewater discharge intensity was 1.19 tonnes per RMB10,000 yuan of revenue, down 81% compared to last year. Taking 2021 as the baseline year, we have set the emission reduction target of reducing the intensity of wastewater discharge (per RMB10,000 yuan of revenue) by 74% – 88% by 2023.

Category	**Unit**	2022	2021	2020
Wastewater emissions	Tonnes	**52,585**	49,091.4	35,334.6
Intensity of wastewater	Tonnes/RMB10'000	**1.19**	6.43	15.71
COD in wastewater	Tonnes	**0.88**	2.90	3.25
Ammonia nitrogen in wastewater	Tonnes	**0.12**	0.42	0.62

(3) Exhaust management

The exhaust gas emission of TOT BIOPHARM is mainly generated by construction projects, boiler combustion and laboratory operation. We control the exhaust gas emission by taking air pollution prevention measures of construction projects, centralized exhaust gas emission management, operation management of waste gas production points, abnormal situation treatment and other management methods. During the reporting period, we achieved the target of 100% of the waste gas emissions. The emission intensity of exhaust gas was 889.01 cubic meters per RMB10,000 yuan of revenue, down 60% compared with the last year.

In 2022, we completed a factory within the scope of the gas pipeline leak detection and repair (LDAR). The test involves laboratory, wastewater station pipeline area, a total of 742 controlled sealing points. We successfully established the factory all LDAR compliance sealing system, cleared about the subsequent maintenance and management, so as to achieve continuous reduction of exhaust gas unorganized emissions.

Category	**Unit**	2022	2021	2020
Exhaust emission	m^3	**39,310,200**	16,888,925	17,574,900
Intensity of exhaust emission	m^3/RMB10'000	**889.01**	2,212.76	7,814.19
NO_x	Tonnes	**0.76**	0.57	1.64
SO_x	Tonnes	**0**	0	0
PM	Tonnes	**0.032**	0.037	0.069
Volatile organic compound (VOC)	Tonnes	**0.016**	0.008	0.003

c) Environmental protection

(1) Environmental protection education and training

In order to improve the environmental awareness of all staff, we use the Company WeChat, announcement and other all push to promote the Company's environmental management policy. In addition, we have held a series of training and activities on environmental protection.

TOT BIOPHARM environmental policy:

Abide by the law, compliance with the operation

Prevent pollution, save energy and reduce consumption

Continuous improvement, improve performance

Total hours of EHS training organized: 2,110 hours

Hours of EHS training per person: 6 hours

Total number of employees trained by EHS: 1,214 person-times

Case: Identifying risks with sharp eyes

In the activity of "Identifying risks with sharp eyes", we focus on the identification of environmental risks and improving the environmental risk discrimination ability of all staff.

(2) Green office

TOT BIOPHARM advocates green office, continues to promote the application of electronic system to create a green office environment. During the reporting period, we optimized the DMS system to complete the review process online. The author can see all review opinions through the DMS system for electronic file revision, which can reduce paper consumption and reduce the generation of non-hazardous waste. At present, according to statistics, the number of DMS system documents is more than 6,000, reducing 360,000 papers and reducing the emission of about 3.30 tCO_2e. The electronic document management has greatly reduced the use of paper, which was conducive to environmental protection and green ecological sustainable development. In addition, we actively implement energy saving measures, stipulating that all departments should turn off all electrical equipment in the office area after work, and prohibit idling and standby when the equipment is not in production. The lighting fixtures of the Company give priority to energy-saving and efficient light sources, and equipment with energy consumption of more than Grade II shall be used for equipment selection.

3. Resources management

a) Energy consumption and management

TOT BIOPHARM's energy consumption is mainly electricity, natural gas and diesel oil. We continue to implement the Energy Management Regulations and standardize the energy management. In order to save energy, we promoted green office in electricity management. In natural gas resource management, we carried out daily standards, equipment maintenance and emergency treatment. During the reporting period, taking 2021 as the baseline year, we set the target to reduce energy consumption intensity (per RMB10,000 yuan of revenue) by 68% – 85% in 2023.

Natural gas management measures:

Daily specification: Record the gas meter readings every day, and conduct monthly energy consumption statistics;

Equipment maintenance: Regularly check and maintain the boiler status, and set the boiler operating parameters appropriately;

Emergency treatment: Follow the *Natural Gas Leak Emergency Treatment Regulations* (TOT-EHS-03-013) for safe treatment.

During the reporting period, the energy consumption intensity of TOT BIOPHARM was 0.09 tonnes of standard coal per RMB10,000 yuan of revenue, down 81% compared with the last year. In the spring and winter of 2022, we opened the magnetic centrifugal chiller, saving 1,708 kWh per day.

Category	**Unit**	2022	2021	2020
Consumption of purchased electricity	KWh	**12,125,104**	12,992,420	12,252,663
Natural Gas	m^3	**1,833,506**	1,608,469	1,673,800
Diesel fuel	Liters	**200**	200	100
Direct energy consumption	Tce	**2,439**	1,953	2,229
Indirect energy consumption	Tce	**1,490**	1,597	1,504
Total energy consumption	Tce	**3,929**	3,550	3,733
Intensity of energy consumption	Tce/RMB10'000 revenue	**0.09**	0.47	1.66

b) Water resources management

TOT BIOPHARM strictly adheres to the *Water Law of the People's Republic of China* and conserves water resources. We insist on adopting water-saving measures such as daily monitoring of water resource consumption and using the recycled water system to use water reasonably and reduce water resource consumption. Taking 2021 as the baseline year, we set the target of reducing water consumption intensity (per RMB 10,000 yuan of revenue) by 71%–86% in 2023. During the reporting period, the water consumption intensity of TOT BIOPHARM was 6.11 tonnes per RMB 10,000 yuan of revenue), down 81% compared with the last year, achieved the water consumption intensity target in 2022. We saved 42,560 tonnes of tap water through the recycled water reuse system.

Category	**Unit**	2022	2021	2020
Production and office water consumption	Tonnes	**270,002**	245,457	176,673
Reused water consumption	Tonnes	**42,560**	42,560	15,000
Intensity of production and office water	Tonnes/RMB10'000	**6.11**	32.16	78.55

Water conservation measures:

Daily monitoring of water resources consumption: Daily monitoring of water use data, timely reporting, maintenance and treatment of water leakage phenomenon.

Recycled water reuse: Recycle the sampling drainage, sanitary ware cleaning water and reverse osmosis water to the cooling tower.

Reduce cleaning and process water waste: Identify and cure the key parameters of cleaning process; adopt automatic induction water valve.

Improve employees' awareness of water conservation: Post signs in public toilets to remind employees to save water.

c) Material package management

The main materials consumed by TOT BIOPHARM come from packaging. We have formulated the *Environmental Protection Packaging Management Regulations,* and the packaging design department, the purchasing department and the user department will fully implement the environmental protection packaging policies, so as to save resources and reduce the potential impact on the environment. We manage different types of packaging at three levels. The production department should grade all kinds of packaging and try to recycle the packaging.

Package grading:
Primary packaging: product packaging (containing sampled products);
Secondary packaging: packaging that does not contact the product directly;
Tertiary packaging: logistic packaging.

We have integrated the concept of environmental protection into the packaging design, procurement and communication processes.

Environmental protection packaging design principles:

- ✓ Reduce or eliminate the packaging materials used per unit of the product
- ✓ Product is packaged with recyclable materials
- ✓ Avoid using toxic and hazardous materials

Environmental protection packaging procurement and communication:

- ✓ The environmental protection degree of the packaging should be considered when purchasing the articles or materials
- ✓ Major environmental protection packaging results should be communicated to external customers

Case: The abandon of covering film outside the Bevacizumab Injection Pusintin® small box

The material of Bevacizumab Injection Pusintin® box is made in the form of white cardboard paper surface coating. However, there are many disadvantages of coating paper, mainly including:

- Easy to cause environmental pollution: The film is difficult to be degraded, recycled, resulting in environmental pollution;
- Lead to the waste of resources: The coated paper (including the coated paper side) cannot be used as paper raw materials, and often can only be incinerated, which not only wastes a lot of resources, but also causes secondary environmental pollution;
- Difficult to recycle: Because the coated paper will not be corroded after use, it still will be stored in the environment as garbage for a long time. From recovery to regeneration, all links have increased huge costs, and it is difficult to deal with environmental protection.

In 2022, we canceled the coating printing of packaging boxes and adopted the form of bright oil coating on the surface of the carton, which also has the following advantages without affecting the product packaging:

- Reduce the cost of each link of resource regeneration, such as recovery and classification cost, regeneration and environmental protection treatment cost, waste and burial cost;
- Reduce the environmental pollution of waste film paper;
- Reduce the packaging costs.

Remove the surface coating of the small box and use the bright oil layer to design the product packaging, which can contribute to the protection of the ecological environment, which is in line with the concept of green packaging.

With the gradual increase of production, we have further improved the statistics of packaging materials. We counted the consumption of vial, paper and plastics in 2022.

Category	**Unit**	2022	2021	2020
Vial consumption	Kilograms	**3,648**	4,327.93	1,843
Intensity of vial consumption	Kilogram/RMB 10'000	**0.08**	0.57	0.82
Paper	Kilograms	**10,166**	–	–
Intensity of paper consumption	Kilogram/RMB 10'000	**0.23**	–	–
Plastic	Kilograms	**1,743**	–	–
Intensity of plastic consumption	Kilogram/RMB 10'000	**0.04**	–	–

IV ABSORB TALENT FOR TOT BIOPHARM AND HELP THEM GROW

TOT BIOPHARM strictly abides by the laws and regulations of the State and localities, and protects the legitimate rights and interests of employees. We respect employees, care for them, and pay attention to their health and growth. We create a harmonious and friendly work atmosphere for our employees, an equitable and inclusive development platform, and a safe and healthy workplace.

1. Employee employment

a) Compliant employment

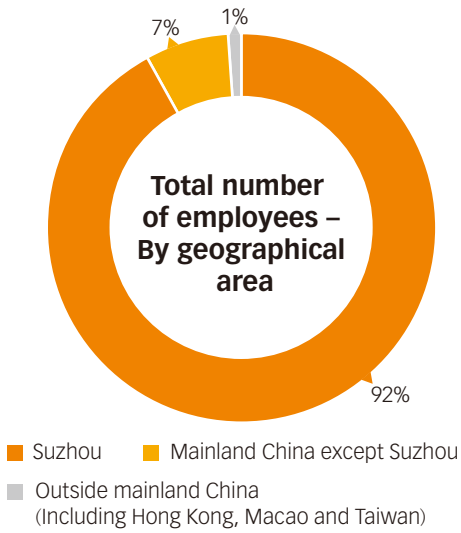
TOT BIOPHARM strictly abides by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, and other relevant laws and regulations. We continue to improve the TOT BIOPHARM Employee Manual, Recruitment Management Measures, Performance and Reward and Punishment Management Measures, and other internal corporate system documents, establish legal and compliant labor relations and standardize employment management. We respect the personal freedoms of our employees, firmly prohibit the employment and use of child labour, and oppose forced and other labour disputes. We adhere to the principle of fair and equal treatment of employment, treat employees of different backgrounds fairly, implement an employment policy of no distinction between races, ethnicity, nationalities, sexes, religions and ages, and eliminate all forms of employment discrimination. We have launched an intelligent recruitment management system to ensure that the recruitment process is open and transparent. Complaint mailboxes have been set up to safeguard the legitimate rights and interests of job seekers.

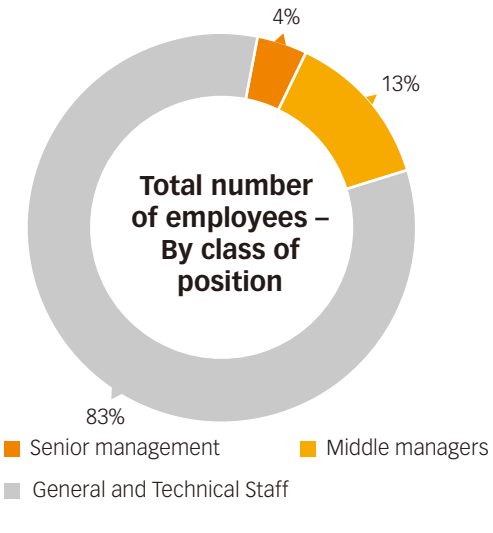
During the reporting period, no major labor disputes occurred in TOT BIOPHARM, no child labor, forced labor, harassment and discrimination, and no complaints of labor problems were received.

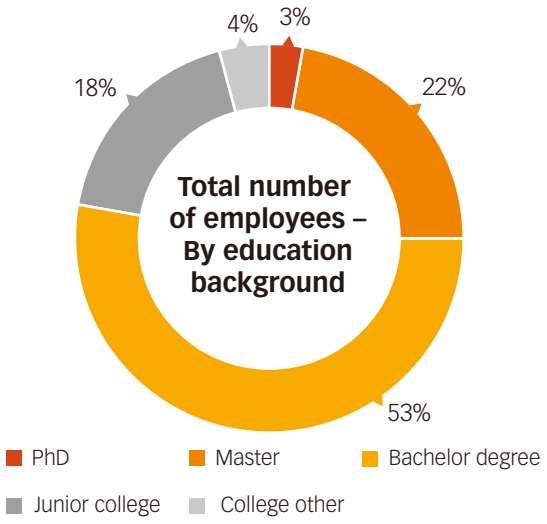
b) Employee diversification

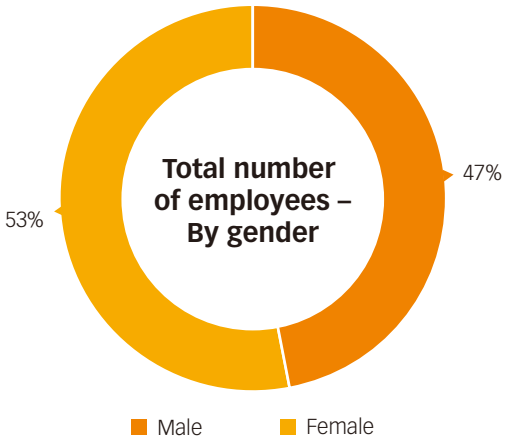
TOT BIOPHARM focuses on the diversification of employees, adheres to diversified employment, and builds diversified recruitment channels. Our employees are distributed in different age groups, education backgrounds, and geographical areas. During the reporting period, to expand the talent pool, we recruited talents, opened up a variety of recruitment channels such as campus recruitment, talent market recruitment, social recruitment and internal staff recommendation, and set up a standardized recruitment process.

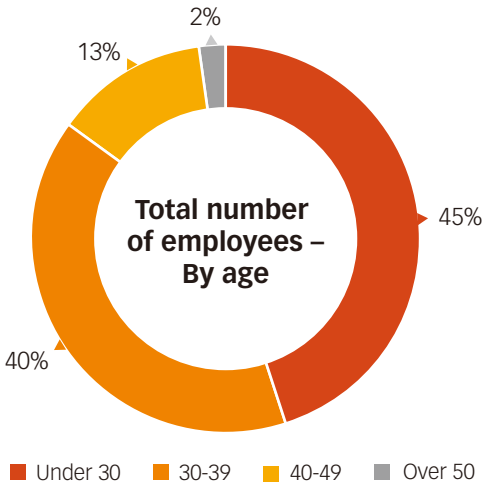
By the end of the reporting period, the Company had a total of 431 employees. We have improved talent management and the total number of employees by geographical area, class of position, education background, gender and age is as follows:







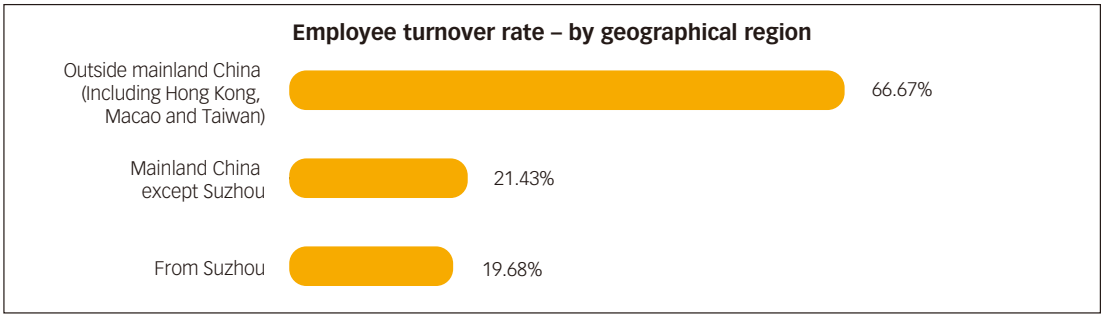


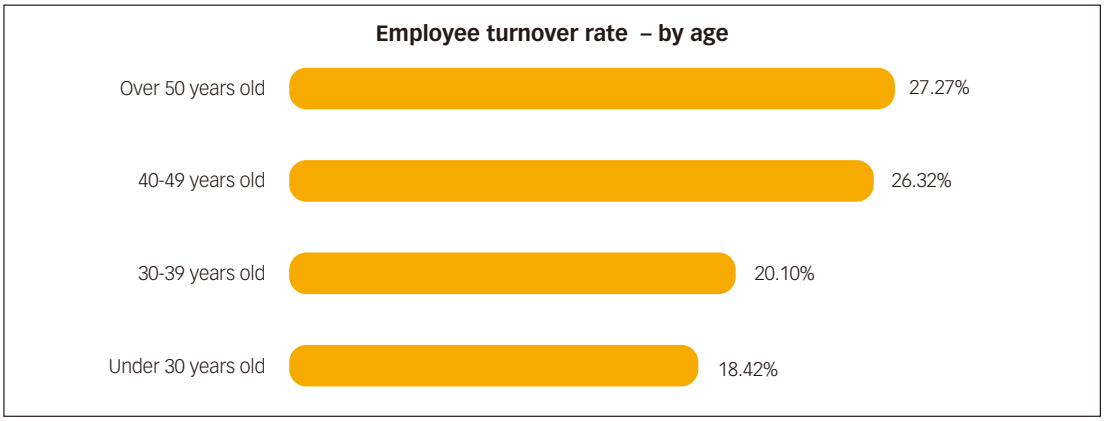


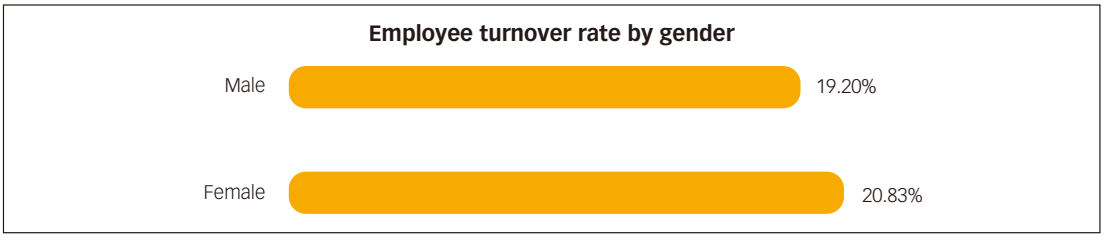
c) Employee retention

As the Company's most important capital, talents are critical for the long-term development of the Company. TOT BIOPHARM attaches importance to talent attraction and retention, establishing a corresponding incentive system. Our labor contract includes a competition prohibition clause. We sign medium and long-term bonus incentives with key core employees and adopt equity incentives. We set up a special bonus system to optimize benefits such as overtime and duty, which encourage and reward employees who have contributed prominently to performance indicators. During the reporting period, we actively implemented incentives to meet employee demands and reduce employee turnover.

In addition, we have developed the *Management Measures for Transfer and Resignation*, which sets up HR representatives to attend regular business department meetings and enhance internal communication. We address staff needs and issues through regular communication and mentoring. In the face of resignation, we lead resignation interview to explore root causes and propose solutions. We regularly organize departmental communication sessions to summarize the reasons for staff resignation. By regularly analyzing and obtaining feedback on employee turnover, we propose targeted improvements that not only control employee turnover but also improve employee satisfaction and provide recommendations for subsequent employee development and retention. During the reporting period, the active turnover rate was 20.07%. The employee turnover rates by geographical area, age and gender is as follows:







2. Employee development

a) Employee training

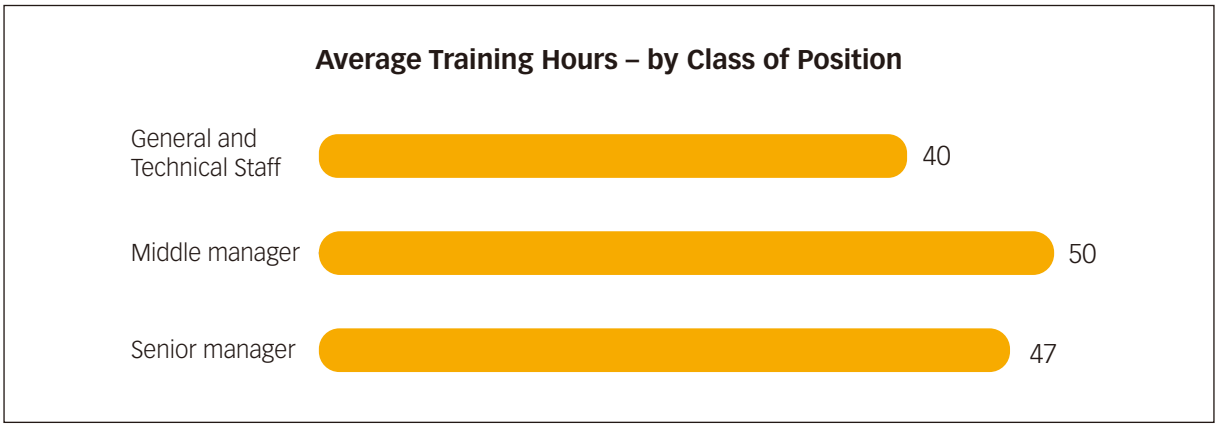
TOT BIOPHARM attaches importance to the value of people and pays attention to the career development of each employee. Based on TDP (Talent Development Program), we continue to empower our staff. We help our employees improve their professionalism and professional competitiveness, providing a broad space for their career development. To help staff grow, we have developed a comprehensive training system for employees at different levels, covering all stages of employee induction and promotion. We have set up several departmental training platforms to cultivate a team of highly qualified professionals with sufficient quantity, quality, reasonable structure and vitality.

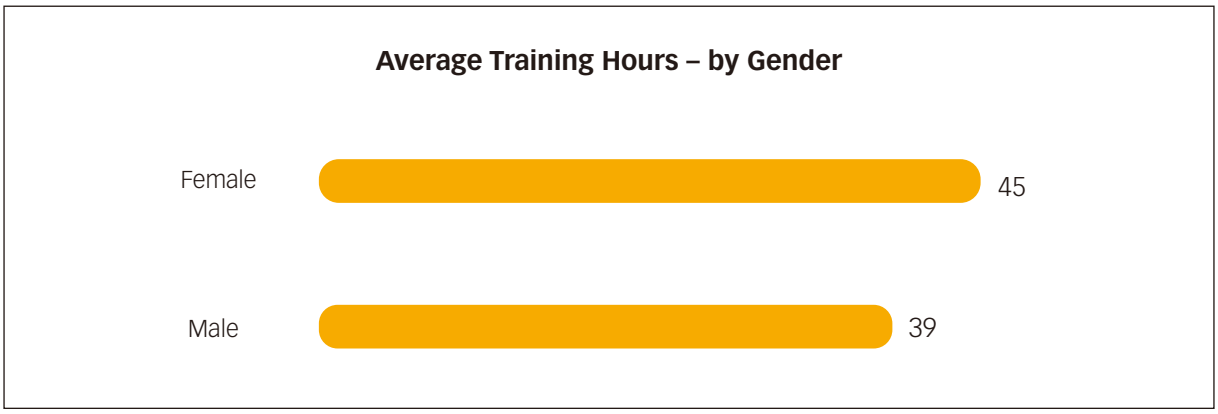
During the reporting period, a variety of learning projects incorporating innovative learning methods were carried out by TOT BIOPHARM. We provide induction training and technical training for new employees, and carry out the Morning light program for new graduates to help them adapt to the work environment faster and smoothly to be competent for the new roles. For lower-level managers, we carry out the New Manager Growth Camp management competence training to continuously enhance the management competence of lower-level managers. For project management talents, we carry out basic courses in project management to enhance staff awareness and competence in project management, which supports the development of the CDMO business in TOT BIOPHARM and lays a good foundation of consensus and collaboration for cross-departmental cooperation. In addition, we opened a GMP training camp to help staff improve their GMP capabilities. Several courses in pharmaceuticals were offered to enhance professional competence in the development sector.

TOT BIOPHARM Employee Training System

- **New employee training:**
  - Completion of First Day Training and Improvement for Newcomers and Company Level Training and Improvement for Newcomers;
  - Development of 7 technical training courses for newcomers and 7 professional courses for teaching and visiting;
  - A three-month Morning Light Program for new graduates, with 1 training for professional mentors, 7 on-site courses and 3 symposiums.
- **Management enhancement training:** We continued to strengthen the management capacity of lower-level managers and conducted six months of training in the New Manager Growth Camp, with a total of 26 lower-level managers participating. We applied the model of action learning, which allows the participants to set up *Key Competency Development Goals and Action Plans* through pre-school assessments, commissioned interviews, self-analysis, etc., Based on the practice and experience of practical management, participants are invited to make a *Summary of Key Competency Development Effectiveness and Personal Growth*, which helps students sort and review the entire learning course, and make a reflective summary based on their own practice experience.
- **Project Management Talent Training:** To support the development of our CDMO business, we conducted 7 basic courses in project management, including the *Introduction to Project Management*, for a total of 28 participants. Sharing experiences facilitates staff's understanding and consensus about the course, creating a solid foundation for more efficient and tacit teamwork.
- **GMP Competency Upgrading Training:** To enhance GMP awareness and competence, we:
  - Held a GMP knowledge competition, where about 96.8% of the staff participated, with an average score of 94;
  - Carried out two courses: *Annual GMP Training* and *Deviation Case Sharing Training* to consolidate comprehensive GMP basics;
  - Invited 44 staff to participate in the 2022 GMP Training Camp, organized GMP-related regulations and courses to expand the range and thoroughness of staff's GMP knowledge.
- **Pharmaceutical Professional Capacity Enhancement Training:** We introduce more than 19 courses, including but not limited to the *International Pharmaceutical Engineering Management 2022 (IPEM) Course, Pharmaceutical R&D QC Laboratory Innovation Compliance Training, National Pharmaceutical Quality and Safety Conference, Drug R&D Analysis* and *QC Laboratory Compliance Training*, to enhance the professional competencies of various departments.

During the reporting period, the training hours for TOT BIOPHARM employees was 18,003 hours in total and 42 hours per individual in average. Our training covers all staff, with the following average training hours by gender and class of position:



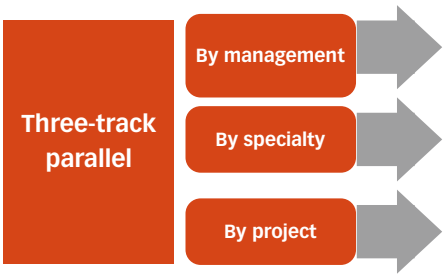


Case: Carry out the Morning Light Program

To enhance the ESG concept and increase publicity, and also to familiarize fresh students with the corporate culture, develop the sense and ability of teamwork, and expand the vision of the industry, we combined ESG advocacy with the Morning Light Program and selected five team task themes in conjunction with the Company's business needs: reducing costs and increasing efficiency, safe production, brand upgrading, quality upgrading, intellectual property rights. We also established a mentor team to guide and organize new employees to carry out theoretical learning, practical research, output program, implementation optimization, etc. Team mission results are presented vividly in the form of a presentation. We take online courses and poster publicity as the continuation of ESG concept propaganda, which has a good publicity effect.

b) Employee promotion

TOT BIOPHARM has constructed a fair, clear, and transparent career promotion channel. We adhere to the three-track parallel staff promotion mechanism, each of which has a clear rank system and promotion conditions to achieve diversified career development. We help our employees tap their potential in three directions: professional, managerial, and project. Employees can freely choose the appropriate direction of promotion and career positioning according to their abilities and development intentions, which can increase their motivation and help them grow.



Employee Promotion Mechanism

3. Employee care and health

a) Employee care

TOT BIOPHARM adheres to "people-oriented" and strives to create a comfortable working environment for employees. By providing humanized working mechanisms and management, we provide superior compensation benefits to our employees and enhance their satisfaction. We focus on the needs of every employee and enhance their well-being by providing them with caring services and carrying out a variety of stylistic activities to enrich their spare time.

(1) Employee welfare

TOT BIOPHARM strictly abides by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Law on Social Insurance of the People's Republic of China*, and the regulations and regulations of the local government. The relevant systems such as the *Administrative Measures for Performance and Reward and Punishment*, the *Administrative Measures for Remuneration and Benefits* have been formulated. We strive to create the most advantageous pay and benefit system for employees in the peer business.

During the reporting period, we continued to optimize the employee compensation management model by participating in industry pay research and simultaneously benchmarking market pay levels, so as to enhance incentives to employees who made outstanding contributions. In addition, we make regular salary adjustments each year to boost employee motivation and stimulate enterprise vitality.

In addition to ensuring the implementation of the statutory benefits, we also provide employees with the following specific benefits:

- Provision of preferential leave arrangements and various holiday gifts, wedding and funeral allowances, hospital allowance and parental leave, such as a total of 53 employees on parental leave during the reporting period, with a return rate of 100%.
- Additional benefits such as medical insurance and annual physical examination, including the addition of high-end medical insurance for executives in 2022.
- Implementation of performance-oriented reward mechanisms, including annual performance bonuses, annual salary adjustments, project bonuses, etc.

(2) Employee satisfaction

TOT BIOPHARM attaches great importance to the concerns and suggestions of its employees, establishing a variety of communication channels, resolving the demands of employees promptly, and safeguarding their right to know and participate. We have set up suggestion boxes to facilitate direct communication between management and grassroots staff, respond to staff on time, respect staff advice and advice, and enhance their sense of belonging. With the principle of promoting the development of enterprises and safeguarding the rights and interests of employees, we have established the employee trade union, continue to invite employees to join trade unions, allow employees to actively participate in the democratic supervision and management of the Company, and strengthen the democratic management of the Company. In 2022, the labor union voted on the adoption of the draft collective contract and the *Internship Administration Regulations*, which set out collective contracts, special collective contracts for wages, special collective contracts for labor safety and health, special collective contracts for labor protection for women workers, etc. According to the latest provisions of the newly revised *Population and Family Planning Regulations of Jiangsu Province*, the *Measures on Attendance and Leave Management* are implemented to meet the needs of employees and enhance their satisfaction and well-being.

During the reporting period, we actively conducted annual employee satisfaction surveys and summarized them promptly. Through an employee satisfaction survey, by the end of the reporting period, the Company's overall employee satisfaction was 96%.

(3) Enriching employee life

TOT BIOPHARM pays attention to the life of every employee. By carrying out various activities such as festivals, interest associations and group building activities, TOT BIOPHARM relieves the work pressure of employees, enriches their lives, enhances emotional communication among employees, and realizes the balance between life and work. During the reporting period, we held several activities such as Goddess Day, Reading Club, Parent-Child Event, Family Day, Birthday Party, Staff Travel, Outreach Event, Foreign Enterprise Games, etc.

Case: Launching the Goddess Day Series

On 8 March, TOT BIOPHARM launched the "Han-style elegant brocade dress, demonstrating the essence of generosity – TOT BIOPHARM Goddess Festival Series," which consists of three parts: "I Meet the Beauty of Traditional Culture," "Traditional Culture Live Sharing" and "Traditional Classics Grow." We share "The essence of generosity – Multi-dimensional Development Path of Women in the New Era" together with Cizhou College to help people clarify the overall life direction and method of combining family and career in the New Era. To make more people feel the charm of traditional culture, we open live broadcasts to the general public through "Classic Learning – Online Learning Platform," reaching a total of 1,914 views.

In addition, we use the WeChat platform of TOT BIOPHARM to interact, in the "I have a wonderful encounter with traditional culture" part of the "traditional food," "traditional objects," and "scenic spots" interactive quiz, together "traveling to enjoy" various tangible traditional culture.

Case: Festival Events

Facing the impact of the COVID-19 outbreak, in order to ensure the physical and mental health of the majority of workers, the trade union, with the strong support of the Company, actively carried out a variety of activities to enrich the cultural life of workers, striving to create a scientific, healthy and civilized work environment. In 2022, the trade union organized a series of activities such as Mid-Autumn Festival and New Year Festival to further enrich the cultural life of employees, so as to improve the enthusiasm and enthusiasm of employees and let the majority of them feel our kindness.

b) Employee health and safety

TOT BIOPHARM strictly abides by occupational health and safety-related laws and regulations, implements safe production, and always pays attention to employee health. We improve the internal related mechanism through various means, provide occupational medical examinations for employees, actively carry out prevention and emergency knowledge popularization, safety production training, etc., to ensure the health and safety of employees.

(1) Production safety

TOT BIOPHARM strictly abides by laws and regulations such as the *Production Safety Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Special Equipment Law of the People's Republic of China*. We have formulated the *Chemical Storage Management Measures, Contractor EHS Management Procedures, Emergency Rescue Management System*, *Fire Management System* and other safety production-related operating standards management procedures.

To standardize the work safety of employees, we have formulated an annual emergency drill plan, standardized the work safety of employees, and fully implemented the daily safety inspection work. In 2022, in the daily safety inspection work, the EHS department carried out a region-wide hazard detection, a total of more than 100 general hazards, the general hazard rectification rate reached 100%, with no significant hidden hazards. In addition, the EHS Department has developed the Laboratory Safety Management Protocol, which details safety rules for chemical use, biosafety, instrument management, hydropower use, and more. During the reporting period, no major casualties occurred and the fire accident rate was zero.

We carried out "safety week", "safety training micro-course" and other activities, strengthened the safety awareness and sense of responsibility of the employees of all departments, and guided the departments to establish a perfect safety training mechanism. In 2022, our staff safety training rate reached 100%.

Case: Safe Laboratory

The use of alkaline in the production workshop may result in spillage accidents and risk burning the eyes or skin of the staff. To protect our employees effectively in emergencies, we are equipped with multiple sets of emergency eye-washing bottles in each workshop for timely and easy access.

Case: Security Week Activities

In September 2022, we held a total of five days of Safety Week activities involving safety-related presentations, "identifying potential dangers with sharp eyes", accident simulating VR experience, rescue rope operation, and more than 400 participants were involved.

(2) *Occupational health*

TOT BIOPHARM always takes employee health as an important task, strictly abides by the Occupational Disease Prevention and Control Law of the People's Republic of China and the Regulations on Work Injury Insurance, and continuously strengthens occupational health and safety management. We strives to protect the occupational health of our employees through occupational health check-ups, personal protective equipment, occupational health training, etc.

We provide annual occupational health check-ups, annual medical check-ups, social insurance, supplemental health insurance. During the reporting period, the Company implemented 100% pre-post, mid-post, transfer and off-duty medical examination of employees. We equip our staff with personal protective equipment, promote the wearing of goggles in all laboratories and production areas, and equip our staff with goggles for operations involving chemicals, etc. We strengthen occupational health training for our employees and invite professionals to promote and train first aid knowledge. In 2022, our occupational disease accident rate was 0%.

Case: Interpretation of Physical Examination Report

We invite doctors to conduct post-physical examination health assessments and provide targeted explanations for staff medical reports. We encourage employees to understand their physical condition and pay attention to their health. In addition, doctors provide health consultation services to employees, including health counselling, health guidance, etc., so that employees can choose the service that suits them according to their needs.

Physical Examination Report Interpretation Sharing

Case: First Aid Training

To improve the staff emergency rescue capacity, we carried out first aid knowledge training, Professionals were invited to give on-site lectures to educate staff on ambulance theory, CPR operations and procedures. Our staff actively participated in CPR exercises to understand the operational essentials and skills through practical operation.

V TOT BIOPHARM ASSUMES SOCIAL RESPONSIBILITY AND BUILDS A BETTER SOCIETY TOGETHER

TOT BIOPHARM continuously improves the procurement management process, strictly controls supplier access and audit strengthens supplier communication, and establishes a "sustainable and responsible" supply chain system. At the same time, as a responsible pharmaceutical enterprise, we actively participate in the practice of social welfare and strive to bring greater value and positive impact to the whole society.

1. Partner collaboration

a) Procurement management

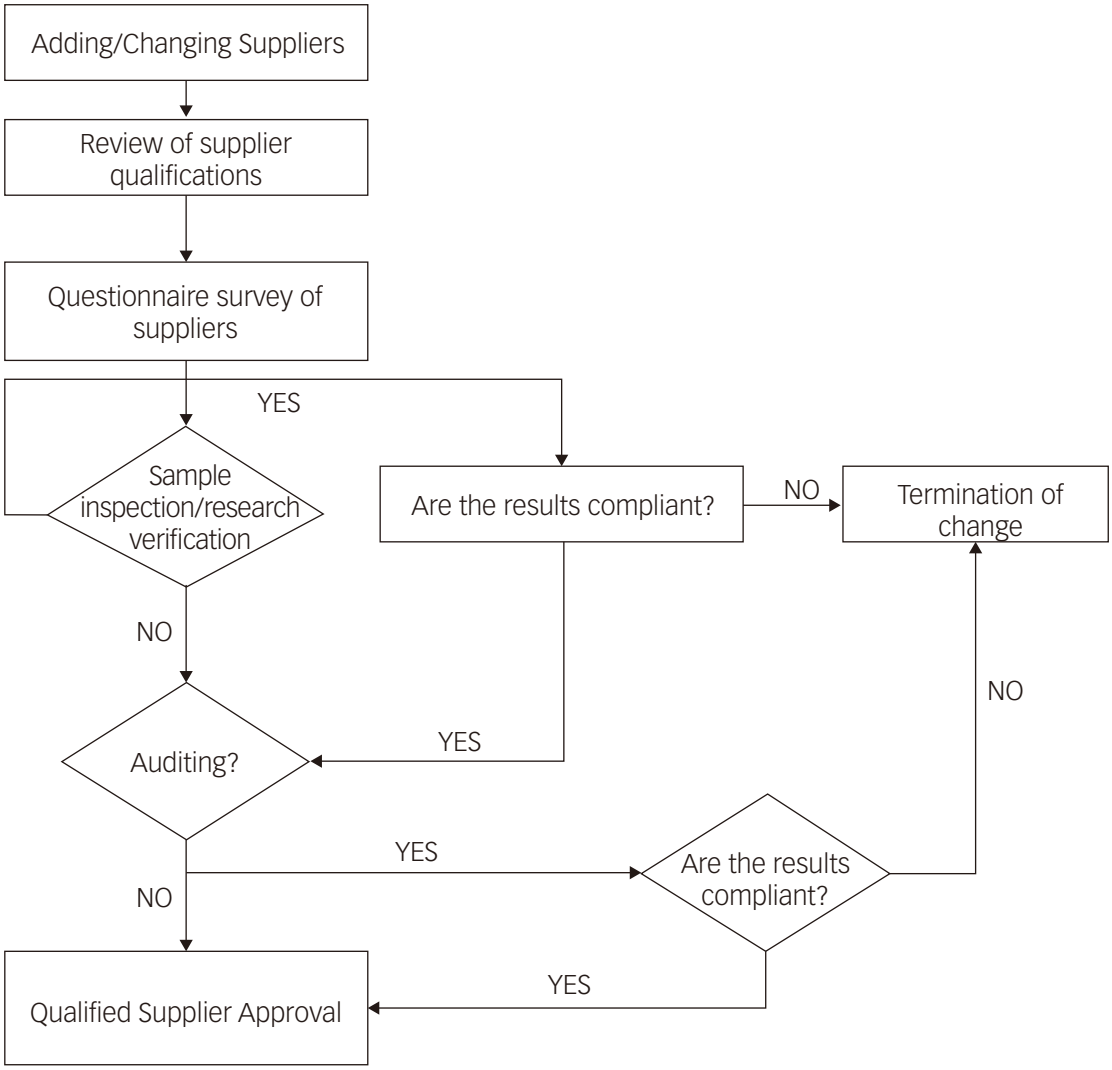
TOT BIOPHARM works with suppliers to establish good partnerships and a sustainable business ecology. By developing the *Procurement Proposal*, we plan and manage the procurement project uniformly and optimize the procurement process. To ensure efficiency and compliance in the procurement process, we have focused on strengthening both the emergency procurement and the avoidance of corruption in the procurement process. Regarding emergency procurement, we have developed the *Project Approval Form*, and the *Emergency Procurement Application Form*, to fill up missing raw materials promptly and ensure the normal supply of medicines. With regard to the avoidance of corruption, we have added provisions to the terms of the equipment procurement contract that stipulate that suppliers are not allowed to acquire business through unfair competition, such as bribery.

At the end of the reporting period, TOT BIOPHARM had a total of 1,233 qualified suppliers[2], of which 618 were suppliers in Jiangsu Province and 615 were suppliers in other provinces, accounting for 50.12% and 49.88% of total suppliers, respectively.

b) Supplier access

In terms of supplier selection, we collect relevant materials to survey suppliers by issuing questionnaires and audits. Based on the *Materials System Standard Management Regulations* and the *Materials Supplier Management Standard Operating Regulations*, we have formulated strict entry standards and adopted the rule of "optimal selection" for suppliers. We strives to guarantee product quality from the source and ensure that TOT BIOPHARM can provide consumers with safe and reliable products.

2 The number of qualified suppliers includes existing suppliers and the number of suppliers added by the implementation of the admission rules.



Supplier Access Process

In 2022, during the supplier access process, we further optimized our supplier qualifications and set the following requirements for our suppliers:

Supplier qualification requirements:

- **Meet relevant legal requirements**: Possess the quality, safety, environmental review, and other production and supply licenses or qualifications required by national regulations, relevant state departments, corresponding industries, or operation center; Other conditions required under laws and regulations.
- **Good business reputation**: There have been no illegal records or major legal disputes in the past three years.
- **Complete quality assurance system**: In the past three years, there has been no non-conformity in the quality supervision and inspection of the state, industry, operation center and local governments.
- **Ability to perform**: Ability to perform the contract, good financial condition, good operating performance and after-sales service.

In addition, TOT BIOPHARM combines the supplier classification system with the supplier access standards, giving different access standards to different level suppliers, and further implementing the Group's supplier management system. Before suppliers are included in the list of qualified suppliers, we need to conduct suppliers on-site and written audits of suppliers. In addition to collecting appropriate qualification materials, suppliers are also required to complete the questionnaire. After a potential supplier is approved as a qualified supplier, suppliers of Class A, B and C materials are required to enter into a quality agreement with TOT BIOPHARM. By evaluating multiple levels of supplier, such as product quality and EHS, we have screened and placed unqualified suppliers on the list of unqualified suppliers and continuously strengthened our risk control over suppliers.

Supplier Classification:	
Class A materials	Materials that have a direct impact on product quality
Class B materials	Materials that have a direct impact on the production process
Class C materials	Material that have an indirect impact on a product or production process

c) Supplier Audits

In order to ensure that the quality of suppliers is always maintained above the standards we have set, the Group has set up a rigorous audit process for suppliers after they have been screened and have begun supplying the Group with various items such as raw materials.

The Group conducts quarterly supplier audits. According to the *Supplier Audit Standard Operating Process*, such audits shall lead by the quality management department, with the participation of end-use departments, technical departments, and EHS departments. The manner and frequency of supplier audits shall be determined based on the risk level of the materials. A comprehensive assessment shall be made on suppliers in respect of supply quality, service quality, technical level, delivery capacity, responsiveness, use of environmentally friendly materials and social impacts. At the same time, non-qualified suppliers shall be screened using the phase-out mechanism. In addition, we score performance evaluations of major suppliers from time to time. During the reporting period, we conducted 123 written audits and 14 on-site audits on suppliers.

TOT BIOPHARM encourages suppliers to establish comprehensive environmental and quality management systems and to obtain third-party management system certification. During the reporting period, 10 suppliers obtained ISO 14001 certification and 19 suppliers obtained ISO 9001 certification.

d) Supplier communication

TOT BIOPHARM enhanced communication with suppliers, which is also a key element for TOT BIOPHARM to establish a "sustainable and responsible" supply chain system. We are proactive in enhancing communication with suppliers. During the reporting period, we maintained communicating with suppliers mainly on delivery requirements and daily order rectification and organized supplier training as necessary to promote stable supply chain development.

2. Social welfare practice

In our continuous development, TOT BIOPHARM actively exchanges and cooperates with strategic partners and seeks common development. With its expertise and technical strength, the Group actively devotes itself to solving social problems and promoting social progress.

a) Social contributions

By its professional strength in the field of medicine and health, TOT BIOPHARM integrates its resources and advantages, actively devotes itself to public utilities and social activities, continuously expands the accessibility of medical services, and strives to benefit people's livelihood with development results and give back to society.

Case: TOT BIOPHARM Won "The CXO Enterprise with Best Growth Potential" Award

From 4 to 5 August 2022, the 6th China Biomedical Innovation Cooperation Conference and 2022 China Biomedical Industry Value List Awards Ceremony were held successfully. At the meeting, TOT BIOPHARM and BrightGene jointly exhibited. TOT BIOPHARM won the award for "The CXO Enterprise with Best Growth Potential" on "2022 China Biomedical Industry Value List". The award represents the industry's recognition of TOT BIOPHARM's CDMO services.

Strategic cooperation:

Reaching a Product Promotion Agreement with Frontier to Help AIDS Cachexia Treatment

TOT BIOPHARM and Frontier Biotechnologies Inc. ("Frontier") have reached a product promotion agreement, pursuant to which, Frontier will be authorized to carry out marketing in the field of AIDS of Megaxia® (megestrol acetate oral Suspension). This cooperation is a strong combination of product and channel advantages between the two companies, which will enhance drug accessibility, actively help AIDS cachexia treatment, and improve the quality of life of the majority of patients.

b) Social donation

TOT BIOPHARM always shoulders social responsibility. Based on the *External Donation Management Measures*, we further standardize the external donation behavior of us as an enterprise, clarify the scope and approval of donations, strengthen the management of donation matters, better practice social responsibility, and strive to achieve greater social value. In 2022, the Group made donations of social supplies with a value of approximately RMB23,009.

APPENDIX
ESG Key Performance

Category	Unit or Category	2022	2021	2020
Environmental				
Energy Consumption				
Consumption of purchased electricity	KWh	**12,125,104**	12,992,420	12,252,663
Natural gas	m^3	**1,833,506**	1,608,469	1,673,800
Diesel fuel	Liters	**200**	200	100
Direct energy consumption	Tce	**2,439**	1,953	2,229
Indirect energy consumption	Tce	**1,490**	1,597	1,504
Total energy consumption	Tce	**3,929**	3,550	3,733
Energy consumption intensity	Tce/RMB10'000	**0.09**	0.47	1.66
Waste				
Hazardous waste generated	Kilograms	**34,000**	19,241	14,975
Intensity of hazardous waste	Kilograms/RMB10'000	**0.77**	2.52	6.66
Non-hazardous waste generated	Kilograms	**63,888**	107,275	105,170
Intensity of non-hazardous waste	Kilograms/RMB10'000	**1.44**	14.06	46.76
Recyclable domestic waste generated	Kilograms	**32,235**	21,141	16,000
Wastewater[3]				
Wastewater emissions	Tonnes	**52,585**	49,091.4	35,334.6
Intensity of wastewater	Tonnes/RMB10'000	**1.19**	6.43	15.71
COD in wastewater	Tonnes	**0.88**	2.90	3.25
Ammonia nitrogen in wastewater	Tonnes	**0.12**	0.42	0.62
Water consumption				
Production and office water consumption	Tonnes	**270,002**	245,457	176,673
Reused water consumption	Tonnes	**42,560**	42,560	15,000
Intensity of production and office water	Tonnes/RMB10'000	**6.11**	32.16	78.55

[3] The discharge of wastewater, COD discharge of wastewater and ammonia nitrogen discharge of wastewater were estimated by coefficient method. In 2022, the measurement coefficient of 2021 was extended to restate this index.

Category	Unit or Category	2022	2021	2020
Packaging material				
Vial consumption	Kilograms	**3,648**	4,327.93	1,843
Intensity of vial consumption	Kilogram/RMB10'000	**0.08**	0.57	0.82
Paper	Kilograms	**10,166**	–	–
Intensity of paper consumption	Kilogram/RMB10'000	**0.23**	–	–
Plastic	Kilograms	**1,743**	–	–
Intensity of plastic consumption	Kilogram/RMB10'000	**0.04**	–	–
Greenhouse gas[4]				
Scope 1 GHG emissions	tCo_2e	**4,516**	4,722	5,075
Scope 2 GHG emissions	tCo_2e	**6,915**	10,291	9,693
Total GHG emissions (Scope I + Scope II)	tCo_2e	**11,431**[5]	15,014[5]	14,769[6]
GHG intensity	tCo_2e/RMB10'000	**0.26**	1.97	6.57
Exhaust				
Exhaust emission	m^3	**39,310,200**	16,888,925	17,574,900
Intensity of exhaust emission	m^3/RMB10'000	**889.01**	2,212.76	7,814.19
NO_x	Tonnes	**0.76**	0.57	1.64
SO_x	Tonnes	**0**	0	0
PM	Tonnes	**0.032**	0.037	0.069
Volatile organic compound (VOC)	Tonnes	**0.016**	0.008	0.003

4 In 2022, we conducted an inventory of greenhouse gas emissions in accordance with ISO 14064-1.

5 The refrigerant emission coefficient for 2022 was taken from IPCC AR5.

6 Previously, greenhouse gas emissions in 2020 and 2021 only included direct emissions from fossil fuels and indirect emissions from purchased electricity, but did not include emissions from production processes and refrigerants. In this Report, data for 2020 and 2021 are restated.

Category	Unit or Category	2022	2021	2020
Social				
Employment and diversity				
Number of employees	Total number	**431**	337	368
Employee by gender	Female	**229**	182	209
	Male	**202**	155	159
Employee by age	Under 30 years old	**196**	140	142
	30-39 years old	**171**	146	187
	40-49 years old	**54**	40	30
	Over 50 years old	**10**	11	9
Employee by education background	Doctor's degree	**12**	10	6
	Master's degree	**94**	80	93
	Bachelor's degree	**230**	177	211
	College's degree	**77**	58	53
	Under college's degree	**18**	12	5
Employee by category	Full-time	**431**	337	368
	Part-time	**0**	0	0
Employee by rank	Executive management	**17**	16	18
	Middle management	**58**	52	59
	General and technical employees	**356**	269	291
Employee by geographical region	From Suzhou	**397**	302	277
	Mainland China except Suzhou	**32**	32	87
	Outside mainland China (Including Hong Kong, Macao and Taiwan)	**2**	3	4

Category	Unit or Category	2022	2021	2020
Employee turnover rate[7]				
Employee turnover number	Total number	**108**	143	38
Employee turnover rate	Ratio	**20.07%**	27.24%	9.25%
Employee turnover rate by gender	Female	**20.83%**	25.27%	6.73%
	Male	**19.20%**	29.51%	12.57%
Employee turnover rate by age	Under 30 years old	**18.42%**	22.22%	8.38%
	30-39 years old	**20.10%**	29.83%	9.63%
	40-49 years old	**26.32%**	39.53%	15.63%
	Over 50 years old	**27.27%**	25.00%	0.00%
Employee turnover rate by geographical region	From Suzhou	**19.68%**	25.77%	9.54%
	Mainland China except Suzhou	**21.43%**	33.00%	9.18%
	Outside mainland China (Including Hong Kong, Macao and Taiwan)	**66.67%**	25.00%	0.00%
Occupational Health and Safety				
Total working hour	Hours	**695,685**	536,069	472,732
Number of work-related injury[8]	Number of people	**0**	0	0
Number of work-related deaths	People	**0**	0	0
Number of lost day due to work-related injury	Number of days	**0**	0	0
Number of occupational diseases	Number of people	**0**	0	0
Occupational disease rate	%	**0**	0	0
Total hours of EHS training	Hours	**2,110**	930	1,260
Average hours of EHS training	Hours	**6**	3	4.50
Total number of employees trained by EHS	Number of people	**1,214**	1,260	1,999

7 The staff turnover rate calculation formula used is as follow: number of dismission (people) of a specific group in the reporting year/(total number of employees (people) of the group at the beginning of the reporting period + number of new recruits (people) of the group throughout the year)*100%.

8 The number of work-related injuries refers to the number of people without any major injury or death.

Category	Unit or Category	2022	2021	2020
Training and development				
Total input of training	RMB	**643,819**	650,542	546,412
Total training hour	Hours	**18,002.55**	9,789.63	8,148.28
Percentage of trained employees	Total	**100%**	100%	99%
	Female	**100%**	100%	100%
	Male	**100%**	100%	98%
	Executive management	**100%**	100%	83.33%
	Middle management	**100%**	100%	100%
	General and technical employees	**100%**	100%	100%
Average training hours per capita	Total	**41.77**	29.05	22.14
	Female	**44.63**	25.93	22.95
	Male	**38.53**	32.71	21.08
	Executive management	**47.46**	18.50	10.48
	Middle management	**49.68**	36.26	29.77
	General and technical employees	**40.21**	28.28	21.32
Supplier management				
Total number of suppliers	Numbers	**1,233**	1,096	400
Suppliers by geographical region	Jiangsu Province	**618**	536	180
	Outside Jiangsu Province	**615**	560	220
Percentage of suppliers signing the *Integrity Commitment* in the reporting period	Ratio	**100%**	100%	100%
Suppliers certified by ISO 14001	Numbers	**10**	10	–
Suppliers certified by ISO 9001	Numbers	**19**	19	–

Category	Unit or Category	2022	2021	2020
Product Responsibility				
Complaints about products and services[9]	Numbers	**0**	0	–
Safety and health related recall	Numbers	**0**	0	–
Anti-corruption				
Cases involved corruption	Numbers	**0**	0	0
Intellectual property rights				
The total number of valid patents/trademarks obtained by the Company	Invention patents	**26**	14	22
	Utility model patents	**7**	4	4
	Design patents	**0**	0	–
	Trademarks	**297**	278	186

Glossary

Some of the subject names and policy names used are abbreviated in this Report, as follows:

ADC	Antibody-drug Conjugate
ANDA	Abbreviated New Drug Application
CAPA	Corrective Action and Preventive Action
CDMO	Contract Development and Manufacturing Organization
CEO	Chief Executive Officer
CI	Continuouse Improvement
CXO	Pharmaceutical Outsourcing Service
DMS	Document Management System
EHS	Environment Health Safety
EMS	Element Management System
ERP	Enterprise Resource Planning
GMP	Good Manufacturing Practice
ICH	International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use
ICH-Q8	Drug Development
ICH-Q9	Quality Risk Management
ICH-Q10	Drug Quality System
IND	Investigational New Drug
NDA	New Drug Application
NMPA	National Medical Products Administration
PQS	Pharmaceutical Quality System
PV	Process Validation
CV	Cleaning Validation
Transfer	Technology Transfer
CQA	Critical Quality Attribute
CPP	Critical Process Parameter
CMA	Critical Material Attribute

[9] The product and service complaints refer to complaints arising from "material defects in products".

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Reader's Feedback

We anticipate your opinions and suggestions to continuously improve our ESG efforts, as well as our competence in ESG management.

We hope you could complete the questions in the feedback form below and sent it back to us via the following contacts.

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Your Information	
Name	
Company name	
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Email	
Opinions & Suggestions	

1. What do you think of our ESG report?
   ○ Excellent ○ Good ○ Average

2. Do you think this report has presented the significant impact of our ESG issues?
   ○ Yes ○ More or less ○ Don't know

3. How do you rate the clarity, accuracy and completeness of the information, data and indicators disclosed in this report?
   ○ Very high ○ High ○ Average ○ Low ○ Very low

4. Which aspect of this report are you most satisfied with?

   _____

5. What kind of information do you want to learn more about?

   _____

6. Do you have any suggestions for the ESG reports to be released in the future?

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