

金斯瑞生物科技股份有限公司*

GENSCRIPT BIOTECH CORPORATION

(Incorporated in the Cayman Islands with limited liability) | Stock code: 1548 | **2021 Annual Report**



Make People and Nature Healthier
through **Biotechnology**

*For identification purpose only



Genscript Biotech Corporation (the “**Company**” or “**GenScript**”, together with its subsidiaries referred to as the “**Group**”) is a well-recognised biotechnology company. The Company’s mission is to “Make People and Nature Healthier through Biotechnology”.

The Group is a company that applies its proprietary technology to various fields from basic and translational research to translational biologics drug development and manufacturing, industrial synthetic products, and cell therapeutic solutions. Leveraging in the Group’s proprietary gene synthesis and other technology and know-hows, the Group has established four major platforms including (i) a leading life-science services and products platform to provide one-stop solutions to global research communities, (ii) a biologics contract development and manufacturing organization (“**CDMO**”) platform, (iii) an industrial synthetic products platform, and (iv) an integrated global cell therapy platform. The life-science services and products platform remains as the strong and stable revenue generating foundation for the entire corporate. The CDMO platform provides end-to-end biologics discovery and development services to pharmaceutical, biotech, government and academic customers worldwide. The industrial synthetic products platform develops products for food and feed processing and other industrial uses. The cell therapy platform provides cell therapy solutions to patients with refractory diseases including cancer and inflammatory diseases.

With a strong sales and marketing team and strong research and development capabilities, the Company continues to sustain strong growth in all business segments.



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Corporate Profile

Genscript Biotech Corporation (the “**Company**” or “**GenScript**”, together with its subsidiaries, the “**Group**”) is a well-recognised biotechnology company. Based on our proprietary gene synthesis technology and the other technology and know-hows on life-science research and application, we have four well established major platforms including (i) a leading life-science services and products platform to provide one-stop solutions to global research communities, (ii) a biologics contract development and manufacturing organization (the “**CDMO**”) platform, (iii) an industrial synthetic products platform, and (iv) an integrated global cell therapy platform. The above four internally built platforms have demonstrated their strong growth from research and development to commercial delivery for year ended December 31, 2021 (the “**Year**” and the “**Reporting Period**”) respectively.

The Group has been inspired by the mission “Make People and Nature Healthier through Biotechnology” since it was founded 19 years ago. Our clients’ business need is the Group’s first priority and the ultimate cornerstone for pursuing its long term development. We have been improving our clients’ competitiveness through providing our quality, fast-delivery and cost-effective services and products. Internally, we focus on streamlining our operational workflows and procedures with the aim to strive for the highest quality of end-to-end delivery. Externally, we actively promote the value of strategic collaboration with business partners with the vision to build up a healthy biotech eco-system. We would like to contribute more of our efforts to speed up the evolution of the whole biotech and biopharma industry, to realize multi-win among all the participating partners in this industry.

Our main business comprises four segments, namely, (i) life-science services and products, (ii) biologics contract development services, (iii) industrial synthetic biology products, and (iv) cell therapy. During the Reporting Period, we had generated external revenue of approximately US\$305.9 million, US\$80.3 million, US\$38.2 million, and US\$86.4 million from these four segments, representing approximately 59.8%, 15.7%, 7.5% and 16.9% of our total external revenue, respectively. With a strong sales and marketing team and strong research and development capabilities, the Company maintains a stable and sustainable growth. The Group’s business operations span over 100 countries and regions worldwide with our legal entities located in the United States (the “**U.S.**”), Mainland China, Hong Kong, Japan, Singapore, Netherlands, Ireland, the United Kingdom, Korea and Belgium. Our professional workforce has increased to approximately 5,260 headcounts as at December 31, 2021.

The life-science services and products segment offers services and products covering gene synthesis, oligo nucleotide synthesis, peptide synthesis, protein production, antibody development, and life-science equipment and consumables. Our business has made a significant impact in the global life science research community. Our services and products have been cited in over 65,600 international peer reviewed journal articles as at December 31, 2021.

The CDMO platform provides one-stop gene and cell therapy (“**GCT**”) development and biologics discovery and development services to customers worldwide. The CDMO business focused on expending the Good Manufacturing Practice (“**GMP**”) capabilities during the Year. GMP facilities are under construction according to our strategic plan with phase by phase delivery of the discovery, development, and medium to large scale of manufacturing capacity to meet demands from our customers.

Legend Biotech Corporation (“**Legend**” or “**Legend Biotech**”) is the biopharma subsidiary of the Group that specifically engages in the discovery and development of novel cell therapies for oncology and other indications. Legend’s lead product candidate, ciltacabtagene autoleucel (cilta-cel), is a chimeric antigen receptor T-cell (“**CAR-T**”) therapy jointly developed with Janssen Biotech, Inc. (“**Janssen**”), for the treatment of multiple myeloma (“**MM**”). Legend and Janssen submitted a Marketing Authorisation Application (the “**MAA**”) to the European Medicines Agency (the “**EMA**”) seeking approval of cilta-cel in April 2021. The U.S. Food and Drug Administration (the “**FDA**”) previously accepted for priority review the Biologics License Application (“**BLA**”) submission for cilta-cel in May 2021. Please refer to the announcements of the Company dated April 30, 2021 and May 27, 2021 for details.

On February 28, 2022 (New York time), the FDA approved cilta-cel under the trademark CARVYKTI™ for the treatment of adults with relapsed or refractory MM who have received four or more prior lines of therapy, including a proteasome inhibitor, an immunomodulatory agent, and an anti-CD38 monoclonal antibody.

Bestzyme Biotech Corporation (“**Bestzyme**”) is a subsidiary of the Group engaged in the synthetic biology fields. Bestzyme uses our advanced enzyme engineering technology to develop products for feed alcohol, food, and home care industries. We believe synthetic biology offers us new opportunities from both technical and commercial perspectives.

We have established an extensive direct sales network, reaching over 100 countries globally. We primarily sell our life-science research services and products through our own direct sales force to customers worldwide, while we also sell our services and products through independent third-party distributors to expand our market presence and facilitate communication with end users. For the year ended December 31, 2021, we have generated approximately US\$267.2 million, US\$144.4 million, US\$43.4 million, US\$42.4 million, and US\$13.7 million from our sales to customers in the U.S., Mainland China, Europe, Asia Pacific (excluding Mainland China), and others, representing approximately 52.3%, 28.2%, 8.5%, 8.3%, and 2.7% of our total external revenue, respectively.



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Meng Jiange (*Chairman*)

Ms. Wang Ye (*President*)

Dr. Zhu Li (*Chief Strategy Officer*)

Non-Executive Directors

Dr. Wang Luquan

Mr. Pan Yuxin

Ms. Wang Jiafen

Independent Non-Executive Directors

Mr. Guo Hongxin

Mr. Dai Zumian

Mr. Pan Jiuan

Dr. Wang Xuehai

AUDIT COMMITTEE

Mr. Dai Zumian (*Chairman*)

Mr. Pan Jiuan

Mr. Guo Hongxin

REMUNERATION COMMITTEE

Mr. Guo Hongxin (*Chairman*)

Ms. Wang Ye

Mr. Dai Zumian

NOMINATION COMMITTEE

Mr. Meng Jiange (*Chairman*)

Mr. Pan Jiuan

Mr. Dai Zumian

SANCTIONS RISK CONTROL COMMITTEE

Dr. Liu Zhenyu (*Chairman*) (*Appointed with effect from March 19, 2022*)

Ms. Shao Weihui (*Appointed with effect from March 19, 2022*)

Dr. Eric Wang

Mr. Wei Shiniu (*Appointed with effect from March 19, 2022*)

Ms. Wang Ye (*Resigned with effect from March 19, 2022*)

Mr. Meng Jiange (*Resigned with effect from March 19, 2022*)

Mr. Shawn Wu (*Resigned with effect from March 19, 2022*)

COMPANY SECRETARY

Ms. Wong Wai Ling

AUTHORIZED REPRESENTATIVES

Mr. Meng Jiange

Dr. Zhu Li

HONG KONG LEGAL ADVISERS

Jones Day

31/F Edinburgh Tower

The Landmark

15 Queen's Road

Central

Hong Kong

AUDITOR

Ernst & Young

Certified Public Accountants

27/F, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

4th Floor, Harbour Place

103 South Church Street, George Town

P.O. Box 10240, Grand Cayman KY1-1002

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 28, Yongxi Road
Jiangning Science Park
Nanjing, Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Services (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street,
George Town
P.O. Box 10240, Grand Cayman KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKS

Bank of America, N.A. Hong Kong Branch

20th Floor, Tower 2
Kowloon Commerce Centre
51 Kwai Cheong Road
Kwai Chung
Hong Kong

Bank of America Scotch Plains Office

336 Park Avenue
Scotch Plains
NJ 07076
USA

Yueyahu Branch of China Merchant Bank

No. 88, Mu Xu Yuan Street
Nanjing
PRC

COMPANY WEBSITES

www.genscript.com
www.genscriptprobio.com
www.legendbiotech.com
www.bestzyme.com

PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited
— Main Board

STOCK CODE

1548

STOCK NAME

GENSCRIPT BIO



Financial Highlight

- Revenue of the Group for the year ended December 31, 2021 was approximately US\$511.1 million, representing an increase of 30.8% as compared with approximately US\$390.8 million for the year ended December 31, 2020, among which, the external revenue for non-cell therapy business was approximately US\$424.7 million, representing an increase of 34.8% as compared with approximately US\$315.1 million for the year ended December 31, 2020, and the external revenue for cell therapy business was approximately US\$86.4 million, representing an increase of 14.1% as compared with approximately US\$75.7 million for the year ended December 31, 2020.
- Gross profit of the Group for the year ended December 31, 2021 was approximately US\$303.5 million, representing an increase of 18.6% as compared with approximately US\$255.9 million recorded for the year ended December 31, 2020, among which, the gross profit of non-cell therapy business before eliminations was approximately US\$223.4 million, representing an increase of 17.7% as compared with approximately US\$189.8 million for the year ended December 31, 2020, and the gross profit of cell therapy business before eliminations was approximately US\$89.8 million, representing an increase of 18.6% as compared with approximately US\$75.7 million for the year ended December 31, 2020.
- The adjusted net loss of the Group was approximately US\$307.3 million, whilst the adjusted net loss was approximately US\$170.8 million for the year ended December 31, 2020, among which, the adjusted net profit of non-cell therapy business before eliminations was approximately US\$50.2 million, representing an increase of 18.1% as compared with approximately US\$42.5 million for the year ended December 31, 2020, and the adjusted net loss of cell therapy business before eliminations was approximately US\$354.6 million, whilst the adjusted net loss of cell therapy business was approximately US\$213.3 million for the year ended December 31, 2020.

The adjusted net loss of the Group excludes: (i) equity-settled share-based compensation expense, (ii) exchange gains or losses, (iii) consultation expenses and other related costs for the Investigation (as defined in the announcement of the Company dated September 21, 2020), (iv) losses on long-term investments and related non-current financial assets, (v) fair value losses of financial liabilities, (vi) service fees for the deemed disposal of equity interest in Probio Technology Limited ("**Probio Cayman**"), (vii) fair value gains of non-current financial assets, (viii) service fees for Follow-on Public Offering (as defined in the announcement of the Company dated December 15, 2021) of Legend, (ix) service fees for the issuance of Legend Series A Preference Shares (as defined in the announcement of the Company dated March 31, 2020), and (x) spin-off expenses relating to the separate listing of Legend.

Loss of the Group for the year ended December 31, 2021 was approximately US\$501.0 million, whilst loss was approximately US\$281.4 million for the year ended December 31, 2020, among which, the loss of non-cell therapy business before eliminations was approximately US\$111.8 million, whilst the net profit of non-cell therapy business was US\$22.1 million for the year ended December 31, 2020, and the loss of cell therapy business before eliminations was approximately US\$386.2 million, whilst the loss of cell therapy business was approximately US\$303.5 million for the year ended December 31, 2020.

During the Reporting Period, the Group invested significantly into research and development activities as well as talent recruitment, both of which are key drivers for a sustainable business growth in the long run. For the year ended December 31, 2021, the Group's research and development expenses was approximately US\$358.4 million, representing an increase of 36.1% as compared with approximately US\$263.4 million for the year ended December 31, 2020, in which the total investment in research and development was approximately US\$313.3 million on cell therapy for the year ended December 31, 2021, representing an increase of 34.9% as compared with approximately US\$232.2 million for the year ended December 31, 2020.

- Loss attributable to owners of the Company for the year ended December 31, 2021 was approximately US\$347.9 million, whilst loss attributable to owners of the Company was approximately US\$204.9 million for the year ended December 31, 2020.

Note:

	For the year ended December 31, 2021			
	Non-cell	Cell therapy	Eliminations	Total
	therapy			
	US\$'000	US\$'000	US\$'000	US\$'000
Net loss	(111,815)	(386,209)	(2,930)	(500,954)
Excluding: Equity-settled share-based compensation expense, net of tax	19,533	20,158	—	39,691
Exchange gains or losses, net of tax	4,145	4,845	—	8,990
Consultation expenses and other related costs for the Investigation, net of tax	3,266	—	—	3,266
Losses on long-term investments and related non-current financial assets	1,699	—	—	1,699
Fair value losses of financial liabilities	133,228	6,200	—	139,428
Services fees for the deemed disposal of equity interest in Probio Cayman, net of tax	504	—	—	504
Fair value gains of non-current financial assets	(312)	—	—	(312)
Service fees for Follow-on Public Offering of Legend	—	400	—	400
Adjusted net profit/(loss)	50,248	(354,606)	(2,930)	(307,288)

Five-Year Financial Summary

	2017	For the year ended December 31,				2021
		2018	2019	2020	US\$'000	
Operation Results						
Revenue	152,649	231,017	273,354	390,846		511,062
Gross profit	104,591	158,539	180,290	255,893		303,484
Profit/(Loss) after income tax	27,005	20,759	(117,516)	(281,423)		(500,954)
Profit/(Loss) attributable to owners of the Company	26,123	21,216	(96,912)	(204,945)		(347,865)
Non-controlling interest	882	(457)	(20,604)	(76,478)		(153,089)
Basic earnings/(loss) per share (US\$)	0.0152	0.0118	(0.0523)	(0.1078)		(0.1713)
Diluted earnings/(loss) per share (US\$)	0.0151	0.0115	(0.0523)	(0.1078)		(0.1713)
Assets						
Non-current assets	106,369	237,513	335,365	454,232		594,808
Current assets	397,895	679,463	554,046	993,174		1,637,962
Current liabilities	272,716	153,515	224,505	327,911		464,367
Net current assets	125,179	525,948	329,541	665,263		1,173,595
Non-current liabilities	3,229	270,162	292,608	303,904		675,448
Net assets	228,319	493,299	372,298	815,591		1,092,955
Cash and cash equivalents	123,857	494,558	252,397	629,058		1,180,971
Inventories turnover days (<i>day</i>)	49	55	65	72		73
Trade receivables turnover days (<i>day</i>)	66	71	77	67		70
Trade payables turnover days (<i>day</i>)	47	48	47	47		43

Dear fellow shareholders,

Greetings!

I am glad to report that we have had a very fruitful year in 2021.

GenScript Group maintained strong growth momentum on all of our business segments despite continued geopolitical tensions and Covid induced supply chain shortage around the globe. In this annual report you will read about our financial and other achievements in 2021, I believe they are satisfactory.

2021 was a year when the Group went “all-in” on the GCT area. Not only did we continued to push for cell therapy pipeline development at Legend, but we also re-affirmed our determination to provide enabling technology in the form of products and services to reduce cost and expedite the development of more GCT programs in the industry. We aim to become the leading GCT contract development and manufacturing organization (“CDMO”) in the world in the not too distant future. We are also investing heavily to develop tools such as gene editing reagents, cell sorting and activation magnetic beads, and related equipment. These critical innovations will help our life science business to open up significant growth opportunities as well.

In this letter, I would also share the thoughts the Board had on a few very important topics.

ON EXTERNAL FINANCING

During 2021, we completed the largest financing deal in the Company's history. We raised about US\$250.0 million at the listed company level of the Group as well as about US\$150.0 million and about US\$300.0 million for two of our subsidiaries, Probio Cayman and Legend, respectively. On top of that, we also secured future growth capital for Probio Cayman and Legend in the form of warrants, at the size of around US\$125.0 million and around US\$200.0 million, respectively. Collectively, this is also one of the largest financing deals in the biotechnology sector in 2021. More importantly, we raised this capital from highly sophisticated long term institutional investor who understands our business model and believes in our vision.

When considering whether we should raise capital, we understand that you have entrusted us with your precious capital and it is our job to make sure that the value of your interest in this Company grows at a decent pace in the long run. In the past, the Company's management team has been very good stewards of shareholders' capital and kept shareholder dilution at a minimum.

The first and foremost reason for the Group to raise outside capital is to accelerate the growth of our business. We have been growing our business at a very fast pace in the past few years and we continue to find more growth opportunities in terms of new customers, new geographic regions, new technology, and so on. If we were to capture these opportunities, we need to invest aggressively in research and development, in business development team, in manufacturing capacity and etc. This need is beyond the amount of cash flow we are currently generating from the existing business. Nevertheless if we choose to slow down such investment, we will likely miss exciting opportunities and hurt our shareholders' interest in the long run.

Fortunately, we were able to convince investors that such growth investments are worth pursuing. After the financing event, GenScript shares and Legend shares continued to appreciate on the public market despite a very challenging backdrop. This is an indication that we are able to create value for all of our shareholders with this deal. Going forward, you can continue to trust that our management team will invest this capital raised diligently and seek the best return for it.

After we have proven to you that we can generate good returns for your capital, we hope to create a virtuous cycle where the next time when we find more and bigger growth opportunities we can continue to count on your support.



Chairman's Statement

TRUE INNOVATION

One of the well-known “secret” of our past success is that we had emphasized research and development into true innovations.

When evaluating our development strategy in cell therapy, one key decision we made was not to follow others into the “safe” but crowded CD-19 (Cluster of Differentiation 19) field. Instead, we pursued the less crowded and more “risky” B-cell maturation antigen (“**BCMA**”) target. We also made sure to target the more challenging and expensive overseas market instead of limiting ourselves to the domestic China market.

We made this choice knowing only true innovations can bring sustainable value creation for our shareholders. Comparing to “fast-follow” and “me-too” types of efforts, it is clear that we chose a more difficult development path for our cell therapy business. However, the intense competition for those presumed “safe” development strategies in the past few years have quickly rendered them much less attractive than people once had believed. Products that have no ability to differentiate themselves on the global market will only cause capital destruction for shareholders.

Now our BCMA targeting cell therapy product “CARVYKTI™” has been approved by the FDA on February 28, 2022. Our partner, Janssen has also publicly stated that they believe this product has the potential to save tens of thousands lives and generates peak sales over approximately US\$5 billion a year. This further supports our view on the importance of true innovation.

We will continue to guide our investment making decisions using the principle of focusing on true innovation, not only in cell therapy business, but also in our non-cell therapy business as well.

MARKET CONDITION AND SINO-US RELATIONSHIP

Many of you have recently expressed concerns about the global equity market, particularly for the fortune of U.S.-listed companies with Chinese roots, including Legend. We understand these concerns are not unfounded. As the Chinese economy develops and the size of it gets close to that of the U.S., the two countries will inevitably compete more directly on many fronts for talents, resources and technology. This kind of competition will also intensify the clashes due to difference in value systems and political views. Sino-U.S. competition will also translate to reduced risk appetite for equity investors on the public market.

However, we strongly believe that both Chinese and American are civilized peace loving people with more shared common interests than differences. The two countries have mutually complementary markets and in the long run both China and the U.S. can benefit from continued exchanges in goods, services, and intellectual properties. We trust the political leaders from both sides have the wisdom required to reconcile the differences and facilitate trade flow soon.

In long run, companies such as GenScript and Legend will continue to leverage the strength we have from both sides of the Pacific. Our global presence will again prove to be a source of resilience and competitive advantage.

NEXT GENERATION MANAGEMENT TEAM

In the past few years, you may also find that we have strengthened Group's management team with the next generation of professionals.

For example, we had named Dr. Liu Zhenyu as the Group's first rotating chief executive officer back in the summer of 2020. Dr. Ying Huang has been promoted as the chief executive officer of Legend and Mr. Wei Shiniu has been promoted as chief financial officer of the Group towards the end of 2020. In 2021, we also appointed Ms. Shao Weihui as chief operating officer of the Group. They are certainly not alone. There are also many more young and talented team members who took more senior management responsibilities within our organization in the past few years.

Some of these team members joined us with successful professional track record in their previous careers. Some of these team members have been promoted from within where they have demonstrated strong performance. Some of them are highly analytical and some of them are strong at execution. They all have different education background, expertise and managerial styles as well. This is by design. We have intentionally built a diverse team to cultivate vibrant discussions and balanced views on how to grow our business going forward. I believe as an organization we can benefit from diversity.

However, one thing is common — all of our management team members have strong identification with our Group's core beliefs and they are dedicated to creating value for all of our shareholders.

Once again, I would like to express my gratitude for your continued support as our shareholders and partners in the journey to Make People and Nature Healthier using Biotechnology. Thank you!

Sincerely yours,

Meng Jiange

Chairman and Executive Director

March 20, 2022



Management's Discussion and Analysis

POSITIONING OF THE COMPANY

The Group is a well-recognised biotechnology company. Based on our proprietary gene synthesis technology and the other technology and know-hows on life-science research and application, we have well established four major platforms including (i) a leading life-science services and products platform to provide one-stop solutions to global research communities, (ii) a CDMO platform, (iii) an industrial synthetic products platform, and (iv) an integrated global cell therapy platform. The above four internally built platforms have demonstrated their strong growth from research and development to commercial delivery for year ended December 31, 2021 (the “Year” and the “Reporting Period”).

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The CDMO platform provides one-stop GCT development and biologics discovery and development services to customers worldwide. The CDMO business focused on expanding the GMP capabilities during the Year. GMP facilities are under construction according to our strategic plan with phase by phase delivery of the discovery, development, and medium to large scale of manufacturing capacity to meet demands from our customers.

Legend Biotech is the biopharma subsidiary of the Group that specifically engages in the discovery and development of novel cell therapies for oncology and other indications. Legend's lead product candidate, ciltacabtagene autoleucel (cilta-cel), is CAR-T therapy jointly developed with Janssen, for the treatment of MM. Legend Biotech and Janssen submitted the MAA to the EMA seeking approval of cilta-cel in April 2021. The FDA previously accepted for priority review the BLA submission for cilta-cel in May 2021. Please refer to the announcements of the Company dated April 30, 2021 and May 27, 2021 for details.

On February 28, 2022 (New York time), the FDA approved cilta-cel under the trademark CARVYKTI™ for the treatment of adults with relapsed or refractory MM who have received four or more prior lines of therapy, including a proteasome inhibitor, an immunomodulatory agent and an anti-CD38 monoclonal antibody. Please refer to the announcement of the Company dated March 1, 2022 for details.

Bestzyme is a subsidiary of the Group engaged in the synthetic biology fields. Bestzyme uses our advanced enzyme engineering technology to develop products for feed alcohol, food and home care industries. We believe synthetic biology offers us new opportunities from both technical and commercial perspectives.

We have established an extensive direct sales network, reaching over 100 countries globally. We primarily sell our life-science research services and products through our own direct sales force to customers worldwide, while we also sell our services and products through independent third-party distributors to expand our market presence and facilitate communication with end users. For the year ended December 31, 2021, we have generated approximately US\$267.2 million, US\$144.4 million, US\$43.4 million, US\$42.4 million, and US\$13.7 million from our sales to customers in the U.S., Mainland China, Europe, Asia Pacific (excluding Mainland China), and others, representing approximately 52.3%, 28.2%, 8.5%, 8.3%, and 2.7% of our total external revenue, respectively.

BUSINESS REVIEW

During the Reporting Period, the overall revenue of the Group was approximately US\$511.1 million, representing an increase of 30.8% as compared with approximately US\$390.8 million for the year ended December 31, 2020. Gross profit was approximately US\$303.5 million, representing an increase of 18.6% as compared with approximately US\$255.9 million for the year ended December 31, 2020. The increase in revenue was primarily attributable to (i) the continued growth of non-cell therapy business from major strategic customers and new competitive services and products, and (ii) the increase of contract revenue derived from Legend's collaboration with Janssen with new milestones achieved. The increase in gross profit was mainly attributable to the (i) rapid growth of revenue, and (ii) operational efficiency improvement. The increase in gross profit was partially offset by unfavorable exchange rate fluctuation and increased shipping costs.

During the Reporting Period, the loss of the Group was approximately US\$501.0 million, whilst loss was approximately US\$281.4 million for the year ended December 31, 2020. The adjusted net loss of the Group was approximately US\$307.3 million, whilst adjusted net loss was approximately US\$170.8 million for the year ended December 31, 2020.

During the Reporting Period, the loss attributable to owners of the Company was approximately US\$347.9 million, whilst loss attributable to owners of the Company was approximately US\$204.9 million for the year ended December 31, 2020. The adjusted net loss attributable to owners of the Company was approximately US\$167.0 million, whilst adjusted net loss attributable to owners of the Company was approximately US\$109.6 million for the year ended December 31, 2020.

During the Reporting Period, the external revenue of (i) life-science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, (iv) cell therapy, and (v) operation unit accounted for approximately 59.8%, 15.7%, 7.5%, 16.9%, and 0.1% of the total revenue of the Group, respectively.

Results Analysis of the Four Business Segments

Life-science services and products

This segment provides comprehensive life-science research services and products in seven key categories, namely, gene synthesis and molecular cloning, oligonucleotide synthesis, protein engineering, peptide synthesis, antibody development, molecular diagnostics tools and genome editing materials. These services and products are essential to a wide range of life-science research and application areas, including basic biology studies, pharmaceutical and drug discovery, disease diagnostics and vaccine, agriculture, environmental studies, and the food industry. The COVID-19 related in vitro diagnostic business is also included in this segment.

Results

During the Reporting Period, revenue from life-science services and products was approximately US\$315.8 million, representing an increase of 26.4% as compared with approximately US\$249.8 million for the year ended December 31, 2020. During the Reporting Period, the gross profit was approximately US\$183.3 million, representing an increase of 10.8% as compared with approximately US\$165.4 million for the year ended December 31, 2020. During the Reporting Period, the operating profit of life-science services and products was approximately US\$91.6 million, representing an increase of 6.5% from approximately US\$86.0 million for the same period in 2020.

The growth of revenue and gross profit was mainly attributable to the (i) expanded capacity and productivity, (ii) successful commercial operation that focused on the novel products such as oligo synthesis and cPass services and kit, (iii) successful development of key accounts, and (iv) improvement of online commercial platform and tools to attract new customers. The decrease in gross profit margin was primarily attributable to the (i) significant decrease of exchange rate of US\$ against RMB as compared to 2020 which caused an increase of converted cost as the majority of production cost occurred in Mainland China, (ii) increased freight and duty costs, and (iii) change of product portfolio strategy. The increase in operating profit was



Management's Discussion and Analysis

primarily attributable to the improved capacity utilization and operational efficiency, and was partially offset by increased investment in research and development.

Development strategies

The Company intends to (i) provide reliable, high quality and innovative products and services for the life science research and development community, (ii) expand technical capabilities and manufacturing capacity to provide innovative enabling products and services for GCT and precision medicine research and development, and (iii) enhance the global manufacturing capacity to support long term business growth with regionally based supply chain solutions for risk reduction and optimal logistic and supply options.

Biologic development services

This segment provides comprehensive services in five key categories, namely, antibody drug discovery, antibody drug pre-clinical development, antibody drug clinical development, plasmid & virus pre-clinical development, and plasmid & virus clinical development. These services and associated products help biopharmaceutical and biotech companies accelerate the development of therapeutic antibodies and plasmid and viral vectors for gene or cell therapy products with an integrated platform from the very beginning of drug discovery stage to pre-clinical and clinical development stage.

Results

During the Reporting Period, revenue from biologics development services was approximately US\$81.4 million, representing an increase of 101.5% as compared with approximately US\$40.4 million for the year ended December 31, 2020. Total backlog for biologics development services increased by 108.4% from US\$94.7 million as at December 31, 2020 to US\$197.4 million as at December 31, 2021. During the Reporting Period, the gross profit was approximately US\$25.6 million, representing an increase of 158.6% as compared with approximately US\$9.9 million for the year ended December 31, 2020. The gross profit margin increased from 24.5% for the same period in 2020 to 31.4% this Year. During the Reporting Period, the operating loss of biologics development services was approximately US\$4.5 million, whilst the operating loss was approximately US\$7.6 million for the same period in 2020.

The increase in revenue was primarily attributable to the (i) accumulated biologics development track records and expanded global customer base, (ii) expanded capacity and productivity of pre-clinical and clinical development, (iii) shorter delivery time for antibody and protein drug development, and (iv) significant increase in plasmid revenue from the boosting GCT market, including mRNA related applications. The increase in gross profit was primarily attributable to the (i) increased revenue, (ii) production cost reduction and quality improvement, and (iii) improved capacity utilization. The operating loss was primarily attributable to the (i) investment in selling and distribution, and (ii) investment in research and development activities.

Development strategies

The Company intends to (i) open new GMP facilities to expand services to late-stage development and commercial manufacturing of biologics and GCT, (ii) establish the U.S. production operations for GCT, (iii) improve the quality system to meet the quality standards globally, (iv) continue to enhance the service platforms by developing and introducing advanced technologies, including but not limited to single-B cell cloning perfusion system, linearized DNA, and mRNA production, and (v) expand markets further globally through both in-house capabilities and external collaborations.

Industrial synthetic biology products

This segment leverages our technical experience in protein engineering and synthetic biology to construct production strains using GRAS (Generally Recognized as Safe) microorganism strains to produce high-quality industrial enzymes that can be used in a variety of industries, such as the food processing, feed, pharmaceutical, and chemical industries. Synthetic biology technology has also brought a series of innovative breakthroughs in producing synthetic fine chemical products for the pharmaceutical and other uses.

Results

During the Reporting Period, revenue from industrial synthetic biology products was approximately US\$38.6 million, representing an increase of 33.6% as compared with approximately US\$28.9 million for the year ended December 31, 2020. During the Reporting Period, the gross profit was approximately US\$11.3 million, representing an increase of 31.4% as compared with US\$8.6 million for the year ended December 31, 2020. During the Reporting Period, the industrial synthetic biology products segment has achieved operating break-even, whilst the operating loss was approximately US\$3.0 million for the same period in 2020.

The increase in revenue and gross profit was primarily attributable to the (i) launch of innovative products, (ii) increased penetration into big industrial customers, and (iii) business development in overseas markets. The gross profit margin remained stable during the Reporting Period.

Development strategies

The Company intends to be a leading synthetic biology company. The Company intends to (i) drive business growth and profit improvement by taking advantage of our strong competency in strain optimization and protein engineering, (ii) strengthen commercial capability to increase market share with focus on key accounts and overseas markets, and (iii) leverage our research and development competency to deliver more innovation in new synthetic biology application areas.

Cell therapy

This segment was initiated from GenScript's proprietary antibody development platform, and is primarily conducted through Legend Biotech and its subsidiaries. With the strength in the optimization of CAR structures and the development of multi-specific antibodies, the Legend Group is engaged in the discovery and development of novel cell therapies for oncology and other indications, including with the application of its proprietary technologies for CAR-T, and allogeneic cell therapies. Based on its fully-integrated and global cell therapy capabilities, the Legend Group is developing a variety of product candidates for the treatment of hematologic malignancies, solid tumor and infectious diseases, among which the B-cell maturation antigen ("**BCMA**") CAR-T program is the most mature one, for which the Legend Group has entered into a worldwide collaboration with Janssen to jointly develop and commercialize JNJ-4528/LCAR-B38M CAR-T cells, a structurally differentiated autologous CAR-T cell therapy that targets BCMA, in MM. In the Year and the quarter ended March 31, 2021, cilta-cel was granted Breakthrough Therapy Designation by the China Center for Drug Evaluation, National Medical Products Administration ("**NMPA**"), and completed a rolling submission of a BLA to the FDA. On February 28, 2022, the FDA approved cilta-cel under the trademark CARVYKTI™ for the treatment of adults with relapsed or refractory MM who have received four or more prior lines of therapy, including a proteasome inhibitor, an immunomodulatory agent, and an anti-CD38 monoclonal antibody.

Results

During the Reporting Period, revenue and gross profit from cell therapy segment was approximately US\$89.8 million, representing an increase of 18.6% as compared with approximately US\$75.7 million for the year ended December 31, 2020. During the Reporting Period, the operating loss of cell therapy was approximately US\$373.9 million, whilst the operating loss was approximately US\$233.4 million for the same period in 2020.

The increase in both revenue and gross profit was primarily attributable to additional milestones achieved in 2020 and 2021 and thus further recognition of contract revenue from the collaboration with Janssen on developing cilta-cel. The operating loss was primarily attributable to the (i) investment in clinical trials, higher patients enrollment and more pipelines, (ii) cost for commercial preparation activities for the launch of cilta-cel, and (iii) expansion of administrative functions.

Management's Discussion and Analysis

Development strategies

Legend employs a global clinical development strategy designed to progress Legend's product candidates rapidly through the clinic. In particular, Legend utilizes its deep relationships with thought leaders in China to conduct proof-of-concept studies, from which Legend believes it can more efficiently inform the design of Legend's clinical development programs and potentially mitigate certain clinical development risks. Through initially testing product candidates in humans in investigator-initiated trials in China, Legend can quickly assess the therapeutic potential of and improve individual product candidates in an efficient and cost-effective manner, which allows us to quickly identify promising product candidates and advance them into registrational clinical trials across China, the U.S., Europe and Japan.

Given Legend's expertise and understanding of the significant differences in the regulatory environment for cell therapies in China compared to the U.S., Legend has the potential to be a preferred partner for companies outside of China or those that are founded or controlled by entities outside of China to conduct scientific research using genetically modified cells in China. Following consultation, and subject to oversight by scientific advisory boards and ethical committees, clinicians in China can initiate clinical testing for experimental cell therapies at their hospitals without the requirement for clearance of a formal investigational new drug ("IND") application by the NMPA as part of the NMPA's encouragement of innovation. Legend works with the clinicians and hospitals to conduct investigator-initiated trials in accordance with international standards to support future global regulatory filings and partnerships. This approach enables us to rapidly test Legend's product candidates directly in patients. Legend also has established relationships with China-based key opinion leaders, regulatory bodies, institutional review boards, ethics committees and related entities involved in accelerating and monitoring clinical development of cell therapies.

Legend is one of the most advanced companies in developing CAR-T cell therapies in China, having received clearance for the first CAR-T cell therapy IND application by the NMPA. Legend is also the first to conduct a registrational CAR-T clinical trial in China. Legend has built a strong, global research team of over 370 researchers who identify potential cellular targets and create and assess a broad portfolio of product candidates. Establishing this expertise has attracted the leading investigators and partners within China.

As the global COVID-19 pandemic continues to evolve, the Group has continuously monitored the situation in regards to its operations and has put significant measures in place to protect supply chain, operations, employees and the execution of clinical trials. Given the dynamic global situation, the Group notes that certain clinical trial timelines may be impacted.

FINANCIAL REVIEW

	2021 US\$'000	2020 US\$'000	Change US\$'000
Revenue	511,062	390,846	120,216
Gross profit	303,484	255,893	47,591
Loss after income tax	(500,954)	(281,423)	(219,531)
Adjusted net loss	(307,288)	(170,806)	(136,482)
Loss attributable to owners of the Company	(347,865)	(204,945)	(142,920)
Adjusted net loss attributable to owners of the Company	(166,994)	(109,617)	(57,377)
Loss per share (US cent)	(17.13)	(10.78)	(6.35)

Revenue

In 2021, the Group recorded revenue of approximately US\$511.1 million, representing an increase of 30.8% from approximately US\$390.8 million in 2020. This was primarily attributable to (i) the continued increase of non-cell therapy products and services from major strategic customers and new competitive services and products, and (ii) the increase of contract revenue derived from Legend's collaboration with Janssen with new milestones achieved.

Gross Profit

In 2021, the Group's gross profit increased by 18.6% to approximately US\$303.5 million from approximately US\$255.9 million in 2020. The increase in gross profit was primarily attributable to the (i) rapid growth of revenue, and (ii) operational efficiency improvement. The increase in gross profit was partially offset by unfavorable exchange rate fluctuation and increased shipping costs.

Selling and Distribution Expenses

The selling and distribution expenses increased by 56.6% to approximately US\$168.0 million in 2021 from approximately US\$107.3 million in 2020. This was mainly attributable to the (i) recruiting of more experienced personnel and improved incentive packages to enhance the business development capability, and (ii) increased marketing and advertising expenses, primarily attributable to the global expansion of our business, including Legend's collaboration with Janssen.

Administrative Expenses

The administrative expenses increased by 48.9% to approximately US\$134.5 million in 2021 from approximately US\$90.3 million in 2020. This was mainly caused by (i) reinforcing the key administrative functions such as information technology, supply chain and legal to support the Group's overall business expansion and ensure compliance with certain updated requirements, (ii) one-time consultation expenses and other costs related to the Investigation, and (iii) the CARVYKTI™ application and the Follow-on Public Offering of Legend.

Research and Development Expenses

The research and development expenses increased by 36.1% to approximately US\$358.4 million in 2021 from approximately US\$263.4 million in 2020. This was mainly due to the (i) increase in clinical trial expenses and preclinical study costs in the cell therapy segment, (ii) investment in new research and development projects to strengthen our competitiveness in the GCT market and related supply chain, (iii) investment in development projects that improved our production efficiency, and (iv) increase in compensation package including equity-settled shared-based compensation expense for research and development personnel.

Fair Value Loss of Financial Liabilities

On September 3, 2021, Probio Cayman, an indirectly wholly owned subsidiary of the Company before the closing of the Probio Cayman Purchase (as defined below), entered into a purchase agreement (the "**Probio Cayman Purchase Agreement**") with certain investors, whereby Probio Cayman agreed to sell certain series A preferred shares of Probio Cayman (the "**Probio Series A Preferred Shares**") and a warrant exercisable for up to an aggregate of 189,393,939 ordinary shares of Probio Cayman (the "**Probio Warrant**" and collectively, the "**Probio Cayman Purchase**"). The total proceeds from the Probio Cayman Purchase is US\$150.0 million. Pursuant to the Probio Cayman Purchase Agreement, Probio Cayman issued the Probio Warrant to the investors to purchase the ordinary shares of Probio Cayman at a certain price per share for



Management's Discussion and Analysis

up to an aggregate amount of US\$125.0 million. The Probio Warrant is exercisable (i) within 24 months after September 3, 2021 or (ii) prior to the last practical date required by applicable law or regulation, or any requirement of any stock exchange or regulatory authority in an initial public offering (or if no such date is required, immediately prior to the completion of the initial public offering), whichever is earlier. The investors have the option to convert the Probio Series A Preferred Shares into such number of fully paid and non-assessable ordinary shares of Probio Cayman at the conversion price in effect on the date of and immediately prior to such issuance. All outstanding Probio Series A Preferred Shares shall automatically be converted into such number of fully paid and non-assessable ordinary shares of Probio Cayman at the conversion price applicable to such Probio Series A Preferred Shares upon the completion of the initial public offering. The investors shall have the right to require the Company or Probio Cayman to redeem all or any of the Probio Series A Preferred Shares based on certain conditions. The aggregate amount of the redemption price shall include, without limitation, (i) the initial conversion price, (ii) interest at an agreed rate per annum accruing on the initial conversion price, calculated from the date of issuance thereof through and including the redemption date, and (iii) any declared but unpaid dividends thereto as at the date of redemption. The initial conversion price per Probio Series A Preferred Shares shall be subject to adjustments for certain dilutive issuances, splits and combinations. Please refer to the announcements of the Company dated May 14, 2021, August 19, 2021 and September 5, 2021 for details.

On May 13, 2021 (New York time), Legend entered into a subscription agreement with an investor relating to the offer and sale of 20,809,850 ordinary shares of Legend in a private placement at a purchase price of US\$14.41625 per ordinary share of Legend (the “**Legend Offering**”). The total proceeds from the Legend Offering is US\$300.0 million. Pursuant to the subscription agreement, Legend also issued concurrently with the Legend Offering a warrant (the “**Legend Warrant**”) exercisable for up to an aggregate of 10,000,000 ordinary shares of Legend (such transaction together with the Legend Offering, the “**Legend Subscription**”). The completion of the Legend Subscription took place on May 21, 2021 (the “**Legend Closing Date**”). The Legend Warrant will be exercisable, in whole or in part, at an exercise price of US\$20.0 per ordinary share of Legend. The Legend Warrant is exercisable after the Legend Closing Date and prior to the two-year anniversary of the Legend Closing Date. Please refer to the announcements of the Company dated May 14, 2021 and May 23, 2021 for details.

The Probio Series A Preferred Shares, the Probio Warrant and the Legend Warrant are accounted for as financial liabilities measured at fair value with changes through profit or loss in accordance with relevant HKFRS.

As of December 31, 2021, the fair value of the Probio Series A Preferred Shares and Probio Warrant are assessed at US\$283.2 million and the fair value of the Legend Warrant was assessed at approximately US\$87.9 million. The total fair value loss of US\$139.4 million were recorded in 2021 due to the changes in fair value of these financial liabilities.

Income Tax Expense/(Credit)

The income tax expense was approximately US\$4.6 million in 2021 whilst the income tax credit was approximately US\$0.5 million in 2020. The actual tax rate was 0.9% in credit for the year ended December 31, 2021 (actual tax rate for the year ended December 31, 2020: 0.2%). A tax refund under the tax preferences issued because of the outbreak of COVID-19 in 2020 was not applicable in 2021 which caused the increase of tax expenses in 2021.

Net Loss

During the Reporting Period, net loss of the Group was approximately US\$501.0 million, whilst the net loss for the same period of 2020 was approximately US\$281.4 million.

Trade Receivables

	2021	2020
Trade receivables turnover (<i>day</i>)	70	67

The slight increase of trade receivables turnover of the Group was mainly caused by the revenue growth, especially the booming of biologics development services, and partially offset by the collection of the trade receivables from Legend's collaboration with Janssen.

Inventories

	2021	2020
Inventory turnover (<i>day</i>)	73	72

The inventory turnover of the Group remained stable.

Contract Costs

The contract costs mainly include the costs to fulfil a contract under biologics development services. As at December 31, 2021, the Group's contract costs amounted to approximately US\$8.9 million, representing an increase of 53.4% from approximately US\$5.8 million as at December 31, 2020, generally in line with the increment of ongoing backlog in the biologics development services.

Property, Plant and Equipment

Property, plant and equipment include buildings, machinery equipment and construction in progress. As at December 31, 2021, the property, plant and equipment of the Group amounted to approximately US\$439.9 million, representing an increase of 27.4% from approximately US\$345.2 million as at December 31, 2020. This was mainly due to the on-going facility constructions and the acquisition of equipment, mainly for biologics development services and cell therapy business to support the sharp business expansion.

Intangible Assets

Intangible assets include software, patents and licenses. As at December 31, 2021, the Group's net intangible assets amounted to approximately US\$26.4 million, representing an increase of 1.5% from approximately US\$26.0 million as at December 31, 2020. The increase was mainly due to the newly purchased software and was offset by the amortization expense.

Working Capital and Financial Resources

As at December 31, 2021, the cash and cash equivalents of the Group amounted to approximately US\$1.2 billion (2020: approximately US\$629.1 million). As at December 31, 2021, the restricted cash of the Group amounted to approximately US\$1.4 million (2020: approximately US\$7.5 million).



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As at December 31, 2021, the Group had available unutilized bank facilities of approximately US\$145.5 million (2020: approximately US\$178.3 million).

Cash Flow Analysis

During the Reporting Period, the annual cash outflow used in operating activities of the Group was approximately US\$136.8 million.

During the Reporting Period, the annual cash outflow used in investing activities of the Group was approximately US\$212.5 million. This was mainly due to (i) net cash paid for the financial assets in the amount of approximately US\$24.0 million, (ii) cash paid for the purchases of property, plant and equipment and other intangible assets in the amount of approximately US\$137.4 million, (iii) cash received from the investment income of approximately US\$3.9 million, (iv) net cash paid for the time deposits in the amount of approximately US\$58.4 million, and (v) net cash received from the pledged short-term deposits in the amount of approximately US\$2.8 million.

During the Reporting Period, the annual cash inflow generated from financing activities of the Group was approximately US\$902.1 million. This was mainly due to (i) proceeds from issuance of ordinary shares for Follow-on Public Offering of Legend in the amount of approximately US\$233.4 million, net of issuance cost, (ii) proceeds from exercise of share options by employees in the amount of approximately US\$19.9 million, (iii) net payments for bank loans in the amount of approximately US\$45.2 million, (iv) proceeds from issuance of certain shares and warrants relating to private placement for institutional investors in the amount of approximately US\$697.9 million, and (v) the principle portion of lease payments in the amount of approximately US\$3.7 million.

Capital Expenditure and Capital Commitment

During the Reporting Period, the expenditure of purchasing intangible assets, namely software, patents and license, was approximately US\$4.4 million and the expenditure of constructing and purchasing property, plant and equipment amounted to approximately US\$133.0 million.

Significant Investments Held, Material Acquisitions and Disposals

Deemed disposal of equity interest in Legend

On May 13, 2021 (New York time), Legend entered into a subscription agreement with an investor relating to (i) the offer and sale of 20,809,850 ordinary shares of Legend in a private placement, and (ii) the issuing of a warrant exercisable for up to an aggregate of 10,000,000 ordinary shares of Legend at an aggregate consideration of US\$300.0 million. On May 21, 2021, the Legend Subscription was completed. The closing of the Legend Subscription resulted in a reduction of the percentage shareholding of the Company in Legend and constituted a deemed disposal of the Company's equity interests in Legend under Rule 14.29 of the Listing Rules. Please refer to the announcements of the Company dated May 14, 2021 and May 23, 2021 for details.

Legend would continue to be a direct non-wholly owned subsidiary of the Company on a fully diluted basis (without taking into account shares to be issued under the employee share option schemes). The results of operations and financial position of Legend would continue to be recorded in the consolidated financial statements of the Group after the closing of the Legend Subscription.

Deemed disposal of equity interest in Probio Cayman

On August 18, 2021 (New York time), Probio Cayman, an indirectly wholly owned subsidiary of the Company before the closing of the Probio Cayman Purchase, entered into the Probio Cayman Purchase Agreement with certain investors, whereby Probio Cayman agreed to sell the Probio Series A Preferred Shares and the Probio Warrant at an aggregate consideration of US\$150.0 million. On September 3, 2021 (after trading hours, Hong Kong time), the closing of the Probio Cayman Purchase took place. Since the closing of the Probio Cayman Purchase would result in a reduction of the percentage shareholding of the Company in Probio Cayman, it constituted a deemed disposal of the Company's equity interests in Probio Cayman pursuant to Rule 14.29 of the Listing Rules. Please refer to the announcements of the Company dated August 19, 2021 and September 5, 2021 for details.

Probio Cayman has become a non-wholly owned subsidiary of the Company (on a converted basis of the Probio Series A Preferred Shares) and the financial results of Probio Cayman and its subsidiaries would continue to be consolidated into the financial statements of the Group after the closing of the Probio Cayman Purchase.

Legend's follow-on offering and GenScript's participation

On December 17, 2021 (before trading hours, Hong Kong time), Legend entered into an underwriting agreement (the "**Underwriting Agreement**") with Morgan Stanley & Co. LLC, J.P. Morgan Securities LLC, Jefferies LLC, Piper Sandler & Co. and Barclays Capital Inc. in relation to an underwritten public follow-on offering ("**Follow-on Public Offering**") of 8,615,575 American Depositary Shares ("**ADSs**") (inclusive of the 1,115,575 additional ADSs purchased by the underwriters by exercising their options) at a price to the public of US\$40.00 per ADS and each ADS will represent two ordinary shares of Legend. In the Follow-on Public Offering, the Company purchased 4,500,000 ordinary shares of Legend with an aggregate price of approximately US\$90.0 million at the public offering price per ADS (the "**GenScript Participation**"). On December 20, 2021 (after trading hours, Hong Kong time), the Follow-on Public Offering, including the GenScript Participation, has been closed. Please refer to the announcements of the Company dated December 15, 2021, December 17, 2021, December 19, 2021 and December 21, 2021 for details.

As of the date of this Report, Legend remains a non-wholly owned subsidiary of the Company and the financial results of Legend continues to be consolidated into the financial statements of the Group.

Save as disclosed above, the Group did not have any other significant investment held, material acquisitions or disposals of subsidiaries and associated companies during the Reporting Period.

Bank Loans and Other Borrowings

As at December 31, 2021, GenScript Japan Inc. ("**GS JP**") had a long-term interest-bearing loan from Mizuho Bank for a total amount of JPY130.0 million (equivalent to approximately US\$1.1 million) with a floating interest rate at the TIBOR (Tokyo Interbank Offered Rate) rate plus 0.25%, which was secured by the buildings and freehold land held by GS JP. GS JP used such a loan to purchase building.

As at December 31, 2021, Legend took funding advances with principal amounted to US\$119.7 million with a collaborator. Pursuant to the license and collaboration agreement entered into with the collaborator, Legend is entitled to receive funding advances from the collaborator when certain operational conditions are met. As a result, Legend took an initial funding advance amounting to US\$17.3 million on June 18, 2021, second amounting to US\$53.1 million on September 17, 2021, and third amounting to US\$49.3 million on December 17, 2021, by reducing the same amount of other payables due to the collaborator (collectively, the "**Funding Advances**"). As at December 31, 2021, Legend recorded interest payables of US\$0.8 million for the Funding Advances.



Management's Discussion and Analysis

This Funding Advances are accounted for as interest-bearing borrowings funded by the collaborator, constituted by a principal and applicable interests upon such principal. The respective interest rate of each borrowing is based on the average annual LIBOR (London Interbank Offered Rate) for U.S. Dollars as reported in the Wall Street Journal on the due date, plus 2.5%, calculated on the number of days from the date on which Legend applied such borrowings.

Pursuant to the terms of the license and collaboration agreement, the collaborator may recoup the aggregate amount of Funding Advances together with interest thereon from Legend's share of pre-tax profits for the first profitable year of the collaboration program. The Company's management estimated the loans will not be recouped by the collaborator within one year, and thus the loans was classified as a long-term liability.

Save as disclosed above, the Group did not have any other outstanding, unpaid bank loans and/or other borrowings.

Provision, Contingent Liabilities and Guarantees

On September 17, 2020, the Customs Anti-Smuggling Department (the "**Authority**") of the PRC inspected the Group's places of business in Nanjing and Zhenjiang, China. The inspections were in connection with what the Company understood to be an investigation (the "**Investigation**") relating to suspected violations of import and export regulations under the laws of the PRC.

In May 2021, certain subsidiaries and employees of the Company and Dr. Zhang Fangliang ("**Dr. Zhang**") had been informed by the Authority that the Investigation has been completed, and the respective matter had been handed over to the Zhenjiang Municipal People's Procuratorate (the "**Procuratorate**") for examination and prosecution. Please refer to the announcement of the Company dated May 25, 2021 for details.

As at the date of this report, to the best of the Company's knowledge, no formal charges have been made or filed against any entity or individual. The Company will make further announcement in a timely manner on any important development of the Investigation. As at the date of this report, the Group's business operations remain normal.

There is uncertainty in what the final penalty and charges may be, if there is any, which depends on the development and closure of the case. The Group did not provide any contingent liability for the Investigation for the Reporting Period as the Group is not able to make a sufficiently reliable estimate of the amount of the obligation.

Save as disclosed above, the Group did not have any material contingent liabilities or guarantees as at December 31, 2021.

No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since December 31, 2021 and up to the date of this report.

Charges on Group Assets

As at December 31, 2021, the building and freehold land located in Tokyo, Japan of approximately JPY1.2 billion (equivalent to approximately US\$10.6 million) was pledged by GS JP to secure a loan of JPY130.0 million (equivalent to approximately US\$1.1 million).

As at December 31, 2021, bank balances of US\$1.0 million was pledged by Nanjing Legend Biotechnology Co., Ltd. ("**Legend Nanjing**") in the PRC for the letter of guarantee to a supplier, and of approximately US\$456,000 was pledged by Legend Biotech USA Incorporated ("**Legend USA**") for credit card facilities.

Save as disclosed above, the Group did not have any other material charges over its assets as at December 31, 2021.

Current Ratio and Gearing Ratio

As at December 31, 2021, the Group's current ratio (current assets to current liabilities) was approximately 3.5 (as at December 31, 2020: 3.0); and gearing ratio (total liabilities to total assets) was approximately 51.0% (as at December 31, 2020: 43.7%).

RISK MANAGEMENT

Foreign Exchange Risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar and Euro. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. Since January 2019, the Group has entered into a series of forward contracts to manage the Group's currency risk.

Cash Flow and Fair Value Interest Rate Risk

As at December 31, 2021, other than bank balances with variable interest rates and short-term deposits and financial assets measured at amortized cost with fixed interest rates, the Group has financial products of approximately US\$2.2 million related to fair value interest rate risk. The Directors consider that both the exposure of cash flow interest rate risks arising from variable-rate bank balances and the exposure of fair value interest rate arising from financial products are insignificant, because the current market interest rates are relatively low and stable, therefore no sensitivity analysis on such risk has been prepared.

The Group is also exposed to fair value interest rate risk in relation to lease liabilities and cash flow interest rate risk in relation to variable-rate bank loans and other borrowings. The Company currently does not enter into any hedging instrument for both of the fair value interest rate risk and cash flow interest rate risk.

The sensitivity analysis is based on the exposure to interest rates for bank loans and borrowings at the end of the Reporting Period. The management of the Company considers that the exposure of cash flow interest rate risk arising from bank loans and borrowings is insignificant. A 50 basis point increase or decrease in interest rates are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change.

Credit Risk

The carrying amounts of cash and cash equivalents, trade and other receivables and other current assets are the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problems.

In respect of trade and other receivables, individual credit evaluations are performed on customers and counterparties. These evaluations focus on the counterparty's financial position and past history of making payments, and they take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up actions will be taken to recover overdue debts. Credit limits were granted to certain customers in consideration of their payment history and business performance. Prepayment agreements were sometimes entered into with certain customers from biotech companies, colleges, universities, and research institutes in China, as well as occasionally with other customers in the U.S. and Europe. In addition, the Group reviews the recoverable amount of each individual transaction and other receivable balance by semi-year to ensure that adequate impairment losses are made for irrecoverable amounts.



Management's Discussion and Analysis

Regulatory Risk

The Biosecurity Law of the PRC (《中華人民共和國生物安全法》) (the “**Biosecurity Law**”), promulgated by the Standing Committee of National People's Congress on October 17, 2020 and came into effect on April 15, 2021, establishes an integrated system to regulate biosecurity-related activities in China, including the security regulation of human genetic resources (the “**HGR**”) and biological resources. The Biosecurity Law declares that China enjoys sovereignty over its HGR and biological resources and further endorsed the Regulation for the Administration of Human Genetic Resources of the PRC (《中華人民共和國人類遺傳資源管理條例》) by recognizing the fundamental regulatory principles and systems established by it over the preservation, collection, transaction or exportation of China's HGR by foreign organizations and individuals. Although the Biosecurity Law does not provide any specific new regulatory requirements on the HGR, it grants China's major regulatory authorities of HGR, i.e. the Ministry of Science and Technology, significantly more power and discretion to regulate the HGR. It is expected that the overall regulatory landscape for China's HGR will evolve and become even more rigorous. In addition, the interpretation and application of the data protection laws and regulations in China and elsewhere in the world are often uncertain and constantly changing.

The Group has formed a biosecurity committee which comprises professionals with years of experiences and diversified backgrounds in different industries and functions. The committee members are responsible for actively following new laws, regulations and guidelines published by regulatory authorities and promoting improvements in the compliance of the Group with such laws, regulations and guidelines.

Risk Related to International Trade Agreements, Tariffs and Import/Export Regulations

In recent years, there have been more material uncertainties arose in international trade agreements, tariffs and import/export regulations. The momentum of international trade protectionism and unilateralism is growing. The U.S. and the PRC governments have held numerous rounds of negotiations. If any new legislation and/or regulations are implemented, or if existing trade agreements are renegotiated, or if the U.S. or the PRC imposes additional burdens on international trade that negatively affect the ability of both countries to import and export goods, it may lead to a decline in material supply and demand of the Group's services. In order to mitigate this, the Group has continuously increased the layout of global service capacities.

Risk Related to the Holding Foreign Companies Accountable Act

On April 12, 2022, pursuant to the Holding Foreign Companies Accountable Act (the “**HFCA Act**”), the U.S. Securities and Exchange Commission (the “**SEC**”) identified Legend Biotech as an issuer utilizing an auditor restricted from Public Company Accounting Oversight Board (the “**PCAOB**”) inspection. This was anticipated by Legend Biotech and comes after Legend Biotech's filing of its annual report on Form 20-F with the SEC on March 31, 2022. This identification does not mean Legend Biotech's ADSs, which are currently traded on the Nasdaq Global Select Market, will be de-listed from Nasdaq. Delisting under the HFCA Act could occur if Legend Biotech's auditor cannot be inspected by the PCAOB for three consecutive years. There is, in addition, pending legislation to shorten that period from three to two years. Legend Biotech is currently monitoring market developments and evaluating measures to meet the HFCA Act requirements prior to this deadline. Please refer to the announcement of the Company dated April 14, 2022 for details.

Non-adjusting Event after The Reporting Period

Legend Biotech achieved two milestones under its collaboration agreement with Janssen for cilta-cel in 2021, resulting in aggregate payments to Legend of US\$50.0 million in 2022. On February 28, 2022 (New York time), the FDA has approved the first product of Legend Biotech, CARVYKTI™ (cilta-cel), for the treatment of adults with relapsed or refractory MM who have received four or more prior lines of therapy, including a proteasome inhibitor, an immunomodulatory agent and an antiCD38 monoclonal antibody. Please refer to the announcements of the Company dated February 11, 2022 and March 1, 2022 for details.

Prospects

During 2021, the COVID-19 pandemic continues to profoundly reshape the society, international relationships and the global economy. The importance of investment in the life-science and healthcare industry to develop new therapeutic modalities that are cost-effective, personalized, and potentially curative is evermore present.

The Group has long established a strategy to focus our research and development efforts as well as capital investment commitment in the GCT area, not only developing innovative cell therapy products such as CARVYKTI™, but also developing enabling technology for GCT-related research and manufacturing process. We believe our products and services are highly competitive in serving the fast growing demand in this market.

In life-science business, our technology platform and capacity expansion have enabled us to address the booming opportunities arising from gene editing research and clinical development needs. Many of our customers, from both the academia and commercial organizations, are using our enabling tools and services to conduct research on cancer, rare diseases, diagnostics, and so on. These exciting research may one day turn into therapeutics and diagnostics that may save millions of lives.

In the CDMO field, we are observing an increasing number of biologics and GCT clinical programs entering the later stages and commercialization, including antibody drugs and mRNA vaccines for COVID-19. As the leader of GCT CDMO service in China, we will benefit from this market trend. We also expect more recurring revenue and better profitability in our CDMO business as we continue to grow with our customer projects.

For cell therapy, we have witnessed the initiation of the commercialization of CARVYKTI™ in the U.S., which is jointly developed by Legend and Janssen. We believe that CAR-T has great potential to save lives and improve patient life quality in areas of blood cancers, solid tumors and infectious diseases.

Future Development Strategies

Looking ahead, the Group will take a flexible approach on capital allocation and seek financing from capital markets if and when there are opportunities to generate explosive growth and create value. On the operational front, we will continue to execute a three-pronged strategy to allocate capital to capture growth opportunities, improve efficiency and reduce risk.

We will expand our investment in research and development to improve the competitiveness of our products and services to meet with our customer needs. We will also improve operational efficiency by adopting digital transformation and lean management system. To mitigate the risk brought about by the global supply chain shortage, we are also expanding capacity globally.

On the life-science services and products segment, we will continue to improve throughput and cost efficiency through automation, and expand manufacturing capacity for our life-science and related catalogue products in plasmid preparation, protein expression, antibody production, oligo, etc. to meet our customers' requirements on throughput. We will also continue to upgrade our life-science products and services in order to serve the translational medical research and commercial market. This means we will invest in good laboratory practice (GLP) and GMP capabilities globally and in research and development efforts in order to capture this much larger market.



Management's Discussion and Analysis

On the biologics CDMO segment, we will focus on optimizing our biologics production technology platform and expanding our expertise in for bi-specific and multi-specific antibodies. In the GCT area, we will continue to invest in capacity expansion in GMP plasmid to solidify our leading position in China and overseas, and we will enhance our technological capabilities in other applications such as mRNA and viral vector production.

In the synthetic biology field, we are committed to shaping Bestzyme into a leading synthetic biology solution provider by continuing to invest in research and development, expanding target markets and reducing production costs. In the future, the Group will leverage our bioinformatics platform, gene editing technology, large-scale industrial fermentation and metabolic engineering technology to strengthen Bestzyme's competitiveness in the synthetic biology industry.

In the cell therapy field, we will continue to push forward Legend's pipeline programs through our internal resources as well as collaborations with external partners. We will continue to explore the advantage of conducting investigator initiated trials (IIT) in China and to selectively combine those with IND trials approved by the FDA in the U.S. to generate clinical data in a fast and cost effective way.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2021, the Group had a total of approximately 5,260 employees. The Group had entered into employment contracts covering positions, employment conditions and terms, salaries, employees' benefits, responsibilities for breach of contractual obligations, and reasons for termination with its employees. The remuneration package of the Group's employees includes basic salary, subsidies, and other employees' benefits, which are determined with reference to experience, number of years with the Group, and other general factors.

During the Reporting Period, the Company's total expenses on the remuneration of employees (including the Directors and the chief executive) was approximately US\$336.6 million, representing approximately 65.9% of the total revenue of the Company.

On July 15, 2015, the Company adopted the pre-IPO share option scheme (the **"Pre-IPO Share Option Scheme"**). On December 7, 2015, the Company adopted the post-IPO share option scheme (the **"Post-IPO Share Option Scheme"**). On December 21, 2017, the Company approved and adopted the share option scheme of Legend, being the direct non-wholly owned subsidiary of the Company (the **"Subsidiary Share Option Scheme"**, together with the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, the **"Share Option Schemes"**). On March 22, 2019, the Company adopted the restricted share award scheme (the **"2019 RSA Scheme"**). On May 26, 2020, the shareholders of Legend approved and adopted the restricted shares plan of Legend (the **"Legend Restricted Shares Plan"**). On August 3, 2021, the shareholders of Probio Cayman approved and adopted the restricted share unit award scheme of Probio Cayman (the **"Probio RSUA Scheme"**). On August 23, 2021, the Company adopted the restricted share award scheme (the **"2021 RSA Scheme"**, together with the 2019 RSA Scheme, Legend Restricted Shares Plan and Probio RSUA Scheme, the **"RSA Schemes"**). No further share options have been granted under the Pre-IPO Share Option Scheme since the Company was listed on The Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**).

During the Reporting Period, 100,000 share options with an exercise price of HK\$13.892 per share and 343,029 share options with an exercise price of HK\$30.45 per share were granted under the Post-IPO Share Option Scheme to certain employees on March 31, 2021 and May 31, 2021, respectively. Please refer to the announcements of the Company dated March 31, 2021 and June 1, 2021 for details. Save as disclosed, no other options have been granted under the Post-IPO Share Option Scheme during the Reporting Period.

Management's Discussion and Analysis

During the Reporting Period, 595,000 share options were granted under the Subsidiary Share Option Scheme. Save as disclosed, no other options have been granted under Subsidiary Share Option Scheme during the Reporting Period.

213,906 restricted shares, 6,119,630 restricted shares, 137,596 restricted shares and 246,915 restricted shares were granted under the 2019 RSA Scheme to certain Directors and employees on March 31, 2021, May 31, 2021, August 27, 2021 and December 10, 2021 respectively. Please refer to the announcements of the Company dated March 31, 2021, June 1, 2021, August 27, 2021 and December 10, 2021 for details. Save as disclosed, no other restricted shares have been granted under the 2019 RSA Scheme during the Reporting Period.

During the Reporting Period, 2,132,680 restricted share units were granted under the Legend Restricted Shares Plan. Save as disclosed, no other restricted shares have been granted under the Legend Restricted Shares Plan during the Reporting Period.

During the Reporting Period, 97,302,350 restricted share units were granted under the Probio RSUA Scheme. Save as disclosed, no other restricted share units have been granted under the Probio RSUA Scheme during the Reporting Period.

During the Reporting Period, 1,394,558 restricted shares were granted under the 2021 RSA Scheme to certain employees on December 10, 2021. Please refer to the announcement of the Company dated December 10, 2021 for details. Save as disclosed, no other restricted shares have been granted under the 2021 RSA Scheme during the Reporting Period.

The number of employees of the Group categorized by function as of December 31, 2021 is set forth as follows:

Function	Number of employees	Percentage of total (%)
Production	2,108	40.1%
Sales and marketing	531	10.1%
Administration	718	13.6%
Research and development	1,211	23.0%
Management	692	13.2%
Total	5,260	100.0%

The Group invests in continuing education and training programmes for its employees with a view to constantly upgrading their skills and knowledge and providing the employees with an environment that encourages them to develop their career with the Group. The Group has arranged continuous on-the-job training for its employees. These training courses cover a broad spectrum, including technical know-how of various business segments, environmental, health and safety management systems, and mandatory training required by applicable laws and regulations.

In accordance with relevant regulations on social insurances or other benefits, the Group makes contribution to these statutory and supplementary insurances and benefits for its employees.

Directors and Senior Management

DIRECTORS

The Board currently consists of ten directors of the Company (the “**Directors**”), comprising three executive Directors, three non-executive Directors, and four independent non-executive Directors. The following table sets out certain information concerning our Directors.

Name	Age	Position	Date of Appointment
Executive Directors			
Meng Jiange	53	Chairman and executive Director	August 24, 2015
Wang Ye	53	Executive Director and president	May 21, 2015
Zhu Li	72	Executive Director and Chief Strategy Officer	November 22, 2020
Non-executive Directors			
Wang Luquan	52	Non-executive Director	May 21, 2015
Pan Yuexin	64	Non-executive Director	August 24, 2015
Wang Jiafen	70	Non-executive Director	November 26, 2018
Independent non-executive Directors			
Guo Hongxin	58	Independent non-executive Director	August 24, 2015
Dai Zumian	44	Independent non-executive Director	August 24, 2015
Pan Jiuan	53	Independent non-executive Director	November 26, 2018
Wang Xuehai	47	Independent non-executive Director	November 22, 2020

Executive Directors

Mr. Meng Jiange (孟建革), aged 53, is the chairman and an executive Director of the Company. He was appointed as an executive Director of the Company on August 24, 2015 and was appointed as the chairman of the Board with effect from November 22, 2020. He is primarily responsible for the development, positioning, and strategy planning of the Group. He was appointed as the vice president of finance of the Group in April 2010 when he joined the Group, was the vice president of investor relations between December 1, 2017 and December 31, 2019 and was the secretary of the Board between January 1, 2020 and November 22, 2020. Mr. Meng is the chairman of our nomination committee (“**Nomination Committee**”).



Directors and Senior Management

Mr. Meng has over 27 years of experience in finance and accounting. Prior to joining the Group, from July 1990 to October 1997, Mr. Meng worked at CCCC Guangzhou Dredging Co., Ltd.* (中交廣州航道局有限公司). From January 1999 to May 2000, Mr. Meng worked as the national finance manager at Guangdong Whirlpool Home Appliance Group* (廣東惠而浦家電集團). From May 2000 to July 2004, Mr. Meng worked at Schering-Plough China* (先靈葆雅中國公司) as a branch finance manager and the accounting and IT manager in the head office. From September 2004 to December 2007, Mr. Meng worked as the Asia finance controller of Saint Gobain Grains and Powder Division. From March 2008 to March 2010, Mr. Meng worked as the chief financial officer of Quay Magnesium.

Mr. Meng graduated from Changsha Communications Institute* (長沙交通學院) (currently known as Changsha University of Science Technology* (長沙理工大學)) in the PRC with a Bachelor of Engineering degree in July 1990.

Ms. Wang Ye (王燁), aged 53, is the co-founder, an executive Director and president of the Company. She was appointed as a Director on May 21, 2015 and has been redesignated as an executive Director on August 24, 2015 and is primarily responsible for the Group's strategies and overall operational management. Ms. Wang is the chairwoman and the director of Legend. Ms. Wang is currently the director of Bestzyme, Bestzyme Biotech Limited, Bestzyme Biotech USA Incorporated, Legend Biotech Limited, Legend Biotech HK Limited, Legend Biotech (Netherlands) B.V., Legend Biotech Ireland Limited, Nanjing Legend Biotech Co., Ltd.* (南京傳奇生物科技有限公司), Legend Biotech USA Inc., Legend Biotech Belgium, GenScript Bioscience (BVI) Limited (formerly known as Genscript Biotech Limited), GenScript (Hong Kong) Limited ("**GS HK**"), Genscript International Limited, Genscript USA Incorporated ("**GS USA**"), Maple Bio, Maple Bio (Nanjing) Co., Ltd.* (楓楊生物研發(南京)有限公司), CustomArray, Inc., Probio Technology I Limited, Probio Technology Limited, Probio Technology (BVI) Limited, Probio Technology HK Limited and Probio Technology (Netherlands) B.V.. Ms. Wang is the partner of Nanjing Genbest Enterprise Management Center (Limited Partner)* (南京金百企業管理中心(有限合夥)). Ms. Wang is the trustee and president of Ren-Shiu Foundation, Inc. Ms. Wang is a member of our remuneration committee ("**Remuneration Committee**").

She joined Genscript Corporation ("**GS Corp**") in August 2002 and served as the sales account manager until January 2005. In the Group, she worked as the sales and marketing director from February 2005 to August 2009, vice-president of operations from September 2009 to August 2011, and executive vice-president of operations from September 2011 to March 2014. She has been the chief operating officer of GS Corp in April 2014 until her redesignation as the president in December 1, 2017 and she has been again re-designated as the secretary since December 2018. Prior to joining the Group, she worked as the environmental monitoring engineer at Shenzhen Futian Environment Protection Surveillance Station* (深圳市福田區環境保護監測站) from July 1993 to July 2000.

Ms. Wang obtained a Bachelor of Science in Microbiology and a Master of Science degree from Wuhan University* (武漢大學) in the PRC in July 1990 and in August 1993, respectively. She also obtained a Master of Science in Computer Sciences degree from Bridgeport University in the U.S. in December 2003. She obtained an Executive Master of Business Administration degree from the China Europe International Business School* (中歐國際工商學院) in the PRC in August 2014.

Dr. Zhu Li (朱力), aged 72, is an executive Director and chief strategy officer of the Company. He is primarily responsible for strategy planning of the Company. Dr. Zhu was the vice president of strategy of the Group from March 2010 to February 2017, the chief strategy officer of the Company from February 2017 to July 2019, and a consultant for the Company from July 16, 2019 to November 21, 2020. He was appointed as an executive Director with effect from November 22, 2020. Upon his appointment as executive Director, he resumed his role as the chief strategy officer of the Company.



Directors and Senior Management

Before joining the Group, Dr. Zhu worked at Clontech Laboratories, Inc. in California, USA as a director of molecular biology from January 1990 to March 2000, where he pioneered the commercialization of yeast two-hybrid system and a series of other advanced molecular biology techniques. Dr. Zhu founded Genetastix Corporation, Inc. and acted as the president and chief executive officer from May 2000 to December 2005. Genetastix Corporation, Inc. is a biotech company with a focus in creating a human antibody library in yeast and applying the genetic method in screening such antibody. Dr. Zhu then worked at biotech companies in China, serving as vice president of research at Cathay Biotech, Inc. from July 2006 to December 2008, and as vice president of HUYA Biomedical Technology (Shanghai) Co., Limited* (滬亞生物醫藥技術(上海)有限公司) from January 2009 to December 2009.

Dr. Zhu obtained a Bachelor of Science of Biology degree from the East China Normal University (華東師範大學) in June 1982 and a Doctor of Philosophy in molecular biology and immunology from Stanford University in July 1989.

Non-executive Directors

Dr. Wang Luquan (王魯泉), aged 52, is a co-founder and a non-executive Director of the Company. He was appointed as a Director on May 21, 2015 and redesignated as a non-executive Director of the Company on August 24, 2015 and is primarily responsible for the Group's strategies and operational management. From 2003 to 2014, Dr. Wang was the president of GS Corp and is still currently a director of GS Corp. Dr. Wang is currently the director of two of the Company's subsidiaries, namely, GS HK and GS USA.

Dr. Wang has nearly 27 years of experience in the biotechnology industry. He has been appointed as the chief executive officer and chairman of Xinhua Biological Pharmaceutical (Guangzhou) Co., Ltd.* (信華生物藥業(廣州)有限公司) since December 2020. Prior to joining the Group, from 1991 to 1996, he worked as a graduate research assistant, and from 1995 to 1996, a bioinformatics staff at Rutgers University in the U.S. From 1996 to 2003, Dr. Wang was a senior principal scientist at Schering-Plough Research Institute.

Dr. Wang obtained a Bachelor of Science in Biochemistry degree from Shandong University* (山東大學) in the PRC in July 1991 and a Doctor of Philosophy degree from Rutgers University in the U.S. in October 1996.

Mr. Pan Yuexin (潘躍新), aged 64, was appointed as a non-executive Director of the Company on August 24, 2015 and is primarily responsible for the Group's strategies and operational management.

Mr. Pan graduated from the Zhejiang Branch of the Open University of China* (中央廣播電視大學浙江分校) with a Chinese language and literature diploma in July 1985. Mr. Pan graduated from the Chinese Academy of Social Sciences* (中國社會科學院) with an economic law post graduate degree in July 1987.

Mr. Pan has been a partner of Jun He Law Offices (君合律師事務所) from October 1992 to May 2003 and July 2009 to February 2013. Mr. Pan has been the chairman of Shaoxing Lvpai Enterprise Management Co, Ltd.* (紹興律派企業管理股份有限公司) from December 2018 and the chairman of Shanghai Lvpai Enterprise Management Consulting Co, Ltd.* (上海律派企業管理諮詢有限公司) from May 2016. He has been the chairman of Shaoxing Luchang Culture Development Co. Ltd* (紹興律昌文化發展有限公司) since 2019.

Directors and Senior Management

Mr. Pan was the committee member and secretary general of the Education Committee of the All China Lawyers Association, PRC* (中華全國律師協會) from 2001 to 2003. He was also the director of the Hainan and Shanghai branches of Jun He Law Offices (君合律師事務所) from October 1992 to May 2003 and deputy director of the Education Committee of the Shanghai Bar Association* (上海市律師協會) from 2000 to 2003.

Mr. Pan was an independent non-executive director of Jiangling Motors Co., Ltd.* (江鈴汽車股份有限公司, SZSE: 000550), which is listed on the Shenzhen Stock Exchange, from 2005 to 2009, Sinochem International Corporation* (中化國際貿易股份有限公司, SHA: 600500), which is listed on the Shanghai Stock Exchange, from 2002 to 2003, Shanghai Tunnel Engineering Co., Ltd.* (上海隧道工程股份有限公司, SHA: 600820), which is listed on the Shanghai Stock Exchange, from 2009 to 2016, Great Wall Movie and Television Co., Ltd.* (長城影視股份有限公司, SZSE: 002071), which is listed on the Shenzhen Stock Exchange, from 2011 to 2014, and Simei Media Co., Ltd* (思美傳媒股份有限公司, SZSE: 002712) from 2009 to 2012 before it was listed on the Shenzhen Stock Exchange in 2014.

Ms. Wang Jiafen (王佳芬), aged 70, was appointed as a non-executive Director of the Company on November 26, 2018 and is primary responsible for the Group's strategies and operational management.

Ms. Wang has over 42 years of experience in corporate management across various industries, including financial, food and retail services. She is currently the chairwoman of Shanghai Guanji Enterprise Management Consulting Co., Ltd.* (上海觀詰企業管理諮詢公司) and a coach of Shanghai Lingjiao Enterprise Management Consulting Co. Ltd* (上海領教企業管理諮詢有限公司). She has previously served as the vice chairwoman of Ping An Trust Co., Ltd.* (平安信託有限責任公司) from 2011 to 2015. From 2008 to 2011, she was a partner of Granite Global Ventures (紀源資本). From 1996 to 2008, Ms. Wang served as the chairwoman and general manager of Bright Dairy Co., Ltd.* (光明乳業股份有限公司) (SHA: 600597). From 1992 to 2002, she served as the chairwoman and general manager of Shanghai Diary Company* (上海市牛奶公司).

Ms. Wang has been serving as a non-independent director of Shanghai Rongtai Health Technology Corporation Limited* 上海榮泰健康科技股份有限公司 (SHA: 603579) since October 2019, an independent director of UE Furniture Co, Ltd (浙江永藝傢俱股份有限公司) (SHA: 603600) since 2017, an independent director of BESTORE Co., Ltd. (良品鋪子股份有限公司) (SHA: 603719) since November 2017, an independent director of Zhende Medical Co., Ltd (振德醫療用品股份有限公司) (SHA: 603301) since 2016 and a director of Shanghai Xintonglian Packaging Co., Ltd (上海新通聯包裝股份有限公司) (SHA: 603022) since 2011. She has also served as an independent director of Eurocrane (China) Co., Ltd* (法蘭泰克重工股份有限公司) (SHA: 603966) from 2017 to 2018 and a director of Meinian Onehealth Healthcare Holdings Co., Ltd (美年大健康產業控股股份有限公司) (SZSE: 002044) from 2013 to November 2019.

Ms. Wang obtained her college degree in business management from Shanghai Television University* (上海電視大學) in 1986 (now known as Shanghai Open University* 上海開放大學). She obtained her master degree in business administration from China Europe International Business School (中歐國際工商學院) in 2004.



Directors and Senior Management

Independent Non-executive Directors

Mr. Guo Hongxin (郭宏新), aged 58, was appointed as an independent non-executive Director of the Company on August 24, 2015. Mr. Guo is the chairman of our remuneration committee and a member of our audit committee (“**Audit Committee**”).

From July 1983 to March 1998, Mr. Guo was working at the Nanjing School of Chemical Engineering. Since April 1998, he has been the chairman of the board of Sunpower Group Ltd, which was listed on the Singapore Exchange SESDAQ in March 2005 and has been listed on the Singapore Exchange Mainboard since August 2007 (SPWG: Singapore Exchange).

Mr. Guo obtained a Diploma in Chemical Thermal Engineering from Nanjing Chemical Engineering College* (南京化工動力專科學校) (currently known as Nanjing Normal University) in the PRC in July 1983. Mr. Guo obtained a senior engineering qualification from Nanjing University of Chemical Technology* (南京化工大學) (currently known as Nanjing Tech University* (南京工業大學)) in the PRC in March 1997. He also obtained a Doctor of Philosophy in Geotechnical Engineering degree from the Chinese Academy of Sciences* (中國科學院) in the PRC in January 2010. He also obtained an Executive Master of Business Administration degree from Tsinghua University* (清華大學) in the PRC in July 2014 and he was qualified as a senior engineer by the Advanced Professional Technical Qualification Evaluation Committee of Mechanical Engineering* (機械工程高級專業技術資格評審委員會評審), Nanjing, Jiangsu Province in November 2018. Mr. Guo was awarded the title of distinguished professor of Nanjing Tech University in May 2021.

Mr. Dai Zumian (戴祖勉), aged 44, was appointed as an independent non-executive Director of the Company on August 24, 2015. Mr. Dai is the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee.

Mr. Dai is a member of the Chinese Institute of Certified Public Accounts as well as a fellow of Association of Chartered Certified Accountants. From July 1999 to August 2006, he gained over seven years’ experience in auditing. His experience in auditing includes that gained at PricewaterhouseCoopers Zhongtian Certified Public Accountants (普華永道中天會計師事務所) from February 2005 to August 2006.

Mr. Dai was the qualified accountant and company secretary of Hisense Kelon Electrical Holdings Limited (海信科龍電器股份有限公司, HKSE: 921, SZSX: 000921), which is listed on the Main Board of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, from September 2006 to August 2007. Mr. Dai served as the chief financial officer of Shanghai Golden Monkey Food Joint Stock Co., Ltd.* (上海金絲猴食品股份有限公司) from February 2009 to April 2012, of Xiezhong International Holdings Limited (協眾國際控股有限公司, HKSE: 3663) which is listed on the Main Board of the Hong Kong Stock Exchange, from May 2012 to June 2017, and of Roseonly Group Co., Ltd.* (諾誓集團有限公司) from October 2017 to April 2019, and of Shanghai Sanxi Big Data Technology Co., Ltd.* (上海三熙大數據技術有限公司) from April 2019 to June 2021. Mr. Dai has been appointed as the chief financial officer of Shanghai Jiuli Information Service Co., LTD* (上海九曆信息服務有限公司) since July 2021.

Mr. Dai graduated from Shanghai University of Finance and Economics* (上海財經大學) in the PRC with a Bachelor of International Business Administration degree in June 1999. He also holds an Executive Master of Business Administration degree from China Europe International Business School* (中歐國際工商學院) in the PRC earned in October 2013.

Mr. Pan Jiuan (潘九安), aged 53, was appointed as an independent non-executive Director of the Company on November 26, 2018. Mr. Pan is the member of the Audit Committee and the Nomination Committee.

Mr. Pan has over 22 years of experience in human resources and management across various industries, including education, kitchen electrical appliances, office automated facilities, textile and garment. He is currently the chief executive officer of Ningbo Liangzhixin Culture Media Co., Ltd.* (寧波良知行文化傳媒有限公司) from January 2021. From May 2020 to December 2020, he served as the chief executive officer of Shanghai FastLink Door Co., Limited* (上海快聯門業有限公司). From 2018 to 2020, he served as the chief human resources officer of Shanghai Lingjiao Enterprise Management Consulting Co. Ltd* (上海領教企業管理諮詢有限公司). From 2010 to 2013 and 2003 to 2010, he served as the corporate group director of human resources of each of K-Boxing Men's Wear (Shanghai) Co. Ltd.* 勁霸男裝 (上海) 有限公司 and Ningbo Fotile Kitchen Appliances Co. Ltd.* (寧波方太廚具有限公司), respectively. From 1994 to 2002, he was the deputy manager, manager, and senior manager of Minolta Industries (HK) Limited (美能達實業 (香港) 有限公司).

Mr. Pan obtained his bachelor degree in law from Central South University of Technology* (中南工業大學) (now known as Central South University* (中南大學) in 1991. He obtained his qualification as a lawyer in the PRC in 1994. He also obtained the national manager qualification* (國家一級經理人資格) from Shanghai Jiao Tong University Center for Quality Management* (上海交通大學卓越管理中心) in 2016. He further obtained the certificate of chief human resources officer from Renmin University* (中國人民大學) in 2018.

Dr. Wang Xuehai (王學海), aged 47, was appointed as an independent non-executive director on November 22, 2020.

From October 2000 to February 2003, Dr. Wang served as a vice president of Humanwell Healthcare (Group) Co., Ltd. (人福醫藥集團股份公司) ("Humanwell Healthcare"), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600079). He served as the president of Humanwell Healthcare from February 2003 to October 2006, and then as the chairman of Humanwell Healthcare from October 2006 to April 2020. He also served as the chairman of Lifestyles Healthcare Pte Ltd* (樂福思健康集團公司) since September 2017 and as the chairman of Wuhan Jissbon Sanitary Products Limited* (武漢傑士邦衛生用品有限公司) since February 2001. Dr. Wang has been serving as a director of Humanwell Healthcare since April 2020 and as an independent director of Douyu International Holdings Limited, the shares of which are listed on the NASDAQ Global Select Market (stock code: DOYU), since March 2019.

Dr. Wang is also the vice president of China Pharmaceutical Enterprises Association* (中國醫藥企業管理協會), an executive committee member of All-China Federation of Industry and Commerce* (中華全國工商業聯合會), a member of Hubei Provincial Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議湖北省委員), the vice chairman of Hubei Federation of Industry and Commerce* (湖北省工商業聯合會), the president of Hubei Pharmaceutical Industry Association* (湖北省醫藥行業協會), the vice chairman of Hubei Youth Federation* (湖北省青年聯合會), and the president of Wuhan Young Entrepreneur Association* (武漢市青年企業家協會).

Dr. Wang obtained a Bachelor degree in geochemistry from the China University of Geosciences* (中國地質大學) in 1996, and a Master degree and Doctor's degree in business management both from the Wuhan University* (武漢大學) in 1999 and 2003, respectively. He also obtained an Executive Master of Business Administration from the Central Connecticut State University (中康乃狄克州立大學) in 2002.

Directors and Senior Management

SENIOR MANAGEMENT

The following table sets out certain information concerning our senior management:

Name	Age	Year of joining the Group	Date of Appointment
Meng Jiange	(see above)	(see above)	(see above)
Wang Ye	(see above)	(see above)	(see above)
Zhu Li	72	(see above)	(see above)
Liu Zhengyu	45	May 11, 2009	August 2, 2020
Wei Shiniu	43	September 2, 2019	December 1, 2020
Shao Weihui	42	July 1, 2005	July 8, 2021
Ying Huang	49	July 22, 2019	November 6, 2020

Mr. Meng Jiange (孟建革), is the chairman and the executive Director of the. Please refer to the previous section headed “Executive Directors” for the biography of Mr. Meng.

Ms. Wang Ye (王燁), is the co-founder, the executive Director and president of the Company. Please refer to the previous section headed “Executive Directors” for the biography of Ms. Wang.

Dr. Zhu Li (朱力), is the executive Director, chief strategy officer of the Company. Please refer to the previous section headed “Executive Directors” for the biography of Dr. Zhu.

Dr. Liu Zhenyu (柳振宇), aged 45, has been appointed as chief executive officer of the Company, subject to retirement by rotation on yearly basis, with effect from August 2, 2020 and is primarily responsible for overseeing the Company’s daily operations. He was appointed as member of the sanctions risk control committee (the “**Sanctions Risk Control Committee**”) with effect from March 19, 2022.

Dr. Liu, obtained his Bachelor in Science degree in biochemistry and molecular biology from Nankai University* (南開大學) in the PRC in June 1998, a Master in Science degree in neurophysiology from Peking University* (北京大學) in the PRC in June 2001 and a Doctor of Philosophy degree in neurobiology from University of Pittsburgh School of Medicine in the U.S. in November 2007.

Dr. Liu has over 11 years of management experience in the life-science and biologics development industry. Dr. Liu joined the Group in May 2009. From May 2009 to August 2015, Dr. Liu served in a number of positions at the Group, including as a senior scientist of discover biology, a director of bioprocess development and a director of institute of biotechnology research. From September 2015 to April 2019, Dr. Liu worked as the general manager of the reagent service business unit. From January 2017 to April 2019, Dr. Liu served as the president of biosciences group. From April 2019 to August 2020, he worked as the president of European division of the Company. He was appointed as the rotating chief executive officer of the Company in August 2020.

Prior to joining the Group, Dr. Liu was a postdoctoral scholar at David Geffen School of Medicine of University of California, Los Angeles from November 2007 to May 2009.

Mr. Wei Shiniu (魏師牛), aged 43, was appointed as the chief financial officer of the Company on December 1, 2020 and is primarily responsible for the Company's overall financial operation management. Mr. Wei joined the Group in September 2019 as vice president of strategy and investor relations. He was appointed as member of the Sanctions Risk Control Committee with effect from March 19, 2022.

Prior to joining the Group, Mr. Wei worked as an executive director of secondary market investment department in Fosun Insurance Group in New York from 2017 to 2019. He served as an equity investment analyst and a portfolio manager in Investment Strategies Fund from 2010 to September 2016. From 2009 to May 2010, he worked as an analyst at Protocol Capital Management and prior to that, he worked as a researcher of Research Foundation at the City University of New York.

Mr. Wei obtained his Bachelor of Science degree in Biochemistry from Nanjing University* (南京大學) in 2000 and his Master degree in Business Administration from Baruch College in 2011.

Ms. Shao Weihui (邵煒慧), aged 42, was appointed as the chief operating officer of the Company on July 8, 2021 and is primarily responsible for the supporting functions of the Company, including human resources, supply chain, engineering and instrument, information technology, quality and environmental, health and safety functions. She was appointed as member of the Sanctions Risk Control Committee with effect from March 19, 2022.

Ms. Shao has over 16 years of management experience in the life-science and biologics development industry. Ms. Shao joined the Group in July 2005. From July 2005 to April 2017, Ms. Shao served in a number of positions at the Group, including a group leader of antibody department, a manager of antibody development and a vice president of reagent service production center. From April 2017 to April 2019, Ms. Shao worked as the deputy general manager of the reagent service business unit. From April 2019 to August 2020, Ms. Shao served as the president of life science group. From August 2020 to February 2021, she worked as the president of European division. From February 2021 to July 2021, she worked as China President. She was appointed as the chief operating officer of the Company in July 2021.

Ms. Shao, obtained her Bachelor of Science degree in biology from Nanjing Normal University* (南京師範大學) in the PRC in June 2002, a Master of Science degree in Preventive Veterinary from Yangzhou University* (揚州大學) in the PRC in June 2005.

Dr. Ying Huang (黃穎), aged 49, is the director, chief executive officer and the chief financial officer of Legend. He was appointed as the chief executive officer of Legend with effect from November 6, 2020 and is primarily responsible for all aspects of Legend operations including research and development, clinical, manufacturing, regulatory affairs, human resources, finance and operation, commercial, and business development activities. He was appointed as the chief financial officer of Legend with effect from July 22, 2019 and is primarily responsible for finance, accounting, reporting, investor relation, and corporate communication activities. He was appointed as a Class I director of Legend with effect in December, 2021.

Dr. Huang joined Legend from Bank of America Merrill Lynch where he was a managing director and head of biotech equity research since 2014. Dr. Huang led a team of analysts who cover more than 30 biotech companies including Amgen, Gilead, Celgene, Biogen and others that encompass a wide range of therapeutic areas. His knowledge and expertise have been recognized by institutional investor survey as a top ranked biotech analyst on Wall Street. Dr. Huang has been a biotech analyst since 2007 and previously worked at Wells Fargo (formerly Wachovia), Credit Suisse, Gleacher and Barclays before Bank of America Merrill Lynch.

Prior to his Wall Street career, Dr. Huang was a principal scientist at Schering-Plough (now Merck & Co.). He worked in the department of chemical research focusing on small molecule drug discovery in the therapeutic areas of cardiovascular & CNS. He is co-author of multiple patents and peer reviewed publications.

Dr. Huang holds a Ph.D. in bio-organic chemistry from Columbia University. He also studied in the Special Class for Gifted Young at University of Science and Technology of China and Columbia Business School.



Report of the Directors

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

CORPORATE INFORMATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on May 21, 2015 as an exempted company with limited liability under the laws of the Cayman Islands. The Shares were listed on the Main Board of the Stock Exchange on December 30, 2015 (the “Listing” or the “Listing Date”).

PRINCIPAL ACTIVITIES

The Company is a well-recognized life-science research and application service and product provider that applies its proprietary technology to various fields from basic life-science research to translational biomedical development, industrial synthetic products, and cell therapeutic solutions. The broad and integrated life-science research and application service and product portfolio comprises main four segments, namely, (i) life-science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, and (iv) cell therapy. The services and products are primarily used by scientists and researchers for conducting fundamental life-science research, translational biomedical research, and early stage pharmaceutical development. Its development services are used by biopharmaceutical and biotech companies for the development of therapeutic antibodies, and gene or cell therapy products with an integrated platform. Its industrial synthetic biology products are also used by industry users of industrial enzymes, such as those in the food and feed industries. Its cell therapy products are used to treat refractory diseases including cancer and inflammatory diseases. Our customers are primarily located in North America, Europe, the PRC, Japan and the other Asia Pacific regions. The analysis of the principal activities of the Company's subsidiaries are set out in note 1 to the financial statements.

RESULTS AND APPROPRIATIONS

The consolidated results of the Group for the year ended December 31, 2021 are set out on pages 182 and 183 of this annual report.

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board did not recommend the payment of final dividend for the year ended December 31, 2021.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders to attend and vote at the forthcoming annual general meeting (the “AGM”) to be held on Friday, May 27, 2022, the register of members of the Company will be closed from Tuesday, May 24, 2022 to Friday, May 27, 2022 (both dates inclusive), during which period no transfer of shares will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, May 23, 2022.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 8 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

The revenue attributable to the top five customers of 2021, including Legend’s collaborative partner, accounted for 21.6% of the Company’s operating income for the year ended December 31, 2021. The revenue from the largest single customer, being Legend’s collaborative partner, accounted for 16.9% of the Company’s operating income for the year ended December 31, 2021.

Major Suppliers

In 2021, the turnover attributable to the top five suppliers accounted for 20.7% of the Company’s total purchases for the year ended December 31, 2021. The turnover of the largest single supplier, accounted for 9.1% of the Company’s total purchases for the year ended December 31, 2021.

During the Reporting Period, to the knowledge of the Directors, none of the Directors or any of their close associates or any shareholders (which to the knowledge of the Directors own more than 5.0% of the Company’s issued share capital) had an interest in any of the Company’s top five customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, and equipment of the Group during the Year are set out in note 13 to the financial statements in this annual report.

SHARE CAPITAL

As of December 31, 2021, 2,101,543,082 ordinary shares were issued. Details of movements in the share capital of the Company during the year ended December 31, 2021 are set out in note 34 to the financial statements in this annual report.



Report of the Directors

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in the consolidated statement of changes in equity on pages 186 and 187 in this annual report.

DISTRIBUTABLE RESERVES

As of December 31, 2021, the Company did not have any distributable reserves (as of December 31, 2020: nil).

DIRECTORS

The Directors during the year ended December 31, 2021 and up to the date of this annual report were:

Executive Directors

Mr. Meng Jiange (Chairman)

Ms. Wang Ye (President)

Dr. Zhu Li (Chief Strategy Officer)

Non-executive Directors

Dr. Wang Luquan

Mr. Pan Yuexin

Ms. Wang Jiafen

Independent Non-executive Directors

Mr. Guo Hongxin

Mr. Dai Zumian

Mr. Pan Jiuhan

Dr. Wang Xuehai

Pursuant to the memorandum and articles of association of the Company (the “**Articles**”), each of Ms. Wang Ye, Mr. Guo Hongxin, Mr. Wang Luquan and Mr. Pan Yuexin will retire at the AGM and, being eligible, will offer themselves for re-election. Biographical details of the Directors to be re-elected at the AGM will be set out in the circular dated April 25, 2022 to the shareholders.

DIRECTORS’ PROFILES

Biographical details of Directors and senior management of the Company is set out on pages 28 to 35 in this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation from each of the independent non-executive Directors in respect of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent throughout the year ended December 31, 2021 in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS’ SERVICE CONTRACTS

Each of the executive Directors has entered into service contracts with the Company for a fixed term of three years commencing on December 1, 2021 for Mr. Meng Jiange and Ms. Wang Ye, and that on November 22, 2020 for Dr. Zhu Li. Their appointments can be terminated before the expiration of the term by not less than six months’ notice in writing served by either party on the other.

Each of the non-executive Directors has signed appointment letters with the Company for a term of three years. The effective date of the appointments of Dr. Wang Luquan and Mr. Pan Yuexin is August 24, 2021, and that of Ms. Wang Jiafen is November 26, 2021. Their appointments are subject to termination in accordance with their respective terms.

Each of the independent non-executive Directors has signed appointment letters with the Company for a term of three years. The effective date of the appointment of Mr. Guo Hongxin and Mr. Dai Zumian is August 24, 2021, that of Mr. Pan Jiuan is November 26, 2021, and that of Dr. Wang Xuehai is November 22, 2020. Their appointments are subject to termination in accordance with their respective terms.

Save as disclosed herein, none of the Directors has entered into any service contract with the Group that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of the Company or any of its subsidiaries entered into, whether directly or indirectly, any transactions, arrangements and contracts of significance that a Director had a material interest in, that was related to the Company's business, and/or that subsisted during and up to the end of the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the Year.

REMUNERATION POLICIES

The Group's remuneration policy and structure for remuneration of the Directors and senior management of the Group are based on the Group's operating results, individual performance and comparable market statistics, and is reviewed by the Remuneration Committee periodically.

The remuneration of the non-executive Directors is recommended by the Remuneration Committee and is decided by the Board while the remuneration of the executive Directors is decided by the Remuneration Committee, having regard to the merit, qualifications, and competence of individual directors, the Group's operating results, and comparable market statistics.

The Company has also adopted the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the Subsidiary Share Option Scheme, the 2019 RSA Scheme, the Legend Restricted Shares Plan, the Probio RSUA Scheme and the 2021 RSA Scheme. The purpose of the Share Option Schemes and the RSA Schemes is to enable us to grant options or restricted shares to selected participants as incentives or rewards for their contributions. The Directors consider that the Share Option Schemes and the RSA Schemes, with its broad basis of participation, will enable the Group to reward its employees, Directors, and other selected participants for their contributions.

During the Reporting Period, 100,000 share options with an exercise price of HK\$13.892 per share and 343,029 share options with an exercise price of HK\$30.45 per share were granted under the Post-IPO Share Option Scheme to certain employees on March 31, 2021 and May 31, 2021 respectively. Please refer to the announcements of the Company dated March 31, 2021 and June 1, 2021 for details. Save as disclosed, no other options have been granted under the Post-IPO Share Option Scheme during the Reporting Period.

During the Reporting Period, 595,000 share options were granted under the Subsidiary Share Option Scheme. Save as disclosed, no other options have been granted under Subsidiary Share Option Scheme during the Reporting Period.

During the Reporting Period, 213,906 restricted shares, 6,119,630 restricted shares, 137,596 restricted shares and 246,915 restricted shares were granted under the 2019 RSA Scheme to certain Directors and employees on March 31, 2021, May 31, 2021, August 27, 2021 and December 10, 2021 respectively. Please refer to the announcements of the Company dated

March 31, 2021, June 1, 2021, August 27, 2021 and December 10, 2021 for details. Save as disclosed, no other restricted shares have been granted under the 2019 RSA Scheme during the Reporting Period.

During the Reporting Period, 2,132,680 restricted share units were granted under the Legend Restricted Shares Plan. Save as disclosed, no other restricted shares have been granted under the Legend Restricted Shares Plan during the Reporting Period.

During the Reporting Period, 97,302,350 restricted share units were granted under the Probio RSUA Scheme. Save as disclosed, no other restricted share units have been granted under the Probio RSUA Scheme during the Reporting Period.

During the Reporting Period, 1,394,558 restricted shares were granted under the 2021 RSA Scheme to certain employees on December 10, 2021. Please refer to the announcement of the Company dated December 10, 2021 for details. Save as disclosed, no other restricted shares have been granted under the 2021 RSA Scheme during the Reporting Period.

No option had been granted under the Pre-IPO Share Option Scheme once the Company is listed on the Stock Exchange on the Listing Date.

For details of the Share Option Schemes and the RSA Schemes, please see the paragraph headed “Share Option Schemes” and “Restricted Share Award Schemes” below.

PERMITTED INDEMNITY PROVISION

The Articles provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto. A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company had taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers during the Reporting Period.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Schemes of the Company as set out in this report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2021.

SHARE OPTION SCHEMES

A. Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme by a resolution of the then sole shareholder of the Company on July 15, 2015. The Pre-IPO Share Option Scheme is not subject to the provision of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme does not involve the grant of options by the Company to subscribe for Shares once the Company is listed on the Stock Exchange. No further options are granted under the Pre-IPO Share Option Scheme after the Listing.

Set out below are details of the outstanding options under the Pre-IPO Share Option Scheme:

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (US\$)	Outstanding as at January 1, 2021	Number of share options				Outstanding as at December 31, 2021	
						Granted during the Year	Canceled during the Year	Lapsed during the Year	Exercised during the Year		
Directors of the Company											
Meng Jilange	January 30, 2015	January 30, 2016 – July 31, 2025	January 30, 2016 – July 31, 2025	0.077	1,943,320	–	–	–	100,000	1,843,320	
		January 30, 2017 – July 31, 2025									
		January 30, 2018 – July 31, 2025									
		January 30, 2019 – July 31, 2025									
		January 30, 2020 – July 31, 2025									
		January 30, 2021 – July 31, 2025									
		January 30, 2022 – July 31, 2025									
Wang Ye	March 20, 2014	December 31, 2014 – July 31, 2025	December 31, 2014 – July 31, 2025	0.062	68,016,194	–	–	–	23,254,000	44,762,194	
		December 31, 2015 – July 31, 2025									
		December 31, 2016 – July 31, 2025									
		December 31, 2017 – July 31, 2025									
Other employees Employees	October 17, 2005 – March 30, 2015	October 17, 2008 – December 31, 2025	October 17, 2008 – December 31, 2025	0.003–0.103	2,688,664	–	–	174,899	849,595	1,664,170	

B. Post-IPO Share Option Scheme

The Company approved and adopted the Post-IPO Share Option Scheme by written resolutions of its then sole shareholder on December 7, 2015. The Post-IPO Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules. Options to subscribe for 101,306,166 Shares had been granted (of which 18,442,381 options had lapsed) under the Post-IPO Share Option Scheme from the date of its adoption to December 31, 2021.

Set out below are details of the outstanding options under the Post-IPO Share Option Scheme:

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (HK\$)	Closing Price Per Share Immediately before the date of grant (HK\$)	Outstanding as at January 1, 2021	Number of share options					Outstanding as at December 31, 2021
							Granted during the Year	Cancelled during the Year	Lapsed during the Year	Exercised during the Year		
Directors of the Company												
Zhu Li	October 11, 2017	December 31, 2019 – October 10, 2027	December 31, 2019 – October 10, 2027	8.33	8.07	800,000	–	–	–	66,000	734,000	
		December 31, 2020 – October 10, 2027										
		December 31, 2021 – October 10, 2027										
		December 31, 2022 – October 10, 2027										
		December 31, 2023 – October 10, 2027										

Report of the Directors

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (HK\$)	Closing Price Per Share immediately before the date of grant (HK\$)	Number of share options					Outstanding as at December 31, 2021
						Outstanding as at January 1, 2021	Granted during the Year	Cancelled during the Year	Lapsed during the Year	Exercised during the Year	
Pan Yuxin	November 29, 2018	November 29, 2018 – November 28, 2023	November 29, 2018 – November 28, 2023	14.04	14.32	400,000	—	—	—	—	400,000
		November 29, 2019 – November 28, 2023									
		November 29, 2020 – November 28, 2023									
		November 29, 2021 – November 28, 2023									
		November 29, 2022 – November 28, 2023									
		November 29, 2023									
		September 1, 2020 – August 31, 2025	September 1, 2020 – August 31, 2025	15.00	14.98	60,000	—	—	—	60,000	
		September 1, 2021 – August 31, 2025									
Wang Jiafen	September 1, 2020	September 1, 2020 – August 31, 2025	September 1, 2020 – August 31, 2025	15.00	14.98	270,000	—	—	—	270,000	
		November 25, 2020 – August 31, 2025									
		September 1, 2021 – August 31, 2025									
		November 25, 2021 – August 31, 2025									
		September 1, 2022 – August 31, 2025									
		September 1, 2023 – August 31, 2025									
		September 1, 2024 – August 31, 2025									
		September 1, 2025 – August 31, 2025									

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (HK\$)	Closing Price Per Share immediately before the date of grant (HK\$)	Outstanding as at January 1, 2021	Number of share options					Outstanding as at December 31, 2021
							Granted during the Year	Cancelled during the Year	Lapsed during the Year	Exercised during the Year		
Guo Hongxin	November 29, 2018	November 29, 2018 – November 28, 2023	November 29, 2018 – November 28, 2023	14.04	14.32	400,000	–	–	–	–	400,000	
		November 29, 2019 – November 28, 2023										
		November 29, 2020 – November 28, 2023										
		November 29, 2021 – November 28, 2023										
		November 29, 2022 – November 28, 2023										
		November 29, 2023 – November 28, 2024										
		November 29, 2025 – November 28, 2026										
		November 29, 2027 – November 28, 2028										
Dai Zunian	September 1, 2020	September 1, 2020 – August 31, 2025	September 1, 2020 – August 31, 2025	15.00	14.98	60,000	–	–	–	–	60,000	
		September 1, 2021 – August 31, 2025										
		September 1, 2022 – August 31, 2025										
		September 1, 2023 – August 31, 2025										
		September 1, 2024 – August 31, 2025										
		September 1, 2025 – August 31, 2026										
		September 1, 2026 – August 31, 2027										
		September 1, 2028 – August 31, 2029										
Dai Zunian	November 29, 2018	November 29, 2018 – November 28, 2023	November 29, 2018 – November 28, 2023	14.04	14.32	400,000	–	–	–	19,000	381,000	
		November 29, 2019 – November 28, 2023										
		November 29, 2020 – November 28, 2023										
		November 29, 2021 – November 28, 2023										
		November 29, 2022 – November 28, 2023										
		November 29, 2023 – November 28, 2024										
		November 29, 2024 – November 28, 2025										
		November 29, 2025 – November 28, 2026										

Report of the Directors

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (H\$)	Closing Price Per Share immediately before the date of grant (H\$)	Outstanding as at January 1, 2021	Number of share options				Outstanding as at December 31, 2021
							Granted during the Year	Cancelled during the Year	Lapsed during the Year	Exercised during the Year	
Pan Jilian	September 1, 2020	September 1, 2020 – August 31, 2025	September 1, 2020– August 31, 2025	15.00	14.98	60,000	–	–	–	2,000	58,000
		September 1, 2021 – August 31, 2025									
		September 1, 2022 – August 31, 2025									
		September 1, 2023 – August 31, 2025									
		September 1, 2024 – August 31, 2025									
		September 1, 2025 – August 31, 2025									
Wang Xuehai	December 28, 2020	November 21, 2021 – December 27, 2025	November 21, 2021– December 27, 2025	12.10	11.36	210,000	–	–	–	–	210,000
		November 21, 2022 – December 27, 2025									
		November 21, 2023 – December 27, 2025									
		November 21, 2024 – December 27, 2025									
		November 21, 2025 – December 27, 2025									
		November 21, 2026 – December 27, 2025									

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (HK\$)	Closing Price Per Share		Number of share options				
					immediately before the date of grant (HK\$)	Outstanding as at January 1, 2021	Granted during the Year	Cancelled during the Year	Lapsed during the Year	Exercised during the Year	Outstanding as at December 31, 2021
Chief executive of the Company											
Liu Zhenyu	June 22, 2016	June 22, 2019 –	June 22, 2019 –	1.204	1.21	5,000,000	–	–	–	–	5,000,000
		June 21, 2026	June 21, 2026								
		June 22, 2020 –									
		June 21, 2026									
		June 22, 2021 –									
		June 21, 2026									
		June 22, 2022 –									
		June 21, 2026									
		June 22, 2023 –									
		June 21, 2026									
		June 22, 2023 –									
		June 21, 2026									
Senior management of the Company											
Wei Shiniu	November 29, 2019	November 29, 2020 –	November 29, 2020 –	19.132	19.54	500,000	–	–	–	200,000	300,000
		November 28, 2029	November 28, 2029								
		November 29, 2021 –									
		November 28, 2029									
		November 29, 2022 –									
		November 28, 2029									
		November 29, 2023 –									
		November 28, 2029									
		November 29, 2024 –									
		November 28, 2029									

Report of the Directors

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Closing Price		Outstanding as at January 1, 2021	Number of share options				
				Exercise Price per Share (HK\$)	Per Share immediately before the date of grant (HK\$)		Granted during the Year	Cancelled during the Year	Lapsed during the Year	Exercised during the Year	Outstanding as at December 31, 2021
	December 28, 2020	December 28, 2021 – December 27, 2030	December 28, 2021 – December 27, 2030	12.10	11.36	400,000	—	—	—	—	400,000
		December 28, 2022 – December 27, 2030									
		December 28, 2023 – December 27, 2030									
		December 28, 2024 – December 27, 2030									
		December 28, 2025 – December 27, 2030									
		December 27, 2030									
		April 25, 2021 – April 24, 2027	April 25, 2021 – April 24, 2027	3.512	3.45	2,000,000	—	—	—	—	2,000,000
		April 25, 2024 – April 24, 2027									
Other employees	June 22, 2016	June 22, 2016 – June 21, 2026	June 22, 2016 – June 21, 2026	1.204	1.21	3,085,637	—	—	—	182,965	2,902,672
	September 23, 2016	September 23, 2017 – September 22, 2026	September 23, 2017 – September 22, 2026	2.406	2.30	8,939,000	—	—	—	4,653,000	4,286,000
	April 25, 2017	April 25, 2019 – April 24, 2027	April 25, 2019 – April 24, 2027	3.512	3.45	20,042,000	—	—	810,000	5,360,000	13,872,000
	October 11, 2017	July 25, 2018 – October 10, 2027	July 25, 2018 – October 10, 2027	8.33	8.07	9,184,900	—	—	1,020,000	1,010,900	7,154,000
	November 20, 2017	December 31, 2019 – November 19, 2027	December 31, 2019 – November 19, 2027	9.35	8.91	7,540,000	—	—	2,775,000	1,532,000	3,233,000
	May 4, 2018	January 1, 2019 – May 3, 2028	January 1, 2019 – May 3, 2028	26.46	26.65	8,400,000	—	—	32,381	730,715	7,636,904
	November 29, 2018	November 29, 2019 – November 28, 2028	November 29, 2019 – November 28, 2028	14.04	14.32	495,000	—	—	180,000	159,000	156,000

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (HK\$)	Closing Price Per Share immediately before the date of grant (HK\$)	Outstanding as at January 1, 2021	Number of share options				Outstanding as at December 31, 2021
							Granted during the Year	Cancelled during the Year	Lapsed during the Year	Exercised during the Year	
	July 19, 2019	July 19, 2020 – July 18, 2029	July 19, 2020 – July 18, 2029	18.30	17.86	3,945,000	–	–	370,000	534,000	3,041,000
	November 29, 2019	November 29, 2020 – November 28, 2029	November 29, 2020 – November 28, 2029	19.132	19.54	4,535,000	–	–	1,370,000	325,000	2,840,000
	April 29, 2020	April 29, 2021 – April 28, 2030	April 29, 2021 – April 28, 2030	13.84	13.698	5,225,000	–	–	715,000	443,000	4,067,000
	December 28, 2020	December 28, 2021 – December 27, 2030	December 28, 2021 – December 27, 2030	12.10	11.36	1,750,000	–	–	750,000	–	1,000,000
	March 31, 2021	March 31, 2022 – March 30, 2031	March 31, 2022 – March 30, 2031	13.892	14.04	–	100,000	–	–	–	100,000
	May 31, 2021	May 31, 2022 – May 30, 2031	May 31, 2022 – May 30, 2031	30.45	27.35	–	343,029	–	–	–	343,029
						83,971,537	443,029	–	8,022,381	15,217,580	61,174,605

Notes:

- (1) The weighted average closing price immediately before the dates on which the options were exercised was HK\$26.74.
- (2) For further details of the Post-IPO Share Option Scheme, please refer to Appendix V "Statutory and General Information" of the Prospectus and note 35 to the financial statements in this annual report.

C. Subsidiary Share Option Scheme

The Company approved and adopted the Subsidiary Share Option Scheme on December 21, 2017. The Subsidiary Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

Options to subscribe for 21,121,000 shares of Legend had been granted (of which 5,853,466 options had lapsed) under the Subsidiary Share Option Scheme from the date of its adoption to December 31, 2021.

Set out below are details of the outstanding options under the Subsidiary Share Option Scheme:

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share US\$	Outstanding as at January 1, 2021	Number of share options				Exercised during the Reporting Period	Outstanding as at December 31, 2021
						Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period			
Senior management of the Group Huang Ying	July 22, 2019	July 2, 2020 – July 1, 2029	July 2, 2020 – July 1, 2029	1.50	800,000	–	–	–	392,508	600,000	
		July 2, 2021 – July 1, 2029									
		July 2, 2022 – July 1, 2029									
		July 2, 2023 – July 1, 2029									
		July 2, 2024 – July 1, 2029									
		July 2, 2025 – July 1, 2029									
		July 2, 2026 – July 1, 2029									

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share US\$	Outstanding as at January 1, 2021	Number of share options				Exercised during the Reporting Period	Outstanding as at December 31, 2021
						Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period			
Other Employees	March 29, 2021	March 29, 2022 – March, 28, 2031, March 29, 2023 – March 28, 2031, March 29, 2024 – March 28, 2031	March 29, 2022 – March, 28, 2031	14.12	–	300,000	–	–	–	–	300,000
	December 26, 2017	December 25, 2019 – December 25, 2027	December 25, 2019 – December 25, 2027	0.500	5,393,114	–	459,000	–	–	880,018	4,054,096
	August 30, 2018	January 1, 2019 – August 29, 2028	January 1, 2019 – August 29, 2028	1.000	4,317,492	–	276,666	–	–	2,189,392	1,849,434
	December 31, 2018	December 31, 2019 – December 30, 2028	December 31, 2019 – December 30, 2028	1.000	520,294	–	66,000	–	–	88,094	366,200
	January 14, 2019	December 31, 2019 – December 30, 2028	December 31, 2019 – December 30, 2028	1.000	10,000	–	–	–	–	–	10,000
	January 28, 2019	December 31, 2019 – December 30, 2028	December 31, 2019 – December 30, 2028	1.000	10,000	–	–	–	3,860	–	6,140
	July 2, 2019	July 2, 2020 – July 1, 2029	July 2, 2020 – July 1, 2029	1.500	1,873,096	–	266,800	–	–	385,596	1,220,700
	July 8, 2019	July 2, 2020 – July 1, 2029	July 2, 2020 – July 1, 2020	1.500	2,000	–	–	–	800	–	1,200
	November 29, 2019	November 29, 2020 – November 28, 2029	November 29, 2020 – November 28, 2029	11.500	413,900	–	35,200	–	–	65,112	313,588
	December 9, 2019	November 29, 2020 – November 28, 2029	November 29, 2020 – November 28, 2029	11.500	30,000	–	–	–	–	12,000	18,000

Report of the Directors

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share US\$	Outstanding as at January 1, 2021	Number of share options				Exercised during the Reporting Period	Outstanding as at December 31, 2021
						Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period			
	June 5, 2020	June 5, 2021 – June 4, 2030	June 5, 2021 – June 4, 2030	11,500	90,000	—	—	—	—	—	90,000
	September 1, 2020	November 29, 2020 – August 31, 2030	November 29, 2020 – August 31, 2030	16,335	569,000	—	145,200	—	—	39,000	384,800
	November 19, 2020	November 19, 2021 – November 18, 2030	November 19, 2021 – November 18, 2030	13,575	20,000	—	—	—	—	—	20,000
	March 29, 2021	March 29, 2022 – March 28, 2031	March 29, 2022 – March 28, 2031	14,120	—	130,000	—	—	—	—	130,000
	August 27, 2021	August 27, 2022 – August 26, 2031	August 27, 2022 – August 26, 2031	19,015	—	165,000	—	—	—	—	165,000
				—	14,241,404	595,000	1,250,866	—	—	4,056,380	8,929,158

Apart from the movements as stated above, no options were granted, exercised, lapsed or cancelled under the Subsidiary Share Option Scheme during the year ended December 31, 2021.

SUMMARY OF THE SHARE OPTION SCHEMES

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Subsidiary Share Option Scheme
1. Purpose	To recognize and acknowledge the contributions that the eligible participants have or may have made to the Group and to provide the eligible participants with an opportunity to have a personal stake in the Company with a view to (1) attract skilled and experienced personnel; (2) incentivise them to remain with the Group; and (3) motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.	To provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating, and/or providing bene fits to participants.	To provide participants with the opportunity to acquire proprietary interests in Legend and to encourage participants to work towards enhancing the value of Legend and its shares for the benefit of Legend and its shareholders as a whole. The Subsidiary Share Option Scheme will provide Legend with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing bene fits to participants.
2. Participants	Directors, employees, or consultants of any member of the Group.	The Board may offer to grant an option to any participants as the Board may, in its absolute discretion, select.	Directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group; provided that for any participant who is subject to the tax laws of the United States of America (the “ U.S. Participant ”), such participant must be a natural person and a director or employee of Legend or a subsidiary of Legend that is at least 50% owned by Legend.

Report of the Directors

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Subsidiary Share Option Scheme
3. Maximum number of Shares to be allotted	As of December 31, 2021, options to subscribe for Shares aggregate of 48,269,684 were outstanding, representing approximately 2.297% of the issued share capital of the Company as of December 31, 2021. No further option may be granted under the Pre-IPO Share Option Scheme.	The maximum number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme was 160,000,000, representing approximately 7.613% of the issued share capital of the Company as of December 31, 2021. The maximum number of Shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time. Options to subscribe for 443,029 Shares had been granted under the Post-IPO Share Option Scheme for the year ended December 31, 2021.	The maximum number of shares of Legend in respect of which options may be granted under the Subsidiary Share Option Scheme was 20,000,000, representing approximately 0.193% of the issued share capital of Legend as of December 31, 2021. The maximum number of shares of Legend that may be issued upon exercise of all outstanding options granted and yet to be exercised under the Subsidiary Share Option Scheme and other scheme of Legend must not exceed 30% of the shares of Legend in issue from time to time. Options to subscribe for 595,000 shares of Legend had been granted under the Subsidiary Share Option Scheme for the year ended December 31, 2021.
4. Maximum – entitlement of each participant	—	1% of the issued share capital of the Company from time to time within any 12 month period up to the date of the latest grant.	1% of the issued share capital of Legend from time to time within any 12 month period up to the date of the latest grant.

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Subsidiary Share Option Scheme
5. Option period	At any time and from time to time up to December 31, 2025.	The period of time to be notified by the Board to each grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option. The terms of an offer may include any minimum periods for which an option must be held and/or any minimum performance targets that must be reached, before the options can be exercised in whole or in part, and may include at the discretion of the Board other terms imposed (or not imposed), either on a case by case basis or generally.	The period of time to be notified by the board of Legend to each grantee at the time of making an offer, which shall be determined by the board of Legend in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option (or 5 years in the case of an incentive stock option within the meaning of Section 422 of the United States Internal Revenue Code of 1986 (the “Internal Revenue Code”) granted to a U.S. Participant who is an employee of Legend or a subsidiary corporation (as defined in Section 1.424-1(f)(1) and (2) of the U.S. Treasury Regulations) of Legend, who owns (or is treated as owning) stock possessing more than 10% of the total combined voting power of all classes of stock of the corporation employing the grantee or of any parent corporation or subsidiary corporation as defined in Section 1.424-1(f)(1) and (2) of the U.S. Treasury Regulations). The terms of an offer may include any minimum periods for which an option must be held or any performance targets that must be reached, before the options can be exercised, and may include at the discretion of the board of Legend other terms imposed either on a case by case basis or generally.

Report of the Directors

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Subsidiary Share Option Scheme
6. Acceptance of offer	On acceptance of the offer of the option, the participant shall execute and return an acceptance letter in accordance with the terms and conditions set by the Company.	An option shall remain open for acceptance by the participant concerned for a period of 21 days from the date of the offer. HK\$1.00 is payable by the grantee to the Company on acceptance of the offer of the option.	An option shall remain open for acceptance by the participant concerned for a period of 21 days from the date of the offer. US\$1.00 (or its equivalent in RMB) is payable by the grantee to Legend on acceptance of the offer of the option.
7. Exercise Price	From US\$0.003 to US\$0.103	The Subscription Price shall be no less than the highest of: (1) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (2) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and (3) the nominal value of a Share on the date of grant.	The Subscription Price payable by any grantee (including a non-U.S. Participant or a U.S. Participant) shall be no less than the value of a share of Legend on the date of grant, determined by the board of Legend in good faith with reference to a valuation report to be obtained from time to time and in a manner that complies with Sections 409A and 422 of the Internal Revenue Code, subject to rounding adjustments as may be determined by the board of Legend at its absolute discretion, provided that with respect to the period from the date when the Company resolves to seek a separate listing of Legend on The Stock Exchange of Hong Kong Limited, Growth Enterprise Market, or an overseas stock exchange and up to the listing date (if any), the rules under note (2) to rule 17.03(9) of the Listing Rules is complied with.
8. Remaining life of the scheme	The Pre-IPO Share Option Scheme expired on December 30, 2015.	It shall be valid and effective for a period of ten years commencing on December 7, 2015.	It shall be valid and effective for a period of ten years commencing on December 21, 2017.

RESTRICTED SHARE AWARD SCHEMES

2019 RSA Scheme

The Company adopted its 2019 RSA Scheme on March 22, 2019 (the “**2019 RSA Scheme Adoption Date**”) to, among other things, recognize the contributions by any Director or employee of the Company or any of its subsidiaries selected by the Board in accordance with the terms of the 2019 RSA Scheme (the “**Selected Participant**”).

The Company and Computershare Hong Kong Trustees Limited as the trustee (the “**Trustee**”) entered into the trust deed in respect of the appointment of the Trustee for the administration of the 2019 RSA Scheme (the “**Trust Deed**”). Pursuant to the 2019 RSA Scheme, the share that may be offered by the Company to any Selected Participant will be satisfied by (i) existing shares to be acquired by the Trustee on the market, and/or (ii) new shares to be allotted and issued to the Trustee. The total number of the restricted shares underlying all grants made pursuant to the 2019 RSA Scheme shall not exceed ten percent of the issued share capital of the Company as at March 22, 2019. The 2019 RSA Scheme will initially be valid and effective for a period of ten years commencing on the 2019 RSA Scheme Adoption Date. Vesting shall only occur upon satisfaction (or where applicable, waiver by the Board) of conditions imposed by the Board. Neither the Selected Participant nor the Trustee may exercise any of the voting rights in respect of any restricted shares that have not yet vested.

During the Reporting Period, 213,906 restricted shares, 5,704,106 restricted shares, 137,596 restricted shares and 246,915 restricted shares (“**RSA Shares B**”) were granted under the 2019 RSA Scheme to certain employees (the “**Grantees B**”) on March 31, 2021, May 31, 2021, August 27, 2021 and December 10, 2021, respectively, and 415,524 Restricted Shares (“**RSA Shares A**”, together with the RSA Shares B, the “**2019 RSA Shares**”) were granted under the RSA Scheme to certain Directors and chief executive (the “**Grantees A**”, together with the Grantees B, the “**Grantees**”) on May 31, 2021. For details, please refer to the Company’s announcements dated March 31, 2021, June 1, 2021, August 27, 2021 and December 10, 2021.

The RSA Shares A have been acquired by the Trustee through on-market transactions. The RSA Shares B were issued by the Company and allotted to the Trustee under the general mandate granted by the shareholders of the Company on May 28, 2021 and in accordance with the terms of the 2019 RSA Scheme. The 2019 RSA Shares and are currently held by the Trustee in according with the Listing Rules and the Trust Deed until the end of the relevant vesting date and be transferred to the Grantees upon satisfaction of the relevant vesting conditions as may be specified by the Board at the time of making the grant of 2019 RSA Shares.

Report of the Directors

Set out below are details of the outstanding shares under the 2019 RSA Scheme:

Category/ Name of Grantee	Date of Grant	Closing Price per Share on the Date of Grant	As at January 1, 2021	Granted during the Reporting Period	Vesting During the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2021
Director							
Meng Jiange	December 28, 2020 ^(Note 1)	11.68	400,000	—	80,000 ^(Note 2)	—	320,000
Wang Ye	May 31, 2021 ^(Note 3)	30.45	—	300,000	—	—	300,000
Zhu Li	December 28, 2020 ^(Note 4)	11.68	200,000	—	40,000 ^(Note 5)	—	160,000
	May 31, 2021 ^(Note 6)	30.45	—	100,000	—	—	100,000
Chief Executive							
Liu Zhenyu	April 29, 2020 ^(Note 7)	13.84	10,750	—	5,375	—	5,375
	May 31, 2021 ^(Note 8)	30.45	—	15,524	—	—	15,524
Senior Management							
Wei Shiniu	April 29, 2020	13.84	3,620	—	1,810	—	1,810
	December 28, 2020	11.68	400,000	—	80,000 ^(Note 9)	—	320,000
	March 31, 2021	13.68	—	25,478	—	—	25,478
	May 31, 2021	30.45	—	52,612	—	—	52,612
Shao Weihui	May 31, 2021	30.45	—	83,025	—	—	83,025
Other Employees							
	July 19, 2019	18.30	764,182	—	204,315	—	559,867
	November 29, 2019	18.90	120,000	—	30,000	—	90,000
	April 29, 2020	13.84	821,647	—	170,718	88,115	562,814
	September 1, 2020	15.00	44,117	—	21,507	1,462	21,148
	December 28, 2020	11.68	2,565,933	—	922,416 ^(Note 10)	171,686	1,471,831
	March 31, 2021	13.68	—	188,428	—	2,876	185,552
	May 31, 2021	30.45	—	5,568,469	—	247,701	5,320,768
	August 27, 2021	37.10	—	137,596	—	155	137,441
	December 10, 2021	40.75	—	246,915	—	—	246,915
Total			5,330,249	6,718,047	1,556,141	511,995	9,980,160

Notes:

- (1) Mr. Meng Jiange was granted 400,000 restricted shares that will vest in five annual installments equally on December 28, 2021 to December 28, 2025.
- (2) 80,000 restricted shares were scheduled to vest on December 28, 2021 and such shares were transferred to Mr. Meng Jiange on January 4, 2022.
- (3) Ms. Wang Ye was granted 300,000 restricted shares that will vest in five annual installments equally on May 31, 2022 to May 31, 2026.
- (4) Dr. Zhu Li was granted 200,000 restricted shares that will vest in five annual installments equally on December 28, 2021 to December 28, 2025.
- (5) 40,000 restricted shares were scheduled to vest on December 28, 2021 and such shares were transferred to Dr. Zhu Li on January 4, 2022.
- (6) Dr. Zhu Li was granted 100,000 restricted shares that will vest in five annual installments equally on May 31, 2022 to May 31, 2026.
- (7) Dr. Liu Zhenyu was granted 10,750 restricted shares that will vest in two annual installments equally on April 29, 2021 and April 29, 2022.
- (8) Dr. Liu Zhenyu was granted 15,524 restricted shares that will vest in two annual installments equally on May 31, 2022 and May 31, 2023.
- (9) 80,000 restricted shares were scheduled to vest on December 28, 2021 and such shares were transferred to Mr. Wei Shiniu on January 4, 2022.
- (10) 922,416 restricted shares were scheduled to vest on December 28, 2021 and such shares were transferred to the relevant grantees on January 4, 2022.

Saved as disclosed above, none of the Grantees is a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, or an associate (as defined in the Listing Rules) of any of them.

2021 RSA Scheme

On August 23, 2021, the Company approved and adopted the 2021 RSA Scheme to grant restricted shares to Director or employee of the Company or any of its subsidiaries.

The purpose of the 2021 RSA Scheme is to (i) provide the selected participants with the opportunity to acquire proprietary interests in the Company, (ii) encourage the selected participants to work towards enhancing the value of the Company and its Shares or the benefit of the Company and its Shareholders as a whole, and (iii) provide the Company with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to the selected participants.

The total number of the restricted shares underlying all grants made pursuant to the 2021 RSA Scheme and the 2019 RSA Scheme shall not exceed in total ten percent (10%) of the Company's issued share capital as at the adoption date of the 2019 RSA Scheme.

During the Reporting Period, 1,394,558 restricted shares (the **"2021 RSA Shares"**) were granted under the 2021 RSA Scheme to certain employees (the **"2021 RSA Grantees"**) on December 10, 2021. For details, please refer to the Company's announcement dated December 10, 2021.

Certain 2021 RSA Shares will be issued by the Company and allotted to the Trustee under the general mandate granted by the shareholders of the Company on May 28, 2021 and in accordance with the terms of the 2021 RSA Scheme, subject to the fulfillment of customary conditions. Such 2021 RSA Shares will be held by the Trustee in accordance with the Listing Rules and the trust deed until the end of the relevant vesting date and be transferred to the relevant 2021 RSA Grantees upon satisfaction of the relevant vesting conditions as may be specified by the Board at the time of making the grant of 2021 RSA Shares.

Report of the Directors

Set out below are details of the outstanding shares under the 2021 RSA Scheme:

Category/ Name of Grantee	Date of Grant	Closing Price per Share on the Date of Grant	As at January 1, 2021	Granted during the Reporting Period	Vesting During the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2021
Other Employees	December 10, 2021	40.75	—	1,394,558	—	—	1,394,558
Total				1,394,558	—	—	1,394,558

Legend Restricted Shares Plan

On May 26, 2020, the shareholders of Legend approved and adopted the Legend Restricted Shares Plan to grant restricted shares and restricted share units (referred to as award) to employees, consultants and directors of Legend, as well as to employees, consultants and directors of GenScript and of Legend's subsidiaries.

The purpose of the Legend Restricted Shares Plan is to promote the success and enhance the value of Legend by linking the personal interests of the participants to those of the Legend's shareholders and by providing the participants with an incentive for outstanding performance to generate superior returns to Legend's shareholders. The Legend Restricted Shares Plan will provide flexibility to Legend in its ability to motivate, attract, and retain the services of the participants.

Under the Legend Restricted Shares Plan, the maximum aggregate number of shares that may be issued pursuant to all awards granted is 11,000,000 shares. Unless early terminated by the board of Legend, the Legend Restricted Shares Plan shall be valid and effective for a term of ten years commencing on May 26, 2020.

During the Reporting Period, 2,132,680 restricted share units (the "**Restricted Share Units**") were granted under the 2021 Restricted Shares Plan on March 19, 2021, May 21, 2021, June 9, 2021, June 15, 2021, July 19, 2021, August 27, 2021, September 15, 2021, October 15, 2021, November 18, 2021, December 15, 2021.

Save as disclosed, no other Restricted Shares or Restricted Share Units have been granted under the 2021 Restricted Shares Plan during the Reporting Period.

Set out below are details of the outstanding shares under the Legend Restricted Shares Plan:

Grantee	Date of Grant	Number of Shares				Outstanding as at December 31, 2021
		Outstanding as at January 1, 2021	Granted during the Reporting Period	Vesting During the Reporting Period	Lapsed during the Reporting Period	
Huang Ying	March 19, 2021	—	75,500	—	—	75,500
	June 5, 2020	52,173	—	26,088	—	26,085
	September 1, 2020	750,976	—	230,536	81,438	439,002
	November 19, 2020	309,308	—	92,592	35,188	181,528
Other Participants	March 19, 2021	—	1,650,386	—	178,108	1,472,278
	May 21, 2021	—	57,944	—	—	57,944
	June 9, 2021	—	39,072	—	—	39,072
	June 15, 2021	—	20,284	—	—	20,284
	July 19, 2021	—	34,376	—	—	34,376
	August 27, 2021	—	47,188	—	—	47,188
	September 15, 2021	—	141,560	—	—	141,560
	October 15, 2021	—	16,864	—	—	16,864
	November 18, 2021	—	17,458	—	—	17,458
	December 15, 2021	—	32,048	—	—	32,048
Total		1,112,457	2,132,680	349,216	294,734	2,601,187

Probio RSUA Scheme

On August 3, 2021, the shareholders of Probio Cayman approved and adopted the Probio RSUA Scheme to grant restricted share units to employees and directors of Probio Cayman, as well as to employees of GenScript and of Probio Cayman's subsidiaries.

The purposes of the Probio RSUA Scheme are (i) to provide the participants with the opportunity to acquire proprietary interest in the Probio Cayman, (ii) encourage the participants to work towards enhancing the value of Probio Cayman and its shares for the benefit of Probio Cayman and its shareholders as a whole, and (iii) to provide Probio Cayman with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to the participants.

The total number of the shares underlying all grants of the restricted share units made pursuant to the Probio RSUA Scheme shall not exceed in total fifteen percent (15%) of Probio Cayman's issued share capital as at August 18, 2021. Unless early terminated by the board of Probio Cayman, the Probio RSUA Scheme shall be valid and effective for a term of fifteen years commencing on August 3, 2021.

During the Reporting Period, 97,302,350 restricted share units (the "**Probio Restricted Share Units**") were granted under the Probio RSUA Scheme on December 17, 2021.

Save as disclosed, no other Probio Restricted Share Units have been granted under the Probio RSUA Scheme during the Reporting Period.

Report of the Directors

Set out below are details of the outstanding shares under the Probio RSUA Scheme:

Grantee	Date of Grant	Number of Shares				Outstanding as at December 31, 2021
		Outstanding as at January 1, 2021	Granted during the Reporting Period	Vesting During the Reporting Period	Lapsed during the Reporting Period	
Participants	December 17, 2021	—	97,302,350	—	—	97,302,350
Total			97,302,350	—	—	97,302,350

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of Directors and the five highest paid individuals are set out in note 8 and note 9 to the financial statements in this annual report.

CHANGES TO INFORMATION OF DIRECTORS AND EXECUTIVES

Saved as disclosed in this annual report, there had been no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51 (2) of the Listing Rules that required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Mr. Meng Jiange resigned from the position of member of the Sanctions Risk Control Committee with effect from March 19, 2022.

Ms. Wang Ye has been appointed as a director of Legend Biotech Belgium with effect from June 2021, a director of Probio Technology I Limited with effect from April 2021, a director of Probio Technology Limited with effect from May 2021, a director of Probio Technology (BVI) Limited with effect from May 2021, a director of Probio Technology HK Limited with effect from June 2021, and a director of Probio Technology (Netherlands) B.V. with effect from August 2021. Ms. Wang Ye has resigned from the position of a director of Curegene Biotech Corporation (formerly known as Qragen Biotech Corporation) with effect from August 2021, a director of Curegene Biotech (BVI) Limited (formerly known as Qragen Biotech (BVI) Limited) with effect from July 2021 and a director of Curegene Biotech (HK) Limited (formerly known as Qragen Biotech (HK) Limited) with effect from September 2021. Ms. Wang Ye resigned from the position of chairwoman and member of the Sanctions Risk Control Committee with effect from March 19, 2022.

Mr. Dai Zumian resigned as the chief financial officer of Shanghai Sanxi Big Data Technology Co., Ltd.* (上海三熙大數據技術有限公司) in June 2021 and had been appointed as the chief financial officer of Shanghai Jiuli Information Service Co., LTD* (上海九曆信息服務有限公司) in July 2021.

Dr. Liu Zhenyu was appointed as chairman and member of the Sanctions Risk Control Committee with effect from March 19, 2022.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES, AND DEBENTURES

As of December 31, 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares, and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, are set out as follows:

Long positions in the ordinary Shares and underlying Shares of the Company as of December 31, 2021

Name of Director	Capacity/Nature of Interest	Number of Shares held/interested	Approximate Percentage of Shareholding (%)
Director			
Meng Jiange	Beneficial owner ^(Note 1)	2,335,258	0.11
Wang Ye	Interest in controlled corporation ^(Note 2) , parties acting in concert ^(Note 3) , beneficial owner ^(Note 4) , founder of a discretionary trust and trustee ^(Note 5)	855,941,469	40.73
Zhu Li	Beneficial owner ^(Note 6)	2,202,046	0.10
Wang Luquan	Interest in controlled corporation ^(Note 7) , parties acting in concert ^(Note 8) and interests in spouse ^(Note 8)	855,941,469	40.73
Pan Yuexin	Beneficial owner ^(Note 9)	460,000	0.02
Wang Jiafen	Beneficial owner ^(Note 10)	270,000	0.01
Guo Hongxin	Beneficial owner ^(Note 11)	460,000	0.02
Dai Zumian	Beneficial owner ^(Note 12)	439,000	0.02
Pan Jiuan	Beneficial owner ^(Note 13)	270,000	0.01
Wang Xuehai	Beneficial owner ^(Note 14)	210,000	0.01
Chief Executive			
Liu Zhenyu	Beneficial Owner ^(Note 15)	5,054,226	0.24

Notes:

- (1) Meng Jiange held 320,000 underlying Shares under the 2019 RSA Scheme, 1,843,320 underlying Shares under the options conditionally granted to him under the Pre-IPO Share Option Scheme and 171,938 Shares.
- (2) Wang Ye held approximately 10.26% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Wang Ye was deemed, or taken to be interested in, all the Shares held by GS Corp.



Report of the Directors

- (3) On August 14, 2008, Zhang Fangliang, Wang Ye and Wang Luquan entered into the GS Corp Shareholder Voting Agreement, whereby Zhang Fangliang, Wang Ye and Wang Luquan agreed to vote unanimously in the shareholder meetings of GS Corp and, contemporaneously, proxies were conferred by Wang Luquan and Wang Ye to Zhang Fangliang authorising Zhang Fangliang to vote and exercise all voting and related rights with respect to the shares that each of Wang Luquan and Wang Ye beneficially owned in GS Corp, which held 809,577,123 Shares as of December 31, 2021. On May 29, 2015, Wu Yongmei signed a proxy agreement whereby she conferred all her voting and related rights in relation to all the shares that she owned in GS Corp, i.e. 108,625,000 shares of GS Corp to Zhang Fangliang.
- (4) Wang Ye held 300,000 underlying Shares under the 2019 RSA Scheme, 44,762,194 underlying Shares under the options conditionally granted to her under the Pre-IPO Share Option Scheme and 26,152 Shares.
- (5) On October 5, 2017, Wang Ye set up 2017 Wang Ye Family Trust (the **“Wang Trust”**), an irrevocable discretionary family trust, with her spouse, her son and his living issue as beneficiaries. Hu Zhiyong, the spouse of Wang Ye, is the trustee of the Wang Trust. The Wang Trust (through its trustee) held approximately 1.95% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO. On December 21, 2021, Wang Ye transferred 638,000 Shares to Ren-Shiu Foundation Inc., of which Wang Ye is the trustee.
- (6) Dr. Zhu Li held 260,000 underlying Shares under the 2019 RSA Scheme, 734,000 underlying Shares under the options conditionally granted to him under the Post-IPO Share Option Scheme and 1,208,046 Shares.
- (7) As of December 31, 2021, Wang Luquan held approximately 22.76% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Wang Luquan was deemed, or taken to be interested in, all the Shares held by GS Corp.
- (8) Wang Luquan is the spouse of Huang Lili. For the purpose of the SFO, Wang Luquan was deemed, or taken to be interested in all the Shares in which Huang Lili was interested, i.e. 638,000 Shares.
- (9) Pan Yuexin held 460,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.
- (10) Wang Jiafen held 270,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.
- (11) Guo Hongxin held 460,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.
- (12) Dai Zumian held 439,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.
- (13) Pan Jiuan held 270,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.
- (14) Wang Xuehai held 210,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.
- (15) Liu Zhenyu held 5,000,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme, 20,899 underlying Shares under the 2019 RSA Scheme and 33,327 Shares.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed “Share Option Schemes”, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouses or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouses or children under 18 years of age, to acquire such rights in any other body corporate at any time during the Year.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

As of December 31, 2021, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares that would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Long position in the ordinary Shares of the Company as of December 31, 2021

Name	Capacity/Nature of Interest	Number of Shares/ underlying Shares held/interested	Approximate Percentage of Shareholding (%)
GS Corp ^(Note 1)	Beneficial owner	809,577,123	38.52
Zhang Fangliang ^{(Note 2) (Note 3)}	Interest in controlled corporation, parties acting in concert and founder of a discretionary trust	855,941,469	40.73
Jin Weihong ^(Note 3)	Interest in controlled corporation, parties acting in concert and trustee	855,941,469	40.73
Hu Zhiyong ^(Note 4)	Interest in controlled corporation, parties acting in concert and trustee	855,941,469	40.73
Huang Lilij ^(Note 6)	Beneficial owner and interest in controlled corporation	855,941,469	40.73
GNS Holdings Limited ^(Note 7)	Beneficial owner	164,770,965	7.84
Hillhouse Investment Management V, Ltd. ^(Note 7)	Interest in controlled corporation	164,770,965	7.84
Hillhouse Investment Management, Ltd. ^(Note 7)	Investment manager	164,770,965	7.84
Hillhouse Fund V, L.P. ^(Note 7)	Interest in controlled corporation	164,770,965	7.84

* The percentage has been calculated based on 2,101,543,082 Shares in issue as at December 31, 2021.



Report of the Directors

Notes:

- (1) As at December 31, 2021, GS Corp is a company incorporated in the State of Delaware in the U.S. and owned as to approximately 36.59%, approximately 3.66%, approximately 22.76%, approximately 0.70%, approximately 3.80%, approximately 0.42%, approximately 0.42%, approximately 9.89%, approximately 7.43%, approximately 10.26%, approximately 1.95%, approximately 1.05% and approximately 1.07% by Zhang Fangliang, the Zhang Trust^(Note 3), Wang Luquan, Wu Yongmei, the Wu 2017 Trust^(Note 5), the Wu 2020 Separate Trust A^(Note 5), the Wu 2020 Separate Trust B^(Note 5), the Wu 2020 Trust^(Note 5), the Wu 2021 Trust^(Note 5), Wang Ye, the Wang Trust, Mu Yingjun and Charity B, respectively.
- (2) As at December 31, 2021, Zhang Fangliang held approximately 36.59% of the issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.
- (3) On October 12, 2017, Zhang Fangliang set up 2017 Fang Liang Zhang Trust (the **"Zhang Trust"**), an irrevocable discretionary family trust, with his three children and their respective living issue as beneficiaries. Jin Weihong, the spouse of Zhang Fangliang, is the trustee of the Zhang Trust. Jin Weihong, as the trustee of the Zhang Trust, held approximately 3.66% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.
- (4) On October 5, 2017, Wang Ye set up the Wang Trust, an irrevocable discretionary family trust, with her spouse, her son and his living issue as beneficiaries. Hu Zhiyong, the spouse of Wang Ye, is the trustee of the Wang Trust. Hu Zhiyong, as the trustee of the Wang Trust, held approximately 1.95% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.
- (5) On December 17, 2017, Wu Yongmei set up 2017 Wu Yongmei Trust (the **"Wu 2017 Trust"**). On October 31, 2018, Wu Yongmei set up 2018 Wu Yongmei Trust (the **"Wu 2018 Trust"**). On October 28, 2020, the Wu 2018 Trust transferred 1,882,930 shares of GS Corp and 1,882,930 shares of GS Corp to Descendants' Separate Trust FBO A (the **"Wu 2020 Separate Trust A"**) and Descendants' Separate Trust FBO L (the **"Wu 2020 Separate Trust L"**), respectively, under the Wu 2018 Trust. On October 30, 2020, Wu Yongmei set up Yongmei Wu 2020 Trust (the **"Wu 2020 Trust"**) and serves as the initial trustee. On October 29, 2021, Wu Yongmei set up Yongmei Wu 2021 Trust (the **"Wu 2021 Trust"**) and serves as the initial trustee.
- (6) As at December 31, 2021, Huang Lili held 638,000 Shares. In addition, since Huang Lili is the spouse of Wang Luquan, who is a non-executive Director. For the purpose of the SFO, Huang Lili was deemed, or taken to be interested in all the Shares in which Wang Luquan was interested.
- (7) The entire issued share capital of GNS Holdings Limited is wholly owned by Hillhouse Investment Management V, Ltd., which is wholly owned by Hillhouse Fund V, L.P.. Hillhouse Investment Management, Ltd. is the sole investment manager of GNS Holdings Limited.

Save as disclosed above, as of the date of this annual report, the Directors have not been aware of any person who had interests or short positions in the Shares or underlying Shares that would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register and required to be kept pursuant to Section 336 of the SFO.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares.

PURCHASE, REDEMPTION, OR SALE OF THE LISTED SECURITIES

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

USE OF PROCEEDS

Use of Proceeds from Top-up Placing

On June 5, 2018, the Company entered into a placing and subscription agreement with GS Corp, one of the controlling shareholders of the Company (the “**Vendor**”) and placing agents pursuant to which (i) the Vendor completed a placing through placing agents 75,000,000 ordinary shares of the Company to certain placees at the price of HK\$26.50 per share, and (ii) the Vendor subscribed for an aggregate of 75,000,000 shares of the Company of HK\$26.50 per share (the “**Top-up Placing**”). The net proceeds of the Top-up Placing is approximately HK\$2.0 billion (equivalent to approximately US\$251.3 million). Please refer to the announcements of the Company dated June 4, 2018, June 5, 2018, June 8, 2018, June 13, 2018 and June 14, 2018 for details.

A detailed breakdown and description of the use of the net proceeds from the Top-Up Placing is set forth as follows:

Item	Unutilized amount as at January 1, 2021 US\$ million	Utilized amount during the Reporting Period US\$ million	Unutilized amount as at December 31, 2021 US\$ million	Intended year of application
Building up CAR-T R&D and production facility in China, the U.S. and Europe	0.9	0.9	—	Not applicable
Building up the GMP manufacturing facilities for plasmid and biologics products	68.5	32.0	36.5	2022 to 2023
Total	69.4	32.9	36.5	

Note: The figures for unutilized proceeds have been rescheduled as the changes of Group's strategy and the increase of the financing capability of Legend, compared with the disclosure in the annual results announcement for the year ended December 31, 2020 of the Company dated March 26, 2021.

Use of Proceeds from the Subscription Under General Mandate

On May 14, 2021, the Company and GNS entered into a subscription agreement (the “**Subscription Agreement**”), pursuant to which GNS subscribed for an aggregate 102,981,853 new Shares issued by the Company of HK\$18.658 per Share under the Company's general mandate (the “**Subscription**”). The conditions of the Subscription Agreement have been fulfilled and the completion of the Subscription took place on June 10, 2021. The total amount of net proceeds received by the Company was approximately HK\$1.9 billion (equivalent to approximately US\$247.9 million). Please refer to the announcements dated May 14, 2021, June 7, 2021 and June 10, 2021.

Report of the Directors

A detailed breakdown and description of the use of the net proceeds from the Subscription is set forth as follows:

Item	Amount expected to be utilized US\$ million	Utilized amount during the Reporting Period US\$ million	Unutilized amount as at December 31, 2021 US\$ million	Intended year of application
Investment in research and development	60.0	23.0	37.0	2022 to 2023
Expansion of manufacturing facilities	150.0	18.8	131.2	2022 to 2023
General working capital purpose	37.9	37.9	—	Not applicable
Total	247.9	79.7	168.2	

PRE-EMPTIVE RIGHTS

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

NON-COMPETING UNDERTAKINGS

The controlling shareholders of the Company, namely Zhang Fangliang, Wang Luquan, Wang Ye and GS Corp, or any of them (the “**Controlling Shareholders**”), have signed the deed of non-competition (the “**Deed of Non-competition**”) dated December 7, 2015, pursuant to which, each of our Controlling Shareholders shall, and shall procure that their respective close associates and/or companies controlled by them (other than the Group) (i) not, directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm, or company, among other things, carry on, participate, or be interested or engage in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward, or otherwise) any activity or business that competes or is likely to compete, directly or indirectly, with the business of the Group referred to in the Prospectus and any other business from time to time conducted, carried on, or contemplated to be carried on by any member of the Group or in which any member of the Group is engaged or has invested, or which any member of the Group has otherwise publicly announced its intention to enter into, engage in, or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) (the “**Restricted Activity**”), (ii) provide all information requested by the Company that is necessary for an annual review by our independent non-executive Directors of its compliance with the Deed of Non-competition and the enforcement of the Deed of Non-competition, (iii) procure the Company to disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, either through the annual report or by way of announcement(s) to the public, and (iv) make an annual declaration on compliance with its undertaking under the Deed

of Non-competition in the annual reports of the Company as our independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules. Details of the Deed of Non-competition are set out in the section headed “Relationship with Controlling Shareholders” of the Prospectus.

The Company has received the annual confirmation of controlling shareholders in respect of their compliance with the non-competition undertakings under the Deed of Non-competition during the year ended December 31, 2021.

The independent non-executive Directors also reviewed the Controlling Shareholders’ compliance with the non-competition undertakings. The independent non-executive Directors confirmed that the Controlling Shareholders were not in breach of the non-competition undertakings during the year ended December 31, 2021.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, as at December 31, 2021, no executive Director, non-executive Director or any of their close associates had any interests in any business that competed or was likely to compete, either directly or indirectly, with the business of the Group under Rule 8.10(2) of the Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2021, the Company had no connected transactions or continuing connected transactions that were required to be disclosed pursuant to the provisions under Chapter 14A of the Listing Rules.

CHARITABLE DONATIONS

During the year ended December 31, 2021, the Group donated US\$987,000 to non-profit organisations for charitable and community purposes.

MATERIAL LEGAL PROCEEDINGS

As of December 31, 2021, the Group was not involved in any material litigation or arbitration, and no material litigation or claim was pending or threatened against the Group as far as the Directors were aware of.

AUDIT COMMITTEE

The Audit Committee has reviewed the annual results announcement for 2021 and the financial statements for the year ended December 31, 2021 prepared in accordance with the HKFRS.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining the highest standards of corporate governance practices. The Company has applied the principles set out in the Corporate Governance Code and the Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Listing Rules. During the Reporting Period, save as disclosed in the Corporate Governance Report, the Company has complied with the mandatory code provisions of the CG Code. For details, please refer to the Corporate Governance Report on pages 76 to 89 in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained a sufficient public float of more than 25% of the Company’s issued share capital as required under the Listing Rules as of the date of this annual report.

CONSULTING PROFESSIONAL TAX ADVISERS

The Company’s shareholders are recommended to consult professional advisers if they are in any doubt as to the tax implications of the purchasing, holding, disposal of, buying, and selling of the Company’s Shares or exercising any rights concerned.

AUDITORS

Ernst & Young, Certified Public Accountants (“**Ernst & Young**”) was appointed as the auditors to audit the financial statements prepared in accordance with the HKFRS for the year ended December 31, 2021. Ernst & Young shall retire at the forthcoming AGM and is eligible and has offered itself for re-election. The resolution regarding the re-appointment of Ernst & Young as the auditors of the Company will be proposed at the forthcoming AGM.

BUSINESS REVIEW PURSUANT TO SCHEDULE 5 OF THE COMPANIES ORDINANCE (CHAPTER 622 OF THE LAWS OF HONG KONG)

A fair review of the business of the Company and a discussion and analysis of the Group’s performance during the Reporting Period and the material factors underlying its results and financial position are provided in the section headed “Management Discussion and Analysis” from pages 12 to 27 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group include commercial, operational and financial risks.

Commercial Risks

The Group is facing keen competition with other life-science research and application services and products providers. To maintain the Group's competitiveness, the management uses cost leadership strategy as well as diversifies its business strategies to outperform other competitors.

Operational Risks

The Group is exposed to operational risks associated with each business segment of the Group. To manage the operational risks, the senior management regularly reviews the Group's operations to ensure that the Group's risks of losses, whether financial or otherwise, resulting from fraud, errors, omissions and other operational and compliance matters, are adequately managed. The senior management is also responsible for overseeing the implementation of the Group's risk management policies and procedures and shall report any irregularities to the Directors and seek directions. The Group emphasises ethical values and prevention of fraud and bribery. In this regard, the Directors consider that the Group's operational risks are effectively mitigated.

Financial Risks

The principle financial risks are set out in the note 45 to the financial statements in this report headed "Financial Risk Management Objectives and Policies".

IMPORTANT EVENTS

On February 5, 2021 (New York time), GenScript USA Inc. received authorization by the Center for Biologics Evaluation and Research of the FDA for use of the cPass™ SARS-CoV-2 Neutralization Antibody Detection Kit in convalescent plasma screening. The cPass™ is the first FDA authorized test that specifically detects COVID-19 neutralizing antibodies without the use of live virus. Please refer to the announcement of the Company dated February 7, 2021 for details.

In May 2021, the EMA has accepted Legend's MAA seeking approval of ciltacabtagene autoleucel (cilta-cel) for the treatment of patients with relapsed and/or refractory MM. The acceptance confirms that the application is valid and marks the commencement of the EMA's assessment process. Please refer to the announcements of the Company dated April 30, 2021 and May 21, 2021 for details.

In 2021, the milestones relating to the clinical development of cilta-cel have been achieved according to the terms and conditions of the collaboration and licenses entered into among Legend USA, Legend Biotech Ireland Limited and Janssen, resulting in aggregate payments to Legend of US\$65.0 million. Please refer to the announcements of the Company dated May 21, 2021 and February 11, 2022 for details.



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On May 13, 2021 (New York time), Legend entered into a subscription agreement with an investor relating to (i) the offer and sale of 20,809,850 ordinary shares of Legend in a private placement at a purchase price of US\$14.41625 and (ii) the issuing of a warrant exercisable for up to an aggregate of 10,000,000 ordinary shares of Legend at an aggregate consideration of US\$300.0 million. The completion of Legend Subscription took place on May 21, 2021. Please refer to the announcements of the Company dated May 14, 2021 and May 23, 2021 for details.

On May 14, 2021, the Company and Hillhouse Capital Management, Ltd. entered into the binding term sheet in relation to the Series A financing of Probio Cayman. On August 18, 2021 (New York time), Probio Cayman entered into the Probio Cayman Purchase Agreement with the investors, whereby Probio Cayman agreed to sell certain series A preferred shares of Probio Cayman and a warrant exercisable for ordinary shares of Probio Cayman. On September 3, 2021 (after trading hours, Hong Kong time), the completion of the Probio Cayman Purchase took place. Please refer to the announcements of the Company dated May 14, 2021, June 7, 2021, August 19, 2021 and September 5, 2021 for details.

On May 14, 2021, the Company and GNS Holdings Limited (“**GNS**”) entered into a subscription agreement, pursuant to which GNS subscribed for 102,981,853 Shares issued by the Company under the general mandate (“**GenScript Subscription**”). The completion of GenScript Subscription took place on June 10, 2021. Please refer to the announcements of the Company dated May 14, 2021 and June 10, 2021 for details.

On May 14, 2021, GS Corp, a controlling shareholder of the Company entered into an agreement with GNS, pursuant to which GS Corp sold and GNS purchased 61,789,112 Shares (“**GS Disposal**”). The completion of the GS Disposal took place on June 11, 2021. Please refer to the announcements of the Company dated May 14, 2021 and June 11, 2021 for details.

On May 26, 2021 (New York time), Legend announced that the FDA has accepted for priority review the BLA submission for cilta-cel. Please refer to the announcement of the Company dated May 27, 2021 for details.

On June 22, 2021 (New York time), Legend announced that the establishment of a manufacturing facility in Belgium, as part of a joint investment with Janssen Pharmaceutical NV (Janssen), to expand global manufacturing capacity of innovative cellular therapies. Please refer to the announcement of the Company dated June 22, 2021 for details.

On December 17, 2021 (before trading hours, Hong Kong time), Legend entered into the Underwriting Agreement with Morgan Stanley & Co. LLC, J.P. Morgan Securities LLC, Jefferies LLC, Piper Sandler & Co. and Barclays Capital Inc. in relation to the Follow-on Public Offering of 8,615,575 ADSs, inclusive of the 1,115,575 additional ADSs purchased by the underwriters by exercising their options, at a price to the public of US\$40.00 per ADS and each ADS will represent two ordinary shares of Legend. In the Follow-on Public Offering, the Company purchased 4,500,000 ordinary shares of Legend with an aggregate price of approximately US\$90.00 million at the public offering price per ADS. On December 20, 2021 (after trading hours, Hong Kong time), the Follow-on Public Offering, including the GenScript Participation, has been closed. Please refer to the announcements of the Company dated December 15, 2021, December 17, 2021, December 19, 2021 and December 21, 2021 for details.

SUBSEQUENT EVENTS

As at December 31, 2021, the subsequent events of the Group are set out in note 48 to this report headed “Subsequent Event”.

FUTURE DEVELOPMENT STRATEGIES

Looking ahead, the Group will take a flexible approach on capital allocation and seek financing from capital markets if and when there are opportunities to generate explosive growth and create value. On the operational front, we will continue to execute a three-pronged strategy to allocate capital to capture growth opportunities, improve efficiency and reduce risk.

We will expand our investment in research and development to improve the competitiveness of our products and services to meet with our customer needs. We will also improve operational efficiency by adopting digital transformation and lean management system. To mitigate the risk brought about by the global supply chain shortage, we are also expanding capacity globally.

On the life-science services and products segment, we will continue to improve throughput and cost efficiency through automation, and expand manufacturing capacity for our life-science and related catalogue products in plasmid preparation, protein expression, antibody production, oligo, etc. to meet our customers' requirements on throughput. We will also continue to upgrade our life-science products and services in order to serve the translational medical research and commercial market. This means we will invest in good laboratory practice (GLP) and GMP capabilities globally and in research and development efforts in order to capture this much larger market.

On the biologics CDMO segment, we will focus on optimizing our biologics production technology platform and expanding our expertise in for bi-specific and multi-specific antibodies. In the GCT area, we will continue to invest in capacity expansion in GMP plasmid to solidify our leading position in China and overseas, and we will enhance our technological capabilities in other applications such as mRNA and viral vector production.

In the synthetic biology field, we are committed to shaping Bestzyme into a leading synthetic biology solution provider by continuing to invest in research and development, expanding target markets and reducing production costs. In the future, the Group will leverage our bioinformatics platform, gene editing technology, large-scale industrial fermentation and metabolic engineering technology to strengthen Bestzyme's competitiveness in the synthetic biology industry.

In the cell therapy field, we will continue to push forward Legend's pipeline programs through our internal resources as well as collaborations with external partners. We will continue to explore the advantage of conducting investigator initiated trials (IIT) in China and to selectively combine those with IND trials approved by the FDA in the U.S. to generate clinical data in a fast and cost effective way.

FINANCIAL KEY PERFORMANCE INDICATORS

A summary of the results and assets and liabilities of the Company for the last five financial years is set out on page 8 in this annual report. This summary does not form part of the audited consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Driven by the corporate mission of making people and nature healthier through biotechnology, GenScript is committed to improving internal processes, procedures and the environmental management system in an effort to minimize the impact of business activities on the environment. GenScript upholds green development for sustainable development of the Company and the environment.

In response to the “carbon peak” and “carbon neutrality” goals proposed by the state, GenScript takes action during operations to promote green development. We have implemented a number of low-carbon and energy-saving measures during production and office work.

In terms of production, we comply with the Energy Management Policy and control electricity, gas and steam systems to reduce energy consumption and improve efficiency. The Company has also optimized air conditioning purifier units, cooling units and refrigeration systems during production and operations, which reduced energy consumption and saved electricity by about 450,000 kWh.

In terms of daily office work, GenScript has optimized the work model by implementing online work and virtual meetings, reduced business trips, and launched campaigns for low-carbon transportation, energy conservation, and the Energy Saving Month event. GenScript aims to create a green and low-carbon office environment together with our employees.

GenScript attaches high importance to the use and management of resources. We monitor water consumption and discharge and advocate water conservation. By application and evaluation, GenScript was awarded the title of “Nanjing Water-saving Enterprises” during the Reporting Period.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Group has implemented procedures to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators through effective communications. During the year under review, the Group has complied in all material respects, to the best of our knowledge, with the SFO, the Listing Rules, and other relevant rules and regulations.

RELATIONSHIPS WITH EMPLOYEES

The Group encouraged the employees to enhance their competitiveness and ability to innovate new services and products. This raised the momentum in the research and development as well as marketing efforts to increase the revenue of the Group. Through solidifying its business foundation and adjusting its operation directives, the Group is striving to forge ahead under adverse conditions to allow us to achieve new progresses in terms of production and operation under a positive and hardworking work culture.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

We had established a highly diversified customer base, including pharmaceutical and biotech companies, colleges and universities, research institutes, government bodies (including government testing and diagnostic centers), and distributors. The Group strives to “Make Research Easy” by offering life-science research and application services and products for conducting fundamental life-science research, translational biomedical research, and early stage pharmaceutical development. Our synthetic biology products are used by industry users, such as those in the food and feed industries. In 2021, we expanded the range of our services and products and developed new customer accounts. The total number of customers has increased by approximately 17.3% compared to the total number of customers in 2020.

Owing to our vast array of services and products, we procure a wide variety of raw materials from a large number of suppliers for our business segments. As of December 31, 2021, we had a total of approximately 414 suppliers of different raw materials for our production that are mostly located in Mainland China. In 2021, we maintained sound relationships with our suppliers such that we could meet business challenges and comply with regulatory requirements, thereby deriving cost effectiveness and reaping long term business benefits.

By order of the Board

Meng Jiange

Chairman and Executive Director

Hong Kong,

March 20, 2022



Corporate Governance Report

The Board is pleased to present this corporate governance report as set out in the annual report of the Company for the year ended December 31, 2021.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code contained in Appendix 14 to the Listing Rules (as in effect from time to time) as its own code of corporate governance.

Save as disclosed in this corporate governance report, the Company has complied with all the applicable code provisions as set out in the CG Code during the year ended December 31, 2021 and up to the date of this annual report.

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

THE BOARD

Responsibilities

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

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the shareholders at all times.

Board Composition

As of the date of this annual report, the Board comprises ten members, consisting of three executive Directors, three non-executive Directors, and four independent non-executive Directors as set out below:

Executive Directors

Mr. Meng Jiange (Chairman)
Ms. Wang Ye (President)
Dr. Zhu Li (Chief Strategy Officer)

Non-executive Directors

Dr. Wang Luquan
Mr. Pan Yuexin
Ms. Wang Jiafen

Independent Non-executive Directors

Mr. Guo Hongxin
Mr. Dai Zumian
Mr. Pan Jiuan
Dr. Wang Xuehai

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

During the year ended December 31, 2021 and up to the date of this annual report, the Board met the requirements of Rules 3.10 (1) and 3.10 (2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, and the Company considers each of them to be independent.

None of the Directors has any personal relationship (including financial, business, family, or other material/relevant relationship) with any other Director.

All Directors, including 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. Non-executive directors and independent non-executive directors have been participating in the Board meetings, taking the lead where potential conflicts of interests arise. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, and the Nomination Committee.

With regards to the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments, as well as their identities and the times involved in the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

Corporate Governance Report

According to the records kept by the Company, all the existing Directors have received continuous and professional development and training, as set out below, with an emphasis on the roles, functions, and duties of directors in listed companies:

Attending internal briefings or trainings, participating seminars, or reviewing materials	
Name of Directors	
Executive Directors	
Mr. Meng Jiange	✓
Ms. Wang Ye	✓
Dr. Zhu Li	✓
Non-executive Directors	
Dr. Wang Luquan	✓
Mr. Pan Yuexin	✓
Ms. Wang Jiafen	✓
Independent non-executive Directors	
Mr. Guo Hongxin	✓
Mr. Dai Zumian	✓
Mr. Pan Jiuan	✓
Dr. Wang Xuehai	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board recognizes the recommendation of the CG Code that the chairman and the chief executive officer should be separate and performed by different individuals.

The chairman of the Board of the Company is Mr. Meng Jiange and the rotating chief executive officer is Dr. Liu Zhenyu. The chairman bears the responsibility for the effective conduct of the Board whilst the rotating chief executive officer bears the executive responsibility for the operations of the Group's business. The chairman and the rotating chief executive officer are not related to each other.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a fixed term of three years commencing from December 1, 2021 for Mr. Meng Jiange and Ms. Wang Ye, and that from November 22, 2020 for Dr. Zhu Li, which can be terminated before the expiration of the term by not less than six months' notice in writing served by either party on the other.

Each of the non-executive Directors has signed an appointment letter with the Company for a term of three years. The effective date of the appointments of Dr. Wang Luquan and Mr. Pan Yuexin is August 24, 2021, and that of Ms. Wang Jiafen is November 26, 2021. Their appointments are subject to termination in accordance with their respective terms.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years. The effective date of the appointment of Mr. Guo Hongxin and Mr. Dai Zumian is August 24, 2021, that of Mr. Pan Jiuan is November 26, 2021, and that of Dr. Wang Xuehai is November 22, 2020. Their appointments are subject to termination in accordance with their respective terms.

Save as disclosed above, no Director has entered into a service contract with the Group that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Pursuant to the Articles, at each annual general meeting, one-third of the Directors shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

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

BOARD MEETINGS

The Company adopts the practice of holding the Board meetings regularly. Notices of not less than 14 days are given for regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other committee meetings, a reasonable notice will be given in writing to all committee members. The meeting notice states the time and place of the meeting. The agenda and accompanying board committee papers will be provided at least three days before the date of meeting to ensure that Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

Minutes of the Board meetings and the Board committee meetings will be recorded in sufficient details for the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

During the Reporting Period, the Board held six meetings on March 26, 2021, May 13, 2021, May 27, 2021, August 3, 2021, August 23, 2021 and December 3, 2021 to cover the following aspects:

- (a) to consider and review the financial statement for the year ended December 31, 2020 and for the six month period ended June 30, 2021 and its publication, and matters concerning corporate governance and management;
- (b) to discuss overall strategies of the Group, monitor the financial and operational performance and approve the annual and interim results of the Group;
- (c) to consider and approve the external investments;
- (d) to consider and discuss matters concerning the implementation of the Share Options Schemes and the RSA Schemes; and
- (e) to consider and discuss matters relating to sanctions, audition and remuneration.



Corporate Governance Report

The attendance of the individual Directors at the Board meetings mentioned above and the general meeting is set out below:

Name of Directors	Attended/Eligible to attend	
	Board meetings	General Meeting
Mr. Meng Jiange	6/6	1/1
Ms. Wang Ye	6/6	1/1
Dr. Zhu Li	6/6	1/1
Dr. Wang Luquan	6/6	1/1
Mr. Pan Yuexin	6/6	1/1
Ms. Wang Jiafen	5/6	1/1
Mr. Guo Hongxin	6/6	1/1
Mr. Dai Zumian	6/6	1/1
Mr. Pan Jiuan	6/6	1/1
Dr. Wang Xuehai	6/6	1/1

The Company's external auditors also attended the annual general meeting of the Company held on May 28, 2021.

During the Reporting Period, the chairman of the Board met with the independent non-executive Directors without the presence of the other Directors to discuss and obtain independent advice on the business operations and financial condition of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own Code for Securities Transaction by Directors and Specified Individuals (the "**Model Code**") on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 of the Listing Rules. Specific inquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code during the Reporting Period.

The Model Code is also applicable to the Company's relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities. No incidents of non-compliance with the Model Code by the Directors and the relevant employees of the Company were noted by the Company during the Reporting Period.

DELEGATION BY THE BOARD

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

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

CORPORATE GOVERNANCE FUNCTION

The Board recognizes that corporate governance shall be the collective responsibility of the Directors and their corporate governance duties include:

1. to develop and review the Group's policies and practices on corporate governance;
2. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
3. to develop, review, and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
4. to review the Group's compliance with the CG Code and disclosure in the Corporate Governance Report.

The duty to review and monitor the training record and continuous professional development of the Directors and senior management of the Group has been delegated to the Remuneration Committee.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee currently comprises three members, including an executive Director, namely, Mr. Meng Jiange and two independent non-executive Directors, namely, Mr. Pan Juan and Mr. Dai Zumian.

The principal duties of the Nomination Committee include:

1. to review the structure, size, composition, and diversity (including but not limited to the gender, age, educational background or professional experience, skills, knowledge, and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;
3. to assess the independence of independent non-executive Directors;
4. to make recommendations to the Board on the appointment or reappointment of members of the Board and succession planning for members of the Board; and
5. to review the board diversity policy as appropriate to ensure its effectiveness and if necessary, recommend any revision suggestions to the Board for consideration and approval.

In fulfilling its functions, the Nomination Committee has been provided with sufficient resources by the Company to seek independent professional advice to perform its responsibilities.

The written terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code and available on the websites of the Stock Exchange and the Company.

Corporate Governance Report

Nomination Policy

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill, and ability to commit time and effort to carry out the duties. The recommendations of the Nomination Committee will then be put to the Board for decision. The Nomination Committee should report back to the Board on its decisions or recommendations after every Nomination Committee meeting.

Board Diversity Policy

Pursuant to Rule 13.92 of the Listing Rules, listed issuers are required to adopt a board diversity policy. The Company believes that board diversity can enhance the performance of the Company. After taking into account the Company's own business model and specific needs and upon the recommendation of the Nomination Committee, the Board has adopted a board diversity policy to ensure that in designing the Board's composition, board diversity will be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

During the Reporting Period, the Nomination Committee held one meeting on March 26, 2021. The specific agenda of the Nomination Committee covered the following aspects:

- (a) to review the structure, size, composition and diversity of the Board;
- (b) to review the Company's board diversity policy;
- (c) to assess the independence of the independent non-executive directors of the Company;
- (d) to make recommendation to the re-election of Directors; and
- (e) to make recommendation to the appointment of new Directors.

The attendance of the individual committee members at the Nomination Committee meeting mentioned above is set out below:

Name of Committee Member	Committee meetings attended/eligible to attend
Mr. Meng Jiange (chairman)	1/1
Mr. Dai Zumian	1/1
Mr. Pan Jiuan	1/1

Remuneration Committee

The Remuneration Committee currently comprises three members, including two independent non-executive directors, namely, Mr. Guo Hongxin (chairman of the Remuneration Committee) and Mr. Dai Zumian, and an executive director, namely, Ms. Wang Ye.

The principal duties of the Remuneration Committee include:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of members of the Board and senior management members and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
2. to make recommendations to the Board of the remuneration of members of the Board who are non-executive Directors;
3. to consult with the chairman and/or the chief executive officer of the Company and, where deemed appropriate, senior management members about the Committee's proposals relating to, and have the delegated responsibility to determine, the specific remuneration packages for the employment of all members of the Board who are executive directors and all senior management members, including benefits in kind, pension rights, and compensation payments, including any compensation payable for loss or termination of their office or appointment;
4. to review and approve performance-based remuneration payable to members of the Board who are executive directors, and senior management members by reference to corporate goals and objectives resolved by the Board from time to time and other measures of performance;
5. to review and approve any compensation additional to that provided for in the remuneration packages determined according to paragraph 3 above, which is payable to members of the Board who are executive directors and senior management members in connection with any loss or termination of their offices or appointments to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
6. to review and approve compensation arrangements relating to dismissal or removal of members of the Board who are executive directors and senior management members for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
7. to ensure that no member of the Board or the senior management members or any of his/her associates is involved in deciding his own individual remuneration;
8. to determine the participation of members of the Board who are executive directors, senior management members, and other employees of the Company in any discretionary employee share or other share-based incentive schemes operated by the Company;
9. to determine targets for any Company-wide performance-related payments for members of the Board who are executive directors and senior management members and individual incentives for members of the Board who are executive directors and senior management members;
10. to determine the provision of benefits and settlement of other provisions under the terms of the service agreements or otherwise of members of the Board who are executive directors and senior management members where these are stated as being at the discretion of the Board;
11. to operate and administer the Company's share option schemes or other incentive schemes (if any) as may be from time to time adopted by the Company; and
12. to review and monitor the training record and continuous professional development of the Directors and senior management of the Company.



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In fulfilling its functions, the Remuneration Committee has been provided with sufficient resources by the Company to seek independent professional advice to perform its responsibilities.

The written terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code and available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee held four meetings on March 26, 2021, May 27, 2021, August 3, 2021 and December 3, 2021 to cover the following aspects:

- (a) to determine the remuneration policy and structure of Directors and senior management and evaluate and make adjustment to the remuneration of the Directors and senior management; and
- (b) to consider and discuss matters concerning the implementation of the Share Option Schemes and the RSA Schemes.

The attendance of the individual committee members at the Remuneration Committee meeting mentioned above is set out below:

Name of Committee Member	Committee meetings attended/eligible to attend
Mr. Guo Hongxin (chairman)	4/4
Ms. Wang Ye	4/4
Mr. Dai Zumian	4/4

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended December 31, 2021 are set out in note 8 to the financial statements in this annual report.

The biographies of the senior management are disclosed in the section headed “Directors and Senior Management” in this annual report. Remuneration paid to the senior management members (excluding the Directors) for the year ended December 31, 2021 is within the range below:

Range of remuneration	Number of Persons
Between HK\$2,000,001 and HK\$4,000,000 (equivalent to approximately US\$257,228 and US\$514,456)	1
Between HK\$4,000,001 and HK\$6,000,000 (equivalent to approximately US\$514,456 and US\$771,683)	1
Between HK\$8,000,001 and HK\$10,000,000 (equivalent to approximately US\$1,028,911 and US\$1,286,139)	1
Between HK\$20,000,001 and HK\$22,000,000 (equivalent to approximately US\$2,572,278 and US\$2,829,506)	1

Audit Committee

The Audit Committee currently comprises three members, namely, Mr. Dai Zumian (chairman of the Audit Committee), Mr. Pan Jiuan and Mr. Guo Hongxin, all being independent non-executive Directors. The principal duties of the Audit Committee are (i) to review and monitor the Company's financial reporting system, risk management, and internal control systems, (ii) to maintain the relations with the external auditor of the Company, and (iii) to review the financial information of the Company. The Audit Committee has been provided with resources required for it to discharge its function properly.

The written terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code and available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Audit Committee held 3 meetings on March 26, 2021, May 27, 2021 and August 23, 2021. The specific agenda of the Audit Committee covered the following aspects:

- (a) to consider and review the financial statement for the year ended December 31, 2020 and for the six-month period ended June 30, 2021; and
- (b) to review audit planning, the financial reporting system, compliance procedures, internal audit function, risk management and internal control system and procedures and re-appointment of external auditor.

The requirements for Environment, Social and Governance Reporting were duly noted by the Audit Committee.

The attendance record of each committee member of the said Audit Committee meeting held by the Company is set out in the table below:

Name of Director	Committee meetings attended/eligible to attend
Mr. Dai Zumian (chairman)	3/3
Mr. Guo Hongxin	3/3
Mr. Pan Jiuan	3/3

The Audit Committee met the external auditors once on August 29, 2021 without the presence of the executive Directors nor non-executive Directors.

Sanctions Risk Control Committee

The Sanctions Risk Control Committee is headed by Dr. Liu Zhenyu (chairman of the Sanctions Risk Control Committee with effect from March 19, 2022), Ms. Shao Weihui, Dr. Eric Wang, and Mr. Wei Shiniu as members.

Corporate Governance Report

The principal duties of the Sanctions Risk Control Committee include:

1. to effectively monitor the activities that may be subject to economic sanctions;
2. to provide guidance on the compliance with the relevant policies and procedures in relation to economic sanctions;
3. to provide guidance on the compliance with contractual covenants including those made in connection with the Global Offering and Listing; and
4. to ensure the establishment of effective policies in relation to economic sanctions.

During the Reporting Period, the Sanctions Risk Control Committee held five meetings on March 31, 2021, May 26, 2021, July 28, 2021, September 27, 2021 and November 28, 2021 to cover the following aspects:

- (a) to discuss items regarding any sanctions related risks on the Group's commercial or other business activities;
- (b) to review the activities that may be subject to economic sanctions;
- (c) to review relevant policies and procedures in relation to economic sanctions;
- (d) to review guidance on the compliance with contractual covenants;
- (e) to review the use of proceeds from the global offering; and
- (f) to review internal control policies and procedures with respect to the sanction risks.

The attendance record of each committee member of the Sanctions Risk and Control Committee meeting held by the Company is set out in the table below:

Name of Committee Member	Committee meetings attended/eligible to attend
Dr. Liu Zhenyu (chairman) (appointed with effect from March 19, 2022)	0/0
Ms. Wang Ye (resigned with effect from March 19, 2022)	5/5
Mr. Meng Jiange (resigned with effect from March 19, 2022)	5/5
Dr. Eric Wang	5/5
Mr. Shawn Wu (resigned with effect from March 19, 2022)	5/5
Ms. Shao Weihui (appointed with effect from March 19, 2022)	0/0
Mr. Wei Shiniu (appointed with effect from March 19, 2022)	0/0

The Sanctions Risk Control Committee has reviewed the sales of the Group to the Sanctioned Countries (as defined and disclosed in the Prospectus) for the year ended December 31, 2021 and the relevant legal opinions from the Company's legal adviser as to international sanctions laws to monitor the Group's exposure to risks of sanctions violations.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The management has provided the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

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

The statement by the independent auditors of the Company regarding their reporting responsibilities for the audit of the consolidated financial statements of the Company is set out in the independent auditors' report on pages 176 to 181 in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate risk management and internal control systems to safeguard shareholders' investments and the Company's assets and reviewing the effectiveness of such systems on an annual basis. Such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and each only provides reasonable and not absolute assurance against material mistreatment or loss.

The Group's internal audit department plays an important role in monitoring the internal governance of the Company. The major duties of internal audit department are to regulate and review the internal control and compliance related matters of the Company and conduct comprehensive audits of all branches and subsidiaries of the Company on a regular basis. The Group's internal audit department performs regular evaluation on the effectiveness of risk control measures taken by each operating department and issues an appraisal report which shall be submitted to our Audit Committee for approval.

The Audit Committee has received an internal control report prepared by the internal audit department during the Year and has considered that the internal control system of the Group remains effective and no material issue is required to be brought to the Board's attention. The Board considers the risk management and internal control systems effective after review.

The Company has established a risk management process, pursuant to which each operating department is required to identify any significant risks associated with their work and corporate strategies of the Company. Based on the assessment of the identified risks in terms of their likelihood and potential impact, the Company prioritises and pairs each risk with a mitigation plan. Furthermore, any emergencies are required to be reported, evaluated and managed in time to mitigate the impact.

The Group has established a three-tier risk control corporate structure in implementing our internal control and risk management policies and procedures. First, the Board and the senior management oversee and manage the overall risks associated with our business operations. Second, the Audit Committee provides the Directors with an independent review of the effectiveness of the financial reporting process, internal controls, and risk management system of the Group. Third, the Group's internal audit department supervises the implementation of our risk management policy at the corporate level



Corporate Governance Report

and organises an annual audit progress for regularly evaluating the effectiveness of the risk management and internal control measures taken by each operating department and issues an appraisal report which shall be submitted to the Audit Committee for approval.

The Board is responsible for the management of inside information. Without the approval of the Board, the Company prohibits any inside information from being disclosed to the public.

AUDITORS' REMUNERATION

For the audit of the Group's consolidated financial statements for the year ended December 31, 2021, the total remuneration paid or payable to the Company's external auditors, Ernst & Young, for audit and audit related services amounted to US\$664,000.

COMPANY SECRETARY

Ms. Wong Wai Ling was appointed as the company secretary of the Company with effect from August 24, 2015. She has over 11 years of experience in providing company secretarial services in Hong Kong. Ms. Wong is a vice president of SWCS Corporate Services Group (Hong Kong) Limited and is responsible for assisting listed companies in professional company secretarial work. Ms. Wong is an associate of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. Ms. Wong's primary corporate contact person at the Company is Mr. Meng Jiange, the chairman of the Board.

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

The annual general meeting of the Company provides an opportunity for shareholders to communicate directly with the Directors. The chairman of the Company and chairmen of the Board Committees, or in their absence, their duly appointed delegates will attend the annual general meeting to answer shareholders' questions. The external auditors of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and contents of the auditors' report, accounting policies, and auditors independence.

To promote effective communication, the Company adopts a shareholders' communication policy that aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website at www.genscript.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices, and other information are available for public access.

SHAREHOLDERS' RIGHTS

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

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 the Stock Exchange in a timely manner after each general meeting.

CONVENING EXTRAORDINARY GENERAL MEETINGS AND PUTTING FORWARD PROPOSALS

In accordance with the Articles, extraordinary general meetings shall also be convened on the requisition of one or more Shareholders' holdings, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

With regards to proposing a person for election as a director, the procedures are available on the website of the Company.

Shareholders who intend to put forward their inquiries about the Company to the Board could email their inquiries to our Investor Relations Department at the email address: investorrelations@genscript.com. The Company will not normally deal with verbal or anonymous inquiries.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of the Company were adopted by the Company on December 7, 2015 and became effective on the Listing Date. There is no significant change in the Company's constitutional documents during the Reporting Period.



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ABOUT THIS REPORT

Overview

This report is the sixth Environmental, Social and Governance Report (the “Report” or the “ESG Report”) issued by GenScript Biotech Corporation (“GenScript”, “the Company”, or “We”), together with its subsidiaries (collectively, the “Group”). This report is published on a regular basis every year for the purpose of providing information on the Company’s environmental, social and governance (“ESG”) policy development and performance and objectively disclosing the Company’s management and effectiveness in respect of sustainable development, in order to respond to the expectations of our stakeholders and the public.

Reporting Scope and Boundary

The Report discloses the management and results of ESG related issues for the period from January 1, 2021 to December 31, 2021 (the “Reporting Period” or the “Year”) and part of the information dates back to the previous year or covers the first quarter of 2022. For details of the Company’s business, please see the 2021 Annual Report.

Basis of Preparation

The Report has been prepared strictly in accordance with the requirements of Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as set out in Appendix 27 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HKEX”), and is based on the following principles:

Materiality: The Report discloses the procedures of identifying material ESG factors, including stakeholder identification and survey, materiality assessment using the materiality matrix, and reporting of ESG-related material factors and issues.

Quantitative: The Report measures key performance indicators, discloses quantitative data as required by the ESG Reporting Guide issued by the HKEX, and specifies the scope of statistics and basis of calculation.

Balance: The Report provides an unbiased and objective picture of our ESG performance.

Consistency: The Report uses consistent methodologies and sets out statistical methodologies and standards.

A detailed index of the ESG Reporting Guide is set out in Appendix III of the Report for easy and quick reference by readers.



Environmental, Social and Governance Report

Data Sources and Reliability Statement

The information and data disclosed in the Report are derived from the statistical reports and formal documents of the Company and have been reviewed by relevant departments. The Company confirms that there is no misstatement or misleading representation contained in the Report and takes responsibility for the truthfulness, accuracy and completeness of the contents of the Report. Unless otherwise stated, all the money amounts in the Report are denominated in US dollars and the density data is all based on annual report revenue data.

Process of Preparation

The contents of the Report have been determined based on a set of systematic procedures. Such procedures include, among others, forming a working group, identifying key stakeholders, conducting interviews with the stakeholders, identifying and prioritizing material ESG related topics, deciding the scope of the ESG Report, collecting relevant materials and data, determining the framework, report compiling, report designing and review by relevant departments and the senior management.

Acknowledgement and Approval

Subject to the acknowledgement of the Management, the Report has been approved by the Board on March 19, 2022

I. GOVERNANCE AND SUSTAINABILITY

1.1 About Us

Founded in 2002 in New Jersey, US, GenScript Biotech Corporation (stock code: HK01548) has built upon its proprietary gene synthesis technology and established a presence in basic life science research, biologics research and development, industrial synthetic products, and cell therapy solutions. GenScript has manufacturing and R&D sites in China, US, Netherlands, Japan and Ireland. We have 5,260 employees globally, and offer products and services to over 180,000 customers from 145 countries and regions worldwide.

GenScript adheres to the corporate mission of “Making People and Nature Healthier Through Biotechnology” and aspires to be the most trustworthy biotech company in the world. We have been improving our clients’ competitiveness through providing our superior quality, fast-delivery and cost-effective services and products. Internally, we focus on optimizing our operational processes and procedures with the aim of striving for the highest quality of end-to-end delivery. Externally, we actively enhance the value of strategic collaborations with business partners with the vision to build up a healthy biotech eco-system and contribute more of our efforts to accelerate the evolution of the whole biotech and biopharma industry.

Our Core Values

- Customer Level: Customer First
- Corporate Level: Innovation, Pursuit of Excellence and Win-Win Cooperation
- Employee Level: Integrity and Introspection

Our Mission

- Make People and Nature Healthier Through Biotechnology

Our Vision

- Become the Most Trustworthy Biotech Company

Our Spirit

- Dare to Win — Courage, Commitment and Endeavor

Environmental, Social and Governance Report

GenScript has developed four major business segments including:

- **Life Science Services and Products:** We provide one-stop solutions to the global research community, which is a solid foundation for our revenue.
- **Biologics Development Service (CDMO):** We provide end-to-end gene and cell therapy (GCT) development and biologics discovery and development services for pharmaceutical, biotech, governmental and academic customers worldwide.
- **Industrial Synthetic Biology Products:** We leverage advanced enzyme engineering technology to develop products for feed processing and food additive markets.
- **Cell Therapy:** We engage in the discovery and development of novel cell therapies for treating tumors and other indications.



Life Science services and Products	Biologics development Service	Industrial synthetic Biology products	Cell therapy
• Gene synthesis and molecular cloning • Oligo synthesis • Protein engineering • Peptide synthesis • Antibody development • Molecular diagnostics tools • Genome editing Materials	• Antibody drug discovery • Preclinical development of antibody drug • Clinical development of antibody drug • Preclinical development of plasmid & virus • Clinical development of plasmid & virus	• Leverage advanced enzyme engineering technology to develop products for feed processing and food additives markets	• Novel cell therapies for Treating Tumors and Other Indications • Lead product candidate: chimeric antigen receptor t-cell (car-t) therapy

1.2 Operational Compliance

Operational compliance is the foundation of corporate development, and integrity is an important part of our core values. GenScript has always adhered to the principles of honesty and business ethics, established and improved the risk control system, and continuously enhanced governance capabilities.

- **Business Ethics and Anti-corruption**

GenScript strictly complies with the *Company Law of the People's Republic of China*, the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Basic Norms of Enterprises Internal Control*, the *Interim Provisions on the Prohibition of Commercial Bribery*, the *Foreign Corrupt Practices Act* and other relevant laws and regulations. During the reporting period, GenScript updated the *Business Conduct Guidelines* (BCG), covering insider trading, information confidentiality and intellectual property protection, social networking, laws and regulations, compliance guidelines, complaint and reporting channels. The BCG further clarify the guidelines and ethical standards that the Company and its employees should follow in their business activities.

GenScript has organized BCG training courses and assessments for all employees, to enhance the professional ethics of employees and create a favorable business ethical environment. All new employees are required to sign the *BCG Undertaking* and receive compliance training on business anti-corruption. During the reporting period, we have invited a third-party professional lawyer to provide one-hour compliance training for our directors, covering anti-corruption, conflict of interest avoidance, transaction fraud, etc. A total of 10 directors participated in the training, hitting 100% participation.

GenScript also attaches great importance to integrity management of supply chain. Suppliers that meet the onboarding requirements are required to sign and undertake to abide by the *Transaction Integrity Agreement*. A designated employee is responsible for handling integrity reporting and the mailbox. According to the *Code of Conduct for Procurement Personnel*, Purchasing Department provides training for personnel involved in procurement activities on an annual basis and conducts regular internal compliance training on a monthly basis to continuously strengthen business ethics and integrity of supply chain.

During the reporting period, no lawsuits against corruption or fraud took place at GenScript.

- **Integrity Development**

GenScript provides multiple reporting channels such as hotline, email and WeChat, for employees to report illegal or non-compliant activities, ensuring healthy, stable and compliant operations of the Company. We undertake to keep all reporting matters strictly confidential and protect whistle-blowers to the maximum extent. We also prohibit retaliation and any form of discrimination, and deal with any information leak or retaliation according to policies. We have an internal exemption mechanism in place to encourage employees to voluntarily confess violations, which may reduce the punishment to some extent.

Environmental, Social and Governance Report

In order to identify and prevent potential conflicts of interest, and protect interests of the Company and employees, we launched “Conflict of Interest Declaration Flow” during the reporting period, for the purpose of preventing frauds by standardizing reporting, rewards and penalties.

Hotline

+86-025-58897288-9999

Email

compliance@genscript.com

WeChat

Search for “Integrity GenScript”
Click “I want to report”

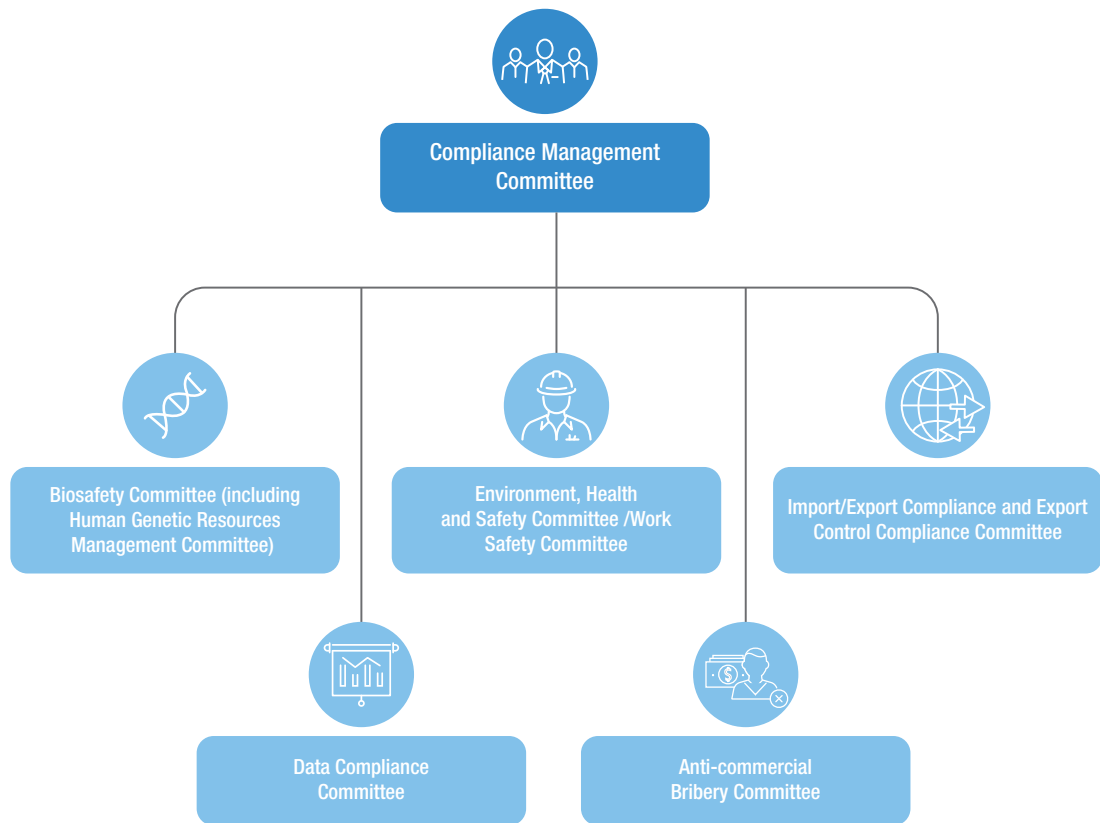
Integrity awareness campaign for employees

During the reporting period, we posted integrity-related articles during holidays such as the Mid-Autumn Festival and Spring Festival to remind all employees to uphold integrity and self-discipline and refrain from accepting gifts.



- **Risk Management**

GenScript has established a standardized and effective risk management system to ensure the safe and sound operations of the Company. During the reporting period, we improved our compliance management system and defined the composition and main responsibilities of the Compliance Management Committee to ensure that all compliance management requirements are put in place from top down. We improved and updated the *Risk Management Policy* by incorporating environmental risks, management risks and R&D risks into our risk management system and specifying the responsibilities of the committee and relevant personnel, which helped optimize our risk assessment system, enhance our risk prevention capabilities, and improve our operation management.



Compliance Management Framework



Risk Management System

During the reporting period, we identified major compliance risks and analysed risks regarding import and export compliance, export control compliance, data compliance, Environment, Health and Safety (EHS), biosafety and anti-bribery. We prepared risk identification reports and carried out special rectification to strictly control compliance risks.

Environmental, Social and Governance Report

In addition, we launched on-site and virtual compliance publicity campaigns and training. During the reporting period, we organized special training sessions for the management and relevant departments, covering biosafety, human genetic resources, the *Foreign Corrupt Practices Act*, work safety, contract knowledge, etc. In our “Compliance Month” campaign, we posted publicity articles and organized prize-giving article solicitation to raise the awareness of compliance among all employees. There were 810 trainees cumulatively, who received an average of 20.51 hours of training.



Compliance Training

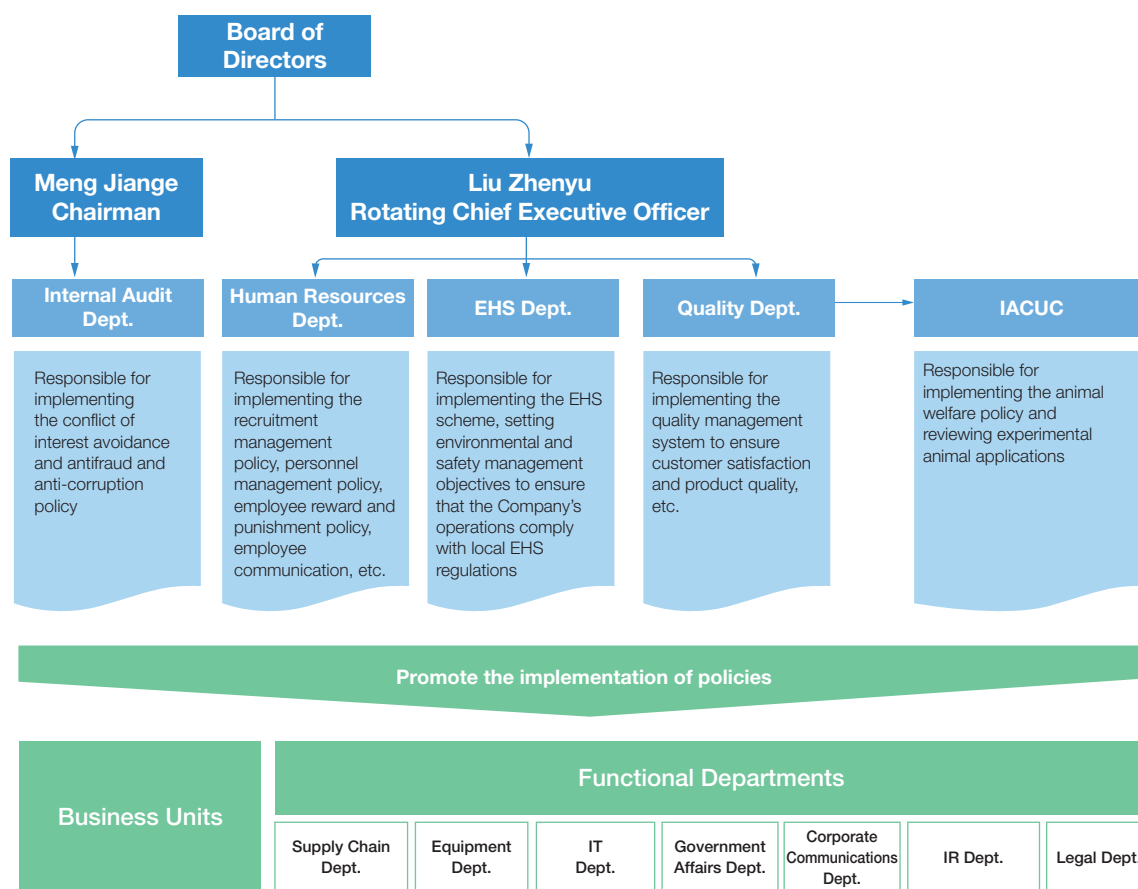


Compliance Month Campaign

1.3 ESG Management

A well-established ESG management system is important for corporate governance. Led by Board of Directors, GenScript ESG management system is responsible for reviewing the consistency between ESG strategic direction and company development direction. Under the leadership of the Chairman and Rotating CEO, Internal Audit Department, Human Resources Department, EHS Department, Quality Department and Institutional Animal Care and Use Committee (IACUC) implemented ESG efforts to promote sustainable development of the Company.

Environmental, Social and Governance Report



GenScript ESG Management Structure

GenScript's Board of Directors considers ESG an important part of the Company's long-term development and operations, and incorporates it into GenScript's long-term planning. GenScript addresses ESG-related issues with a well-developed ESG management structure. Playing a leading role, the Board regularly discusses and reviews ESG issues at GenScript and takes accountability.

During the reporting period, the Board evaluated the importance of ESG issues, discussed and defined a number of environmental indicators including water consumption, energy conservation and emissions, etc. The Board reviewed the implementation plan of each indicator and regularly inspected the achievement of environmental goals, promoting sustainable development of the Company.

The Board will continue to focus on the Company's ESG performance and provide stakeholders with practical and reliable ESG information to jointly shape a brighter future.

1.4 Responsibility Identification

GenScript communicates with stakeholders to understand their opinions and expectations and identifies issues that affect our ESG performance in an effort to protect the rights and interests of stakeholders and achieve long-term sustainable development.

Environmental, Social and Governance Report

• Stakeholder Identification and Communication

Stakeholder communication is important for our ESG management. Our stakeholders mainly include government and regulatory authorities, shareholders and investors, consumers and the public, suppliers, employees, media and partners, etc. We continuously strengthen communication with our stakeholders to understand their opinions and expectations, achieving win-win cooperation and sustainable development. During the reporting period, we issued the *Corporate Press Release Management Rules* and the *GenScript Media Relations Crisis Management Rules* to standardize the Company's press release process, establish an emergency response mechanism, and improve the media relations management capability.

Category	Issue of Concern	Communication Channel
Government and Regulatory Authorities	- Legal compliance - Environmental protection - Business ethics and anti-corruption - Public welfare - Supporting community development	- Regular announcement - Research reception - Official document correspondence
Shareholders and Investors	- Corporate ESG management - Operational risk management - Technology innovation	- General meeting of shareholders - Business update/roadshows - Press releases/announcements
Consumers and the Public	- Customer benefits - Product and service quality - Customer privacy - Intellectual property protection	- Customer study - Customer service hotline - Customer satisfaction survey
Suppliers	Supply chain ESG management	- Supplier evaluation - Supplier communication and visit
Employees	- Compensation and benefits - Training and development - Health and safety - Protection of rights and interests	- Employee communication platform - Employee activities - Employee training
Media	- Technology innovation - Supporting community development	- Press releases/announcements - Communication and interview
Partners	Accelerating industry development	- Field research - Industrial forums



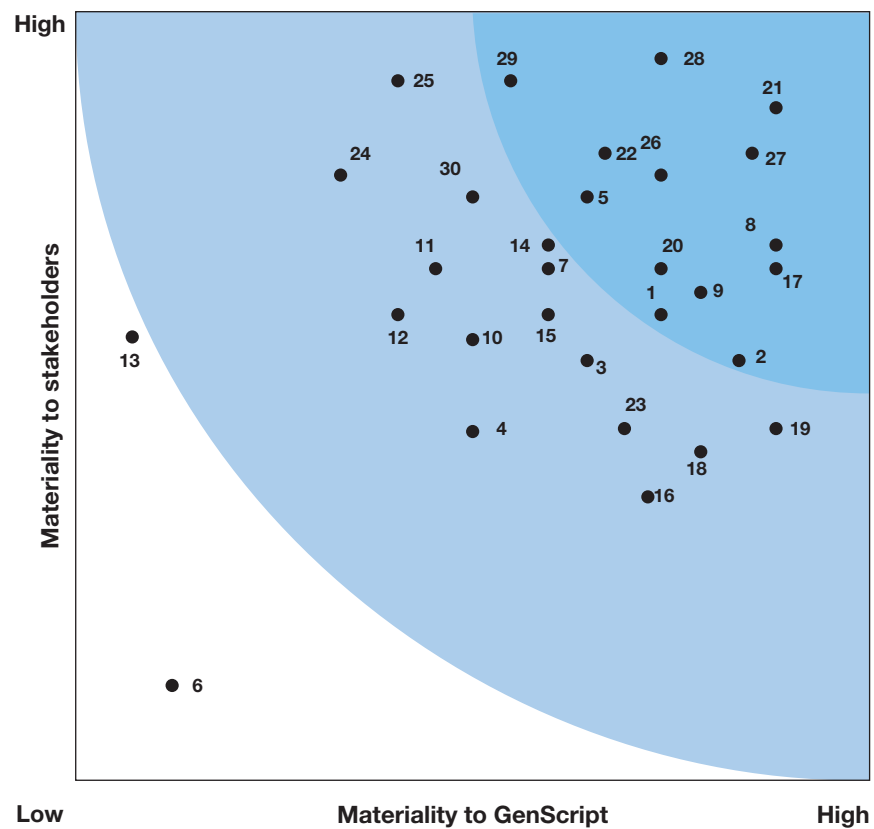
Environmental, Social and Governance Report

- **Materiality Assessment**

During the reporting period, aligned with the Environmental, Social and Governance Reporting Guide published by the HKEX, Sustainability Accounting Standards Board (SASB) and MSCI, best practices of leading players, and ESG concerns in capital markets, in light of our business characteristics, the Company identified and prioritized potential material issues through in-depth interviews and questionnaire surveys with stakeholders, and feedback from the management.

Identification of potential material issues	• Through regulatory requirements analysis, peer benchmarking, policy analysis and considering the concerns in capital markets, we identified 30 potential material issues that had an impact on our business.
Engagement with stakeholders	• We developed a stakeholder communication plan, conducted in-depth stakeholder interviews, sent ESG material issue questionnaires to the government and regulatory authorities, shareholders and investors, employees, consumers and the public, suppliers, media, partners, etc., to find out the priorities of issues of concern to stakeholders.
Ranking of material issues	• From the perspectives of materiality to GenScript and stakeholders, we ranked all material issues and created a the materiality matrix of the Company.
Determination of material issues	• The materiality matrix was submitted to the management team to confirm the significance and impact of the identified issues.

During the reporting period, based on ESG issues in 2020, we conducted further research, analysis and adjustments and identified 30 ESG issues, including 13 issues of high importance, 15 of medium importance and 2 of low importance. All ESG issues are listed in the table below. Issues of high importance are highlighted and will be revealed in detail in this report.



Materiality Matrix of ESG Issues of GenScript

Environmental, Social and Governance Report

No.	Classification	Environmental, Social and Governance Issues	No.	Classification	Environmental, Social and Governance Issues
1	Governance and community	Enterprise ESG management	16	Employment	Working hours and holidays
2		Operational risk management	17		Compensation & benefits
3		Supply chain ESG management	18		Fair recruitment and non-discrimination
4		Supporting community development	19		Fair promotion and reward mechanism
5		Business ethics and anticorruption	20		Employee care and retention
6		Public welfare	21		Health and safety
7		Accelerating industry development	22		Training and development
8		Legal compliance	23		Respecting human rights and labor practice
9	Environment	Waste management	24	Product liability	Responsible marketing
10		Greenhouse gas emission management	25		Customer benefits
11		Energy use and management	26		Technology innovation
12		Water resource management	27		Respecting intellectual property rights
13		Packaging material use	28		Product and service quality
14		Exhaust emissions	29		Protecting customer privacy
15		Climate change risk	30		Safeguarding laboratory animal care

II. INNOVATION ACROSS BUSINESS SEGMENTS

GenScript has continuously invested in R&D to develop independent R&D and innovation capabilities and promotes long-term development of its business segments. We have also enhanced cooperation with internal and external parties, participated in government projects and the establishment of national and industry standards, promoting common development of the industry.

2.1 Innovation in R&D

- **R&D Capabilities**

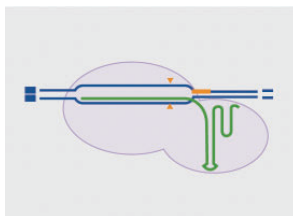
Thanks to continuous R&D investment, GenScript has established life science services and products, biologics development service (CDMO), cell therapy, and industrial synthetic biology products platforms. During the reporting period, we continued R&D innovation across all business segments, leading to impressive results.

GCT materials and solutions

GenScript has expanded its presence in the GCT area. In terms of materials and solutions, GenScript has become a leading provider of sgRNA for research use and clinical trials in China. Leveraging a proprietary, cutting-edge, innovative platform for non-viral payload, GenScript launched a number of non-viral cell engineering solutions, which delivered strong results.

- HPLC-grade SafeEdit sgRNA features more than 90% purity, 100% accuracy for all sequences and low toxicity, which is essential for GCT and pre-clinical R&D validation stages.
- EasyEdit sgRNA synthesis service features 100% accuracy for all sequences. It also features 100% guaranteed quantity, low toxicity, high stability and high editing efficiency, making it an optimal choice for basic CRISPR/Cas9 gene editing research.
- To meet the industry demand for efficient and accurate gene editing during gene insertion, replacement and modification in CRISPR experiments, we launched precise and low-cytotoxicity GenExact™ ssDNA synthesis service, as a way to fulfill our commitment to making research easy.

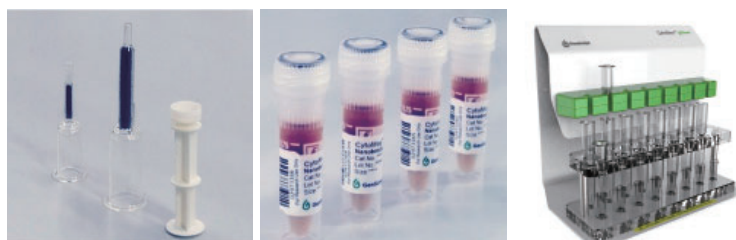
During the reporting period, revenue of non-virus vector therapy grew by 150%, and CRISPR-related sgRNA business grew by over 80%.



Synthetic Guide RNA



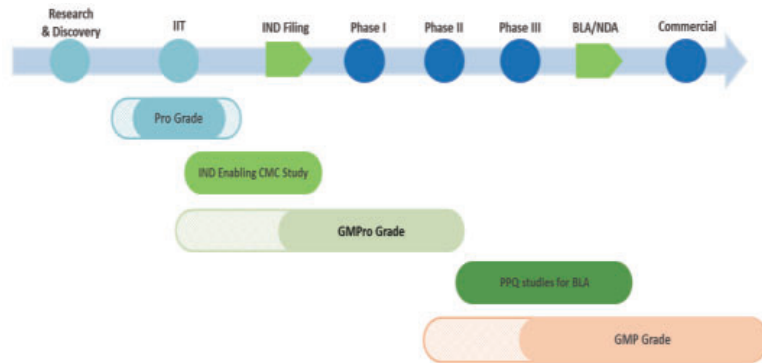
During the reporting period, we launched CytoSinct™ cell isolation platform to address high costs of the cell isolation process. CytoSinct™ platform consists of CytoSinct™ Nanobeads, Columns and Magnetic Separator. CytoSinct™ nanobeads are coupled with highly specific monoclonal antibodies, which are paramagnetic, biodegradable, easy-to-use, and enable highly efficient cell isolation. We have rolled out RUO beads on the market. We will build a GMP bead manufacturing facility in Zhenjiang to meet customers' needs for industrial-grade beads.



CytoSinct™ Cell Isolation Kit

China's first GCT plasmid provider

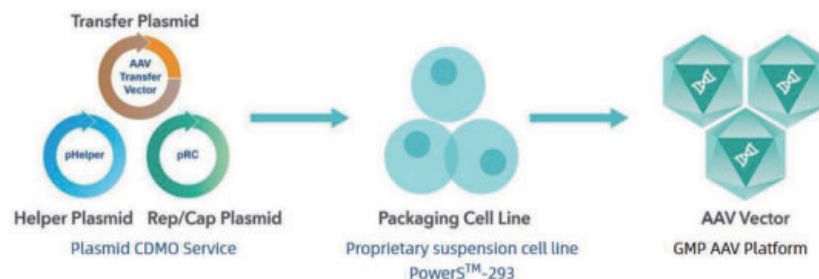
We continue to optimize the plasmid production process. GenScript ProBio has become a leading GMP-grade linearized plasmid provider for mRNA vaccines in China. In addition to products, we also offer one-stop solutions to help our customers with IND filing. In terms of project experience, we helped our customers get 5 mRNA-related IND approvals, and we are also China's first CDMO with GMP-grade commercial plasmid production capability. We will have 500 L fermentation tank this year to further meet different capacity needs of customers. In terms of efficiency, our clinical sample manufacturing cycle has shortened from 10 weeks to 7 weeks.



One-stop Plasmid Production Service

AAV vector CDMO service

On gene and cell therapy CDMO business, GenScript has developed LVV and AAV platforms. During the reporting period, we launched proprietary AAV suspension cell line PowerSTM-293 platform and triple transfection system, which can improve our product quality while reducing costs. Now our platform can offer 30%~50% higher crude titer than commercial cell line, demonstrating our strong commercialization competitiveness.



GenScript ProBio launched China's largest commercial GMP plasmid manufacturing facility

In December 2021, GenScript ProBio launched China's largest commercial GMP plasmid manufacturing facility in Zhenjiang, Jiangsu Province. This facility enables us to offer one-stop plasmid services from Investigator Initiated Trial (IIT), Investigational New Drug (IND), clinical trials to commercial manufacturing, contributing to the development of high quality cell and gene therapies and accelerated innovation in mRNA drugs.



- **R&D Cooperation**

While continuously improving our R&D capabilities, we have cooperated with global top enterprises. Through long-term strategic cooperation, we strive to tackle challenges and promote the applications of cutting-edge technology and achieve synergy.

Strategic collaboration on the antibody discovery and development platform

During the reporting period, GenScript ProBio, Theragen Etex and MedPACTO entered into a strategic collaboration agreement. The parties will work closely in the field of cancer and chronic inflammation. ProBio will leverage its one-stop antibody discovery and development platform to offer services to Theragen Etex and MedPACTO.



GenScript ProBio and AskGene entered into a strategic collaboration agreement on antibody discovery. GenScript ProBio will grant a non-exclusive global license to AskGene to use GenScript ProBio's antibody drug candidate molecule targeting an immune checkpoint target. In the future, GenScript ProBio will be the preferred partner for preclinical development services of this product.



Strategic collaboration with BioHeng to accelerate commercialization of universal cell therapy

During the reporting period, GenScript and Nanjing BioHeng Biotech Co., Ltd. (BioHeng), an innovative Chinese biotech company focusing on universal cell therapy products, entered into a strategic collaboration agreement on the development and manufacturing of critical raw materials for gene and cell therapy (GCT), in a bid to accelerate the commercialization of universal cell therapy.

Under strategic collaboration, GenScript will mobilize professional R&D and production teams to offer efficient support to BioHeng's project, and supply high-standard gene editing reagent raw materials to ensure high quality of the cell therapy product. The parties will work closely to develop standards for critical raw materials for GCT and provide expertise to accelerate the commercialization of universal cell therapy and benefit cancer patients.



Strategic collaboration with Abogenbio and Walvax for BLA and commercial manufacturing of mRNA vaccines

During the reporting period, GenScript, Suzhou Abogen Biosciences Co., Ltd. and Yuxi Walvax Biotechnology Co., Ltd. announced cooperation on the Biologics License Application (BLA) of mRNA vaccines and its commercial manufacturing. Walvax shall be the applicant for the Project and GenScript ProBio shall be the exclusive service supplier for the commercial manufacturing of plasmid for the Project.



- Innovation Awards**

With the core values of “Innovation and Pursuit of Excellence”, GenScript aspires to establish an excellent biotechnology platform, develop innovative products, and leverage our expertise, innovation and R&D to promote the development of the industry and benefit mankind. During the reporting period, thanks to superior technology and capability in innovation and R&D, GenScript garnered recognition from the industry.



**Top 10 Drug Discovery Solution Providers 2021
in APAC**



**Sunshine Innovative Enterprise of
the Year in Health Industry**



Best CDMO Award



**Best Contract Research Organization from
IMAPCC**

2.2 Further Value Creation

GenScript has continuously added value to products, developed new biologic products, and pushed ahead with regulatory approval of its cell therapy product to make it available to patients as soon as possible.

Over HK\$8 billion investment from Hillhouse Capital boosted R&D innovation

During the reporting period, Hillhouse Capital invested over HK\$8 billion in GenScript, GenScript ProBio, and Legend Biotech. Transaction details:

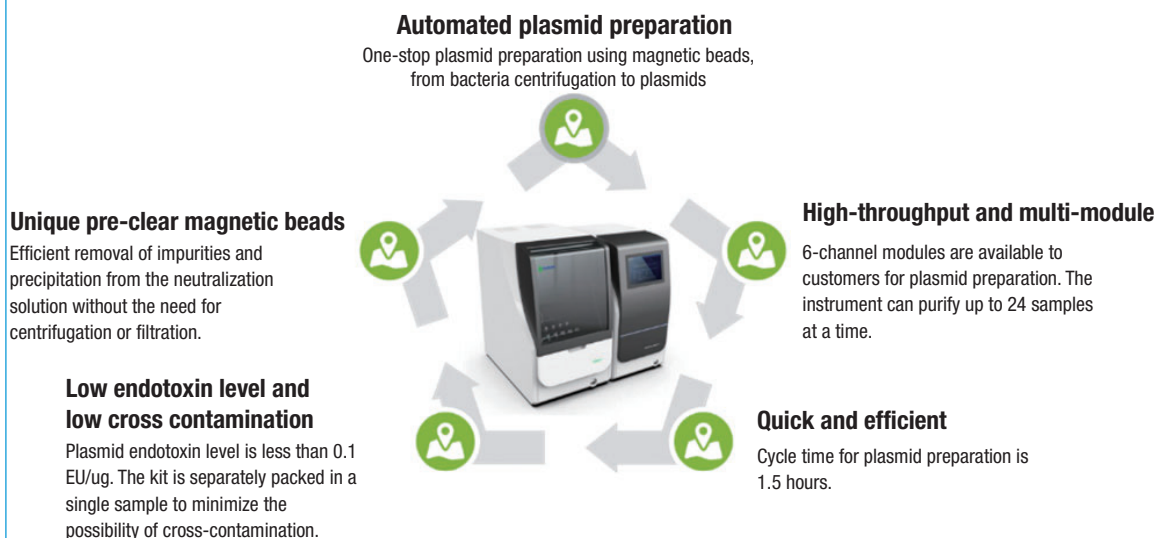
- Hillhouse Capital subscribed for 102,981,853 shares of GenScript (accounting for 5%) at a price of HK\$18.658 per share in the amount of HK\$1.921 billion. GNS HOLDING subscribed for 61,789,112 shares (accounting for 3%) at the same price in the amount of HK\$1.153 billion.
- Hillhouse Capital subscribed for Series A preferred shares of GenScript ProBio up to an aggregate amount of US\$150 million, and GenScript ProBio issued to Hillhouse Capital a warrant up to an aggregate amount of US\$125 million.
- Hillhouse Capital subscribed for 20,809,850 Legend Shares at an aggregate consideration of US\$300 million, and Legend Biotech issued to Hillhouse Capital a warrant to subscribe for and purchase up to an aggregate of 10,000,000 Legend shares at an aggregate exercise price of US\$200 million.

Hillhouse Capital's investment in GenScript's life science, biologics, and cell therapy business could provide an additional booster to GenScript's R&D innovation and business growth.

Launch of fully automated plasmid preparation instrument

During the reporting period, GenScript launched AmMag™ Quatro fully automated plasmid preparation instrument, which uses magnetic bead technology for plasmid preparation. This easy-to-use instrument can save the cycle time by 50% and requires minimum manual operations. In combination with our proprietary Maxi (100 ml culture) and Midi (50 ml culture) kits, the instrument offers high-throughput, low-endotoxin automated plasmid preparation solutions, bridging the gap in automated mid and large scale plasmid preparation.

Features of fully automated plasmid preparation instrument



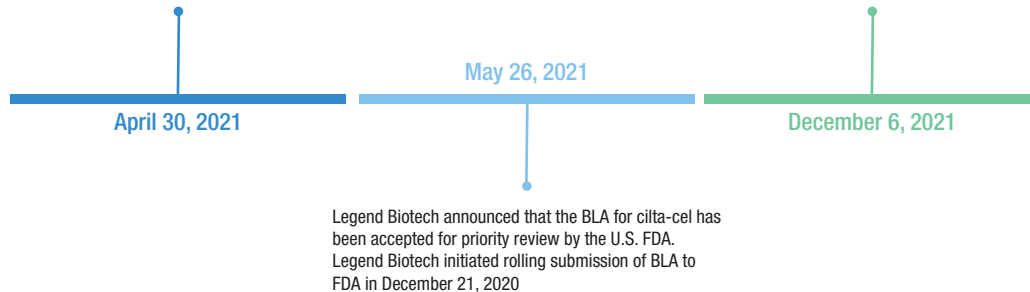
Regulatory update on cell therapy product for treating multiple myeloma

On December 13, 2021, Legend Biotech announced new and updated results from the CARTITUDE clinical development program studying ciltacabtagene autoleucel (cilta-cel) for the treatment of multiple myeloma in Somerset, N.J., U.S.:

- After nearly two years of follow-up, overall response rate (ORR) was 98 percent, and stringent complete response (sCR) was 83 percent;
- The 2-year progressive-free survival (PFS) rate was 61 percent, and overall survival (OS) rate was 74 percent;
- Updated data from the CARTITUDE-2 study in earlier lines of treatments, including the first data from Cohort B and longer-term data for Cohort A

Legend Biotech announced the submission of MAA to the EMA seeking approval of cilta-cel

Legend Biotech announced the submission of NDA to MHLW for cilta-cel by its collaboration partner Janssen



2.3 Intellectual Property

GenScript strictly complies with intellectual property protection laws and regulations, such as the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China* and the *Copyright Law of the People's Republic of China*. GenScript has developed the *Trade Secret Management Policy*, the *Technical Information Management Measures*, and the *Intellectual Property Reward Policy* to standardize the whole process management of intellectual property and encourage employee innovation. In addition, we organized training to raise employees' awareness of intellectual property protection and prevent infringements.

Intellectual property training

During the reporting period, we organized two virtual training sessions for the R&D team, covering the patent basics, preparation of invention disclosure report, patent literature search and intellectual property reward policy. A total of 112 participants received training. In addition, we organized training on patent and trademark basics for the sales and marketing team to popularize patent knowledge and patent infringements. In this way, we have raised employees' awareness of intellectual property protection and enthusiasm for independent innovation.



Patents – Timeline of obtaining a patent

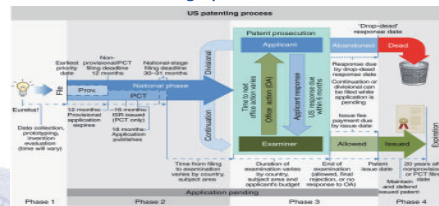


Fig. 1 | Key phases of the patenting process.

- Olson, L., Luster, C. & Macfarland, S. Understanding the basics of patenting. *Sci Biotechnol* 36, 303–310 (2020). <https://doi.org/10.1038/s41587-020-0457-4>
- You can find "prosecution history" at USPTO Public Page.

GenScript's patents in 2021

Patents approved in 2021: 15

Total patents: 147

* During the reporting period, patents of GenScript's subsidiary, CUSTOMARRAY in Washington, are not counted.

** Patents of Legend are not counted.

III. RESPONSIBILITY AND QUALITY ASSURANCE

Adhering to its responsibilities, GenScript unremittably offers high-quality products and services and puts “customer first” as a core value. We strive to establish a quality management system for the entire product life cycle and focus on suppliers’ social responsibility management to grow together with suppliers. We also continuously improve customer service quality and protect information security and customer privacy. In addition, we respect the ethics of animal experiments and ensure animal health and welfare.

3.1 Quality Assurance

GenScript always focuses on product quality, and products of our business portfolio strictly comply with the *Product Quality Law of the People’s Republic of China* and other relevant laws and regulations. At GenScript, “quality is the cornerstone for the survival and development of GenScript; GenScript exists solely for the purpose of serving customers; pursuit of excellence and continuous improvement are never-ending goals for employees worldwide; 100% compliance is a prerequisite for quality management.” GenScript continuously improves the quality management system and offers high-quality services to customers.

- **Quality Management**

During the reporting period, we improved the quality management system and established the quality management framework based on the ISO9001 quality management system. Also, we established and implemented ISO13485 and ISO22000 quality management systems according to business needs to support the development of medical devices and food enzymes.

During the reporting period, we obtained the ISO 13485:2016 quality certification. We established the ISO13485 quality management system and BSI certification for our in vitro diagnostic kit (IVD) cPass and the antibody/protein raw material business line for the kit. The manufacturing of nucleic acids for IVD medical devices using molecular biology technology passed SGS system supervision and review. These quality certifications ensure the stability of the Company’s products.

Environmental, Social and Governance Report



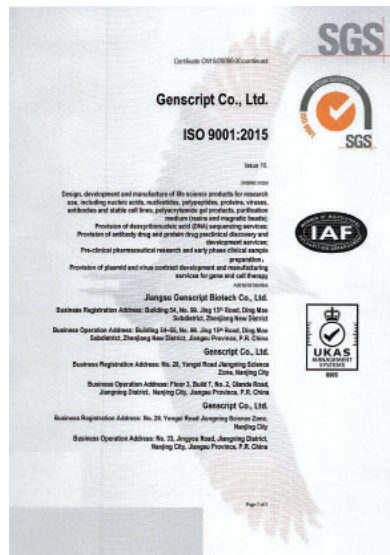
GenScript Quality Management System



ISO13485:2016 Quality Certification

ISO9001 Quality Certification

During the reporting period, SGS, a third-party certification organization, verified ISO9001:2015 quality management system of Nanjing GenScript Biotech Co., Ltd. ("Nanjing GenScript"), Jiangsu GenScript Biotech Co., Ltd. ("Jiangsu GenScript"), Nanjing ProBio Biotech Co., Ltd. ("Nanjing ProBio"), and Jiangsu GenScript ProBio Biotech Co., Ltd. ("Jiangsu ProBio"). The certification covers the design, development and production of life science products for research use (including nucleic acids, oligos, peptides, proteins, viruses, antibodies and stable cell lines, polyacrylamide gel products, resins and magnetic beads as purification media), DNA sequencing services, preclinical development services for antibody drugs and protein drugs, preclinical CMC and early-stage clinical sample preparation, and plasmid and viral vector CDMO services for GCT.



ISO 9001: 2015 Quality Certification

Jiangsu ProBio established phase-appropriate compliance system

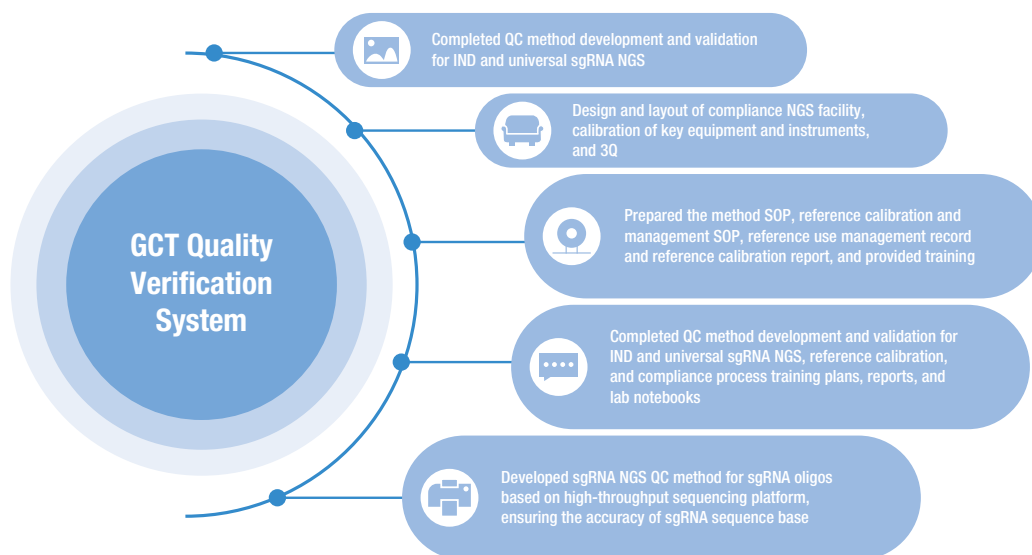
During the reporting period, based on product characteristics and relevant regulatory requirements, Jiangsu ProBio established a phase-appropriate compliance system (PAC System) covering the product life cycle. This system has appropriate quality management systems in place for R&D, early-stage clinical sample manufacturing, late-stage clinical sample manufacturing and commercial manufacturing.

By establishing and implementing the PAC System, we are able to better balance customer project progress, cost and compliance, accelerate the product development process, and facilitate the development of the GCT industry.

GCT quality verification system

Aligned with the development of the GCT market, total quality management of the GMP sgRNA business line focuses on production, analysis, materials, equipment, facilities, and laboratory management to define product responsibility and control product quality.

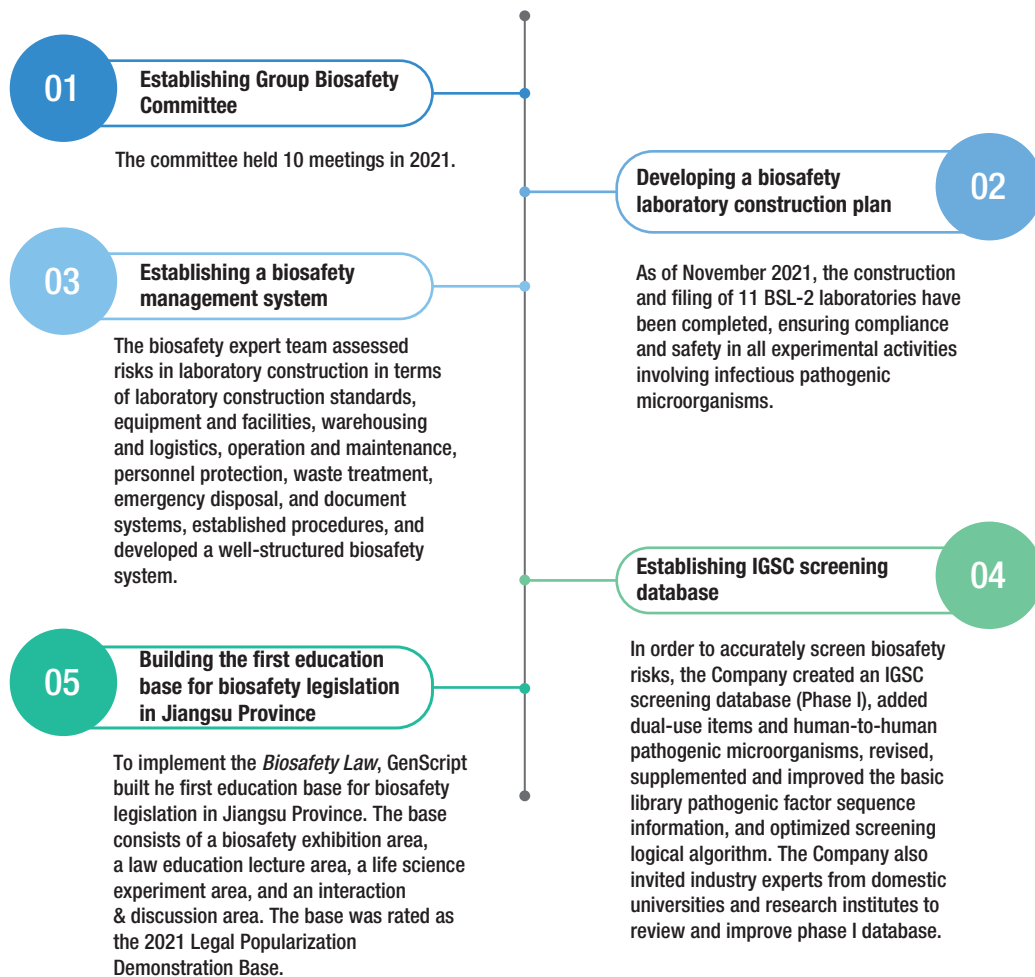
During the reporting period, we accepted and successfully passed several customer audits, and received recognition from customers for our quality system and testing capabilities. Also, we offered CMC services for IND application and assisted customers in submitting application materials to China National Medical Products Administration.



GenScript involves every employee in quality management, and launches quality qualification certification to improve quality awareness of all employees and improve quality management. During the reporting period, we provided 21 quality training courses and tests for quality assurance, quality control, production and R&D employees, with a 95% pass rate and 100% on-the-job certification at Life Science Group (LSG).

- **Biosafety**

In October 2020, China promulgated the *Biosafety Law of the People's Republic of China* to improve biosafety management. In order to address biosafety-related issues and ensure compliance of the Company, we established the Group Biosafety Committee, developed a biosafety laboratory construction plan, a biosafety management system, an immunoglobulin secreting cell (IGSC) screening database, and built the first education base for biosafety legislation in Jiangsu Province. These measures ensure laboratory biosafety.



Biosafety Management



Biosafety Laboratory Registration Certificates

- **Quality Audit**

During the reporting period, we set up a quality audit team, issued the *Group Quality Audit Team Management Rules*, defined the qualification requirements and evaluation standards of quality auditors, and provided training on theoretical knowledge and audit practice to improve the Company's quality audit efficiency and management level. After intensive theoretical training and assessment, 22 employees have been qualified as senior auditors, 15 employees as intermediate auditors, and 14 as junior auditors, which integrates audit team resources and ensures successful quality audit.



Quality Audit Training

GenScript ProBio passed European Union Qualified Person (QP) audit

In October 2021, Nanjing GenScript ProBio antibody and protein drug manufacturing site successfully passed a European Union Qualified Person (QP). This indicates that the GenScript ProBio Nanjing manufacturing site complies with European pharmaceutical GMP, demonstrating ProBio's ability to provide high quality clinical products and CMC services for European and international clients. As of the end of reporting period, GenScript ProBio has passed audits by clients and third-party auditors from China, US, Asia, and Europe, demonstrating its compliance with requirements of multiple regulatory authorities and well-established quality management systems.

- **Quality Training**

GenScript organized a wide range of quality training campaigns to enhance employees' quality awareness, help employees integrate quality management into every detail of work, and improve the quality of products and services. During the reporting period, we launched the Quality Month — Quality Knowledge Contest, with 90.2% participation. Departments also organized 198 quality-related activities, with 86.5% departmental participation.

As of the end of the reporting period, GenScript had no recalls due to product quality or safety issues.



Quality Month — Quality Knowledge Contest

Quality training of GenScript ProBio

Based on business and compliance needs, we developed a quality training plan for 2021, and adopted different training methods in light of different training tasks, including regulation publicity, special case study training, best practice sharing of industry experts, etc. Trainers include experts in drafting regulations, industry leaders, and experts and scholars with years of experience in foreign companies, who gave lectures both virtually and on site. During the reporting period, there were 56,064 trainees cumulatively who received an average of 116 hours of training.



Special Case Study Training



Quality Culture Campaign

3.2 Responsible Purchasing

GenScript attaches great importance to synergy of the supply chain. Building a supply chain management system that meets the needs of sustainable development is the foundation for the healthy development of the Company and win-win cooperation. We strictly abide by local laws and regulations of the region where we operate, standardize supplier management, ensure product and service quality, maintain the stability of supply chain, organize supplier communication and training, and build a harmonious upstream and downstream partnership.

- **Supply Chain ESG Management**

GenScript has constantly improved ESG management of the supply chain, strengthened supplier evaluation, review and elimination, and tightened onboarding management of new suppliers. During the reporting period, we revised the *Supplier Management Procedures*, optimized the supplier qualification evaluation system, incorporated corporate social responsibility and environmental protection into supplier onboarding criteria, and further defined the importance of corporate social responsibility in supplier management.

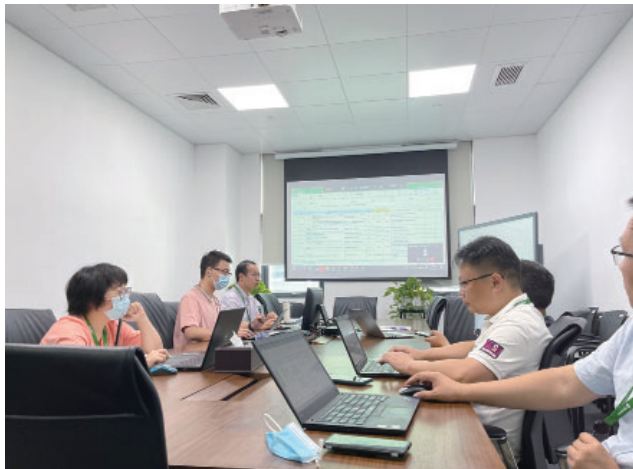


- **Supplier Quality Management**

GenScript has a well-defined audit policy and related requirements for supplier quality management, and ensures the quality and consistency of suppliers through quality audits and on-site visits. During the reporting period, we conducted on-site visits and audits on more than 20 suppliers by involving procurement, quality, production, and technology employees. Also, we conducted quality audits on 50 key suppliers. Audits cover critical materials such as laboratory animals, cytokines, and chemical reagents, as well as key service suppliers related to testing and calibration, ensuring quality control over critical materials and key service providers.

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In addition, we also created supplier profiles and signed quality agreements. During the reporting period, we signed quality agreements and collected quality profiles of more than 300 critical materials and more than 50 suppliers involved in the GXP business line and ISO13485 business line. This helps us formalize quality commitments and ensure the quality of purchased products.



Supplier on-site visit

- **Supply Chain Communication**

GenScript is committed to achieving eco-system synergy, and actively communicates and cooperates with suppliers. During the reporting period, we organized more than 20 technical workshops with suppliers, including the virtual mRNA Summit, where the chief technical director of New England Biolabs was invited to share the mRNA success story and frontier abroad. Also, GenScript cares about the local supply chain, cultivates local suppliers, and develops the local supply chain ecosystem.

3.3 Customer Service

GenScript adheres to the core value of Customer First, and provides customers with premium and efficient services. We have established a comprehensive customer feedback mechanism. By satisfaction surveys and other means, we gather customer feedback, protect customer privacy and information security, and continuously improve service management.

- **Customer Feedback Management**

GenScript established the *Customer Feedback Management Procedure* and provided customers with seamless communication channels. We have a feedback management platform in place for customer feedback management, timely gather customer feedback, and take appropriate actions to solve customers' concerns in an accurate and rapid manner, ensuring customer service quality. During the reporting period, our rate of response to customer complaints hit 100%.

- **Customer Satisfaction Survey**

Putting customers first, GenScript regularly conducts customer satisfaction surveys. During the reporting period, we adopted Analytic Hierarchy Process (AHP) to optimize questionnaires, designed the questionnaire structure through internal and external customer interviews, identified factors that affect customer satisfaction, and determined the weight of each factor. According to quantitative research on customer satisfaction through order based survey, the overall customer satisfaction was 87.06 points (80 points indicate satisfied), and the Net Promoter Score (NPS) result was 61.12% (50% indicates excellent).



• Information Security and Customer Privacy

During the reporting period, GenScript optimized and updated 18 information security policies and documents, such as the *Information Security Management Manual*, the *Information Security Management Policy*, the *Information Security Risk Assessment Management Rules*, the *Internal Audit Process for Information Security*, the *Information Security Exception Management Process*, the *Information Security Terminal Management Process*, the *Information Data Classification and Management Process*, the *Information System Encryption Algorithm Management Process*, the *Access Management Process for Information Security*, the *Information Security Network Management Process*. We also established and improved the operation information security management system to reduce and prevent security threats to company information caused by human or natural factors. In addition, we deployed a data leakage prevention system on office terminals, and walked through the external transmission permissions of all employees, further improving the Company's information security. During the reporting period, we carried out ISO27001 certification of information security management system and passed the information security system certification.



ISO27001 Information Security Certification

The Company protects customer information through order management and project number management processes. Customer information is accessible only to authorized employees, and online real-time backup software is installed to back up customer data, ensuring customer privacy and data integrity.

3.4 Animal Welfare

Regarding animal experiments, GenScript strictly abides by animal welfare standards, relevant Chinese laws and regulations, the *Guide for the Care and Use of Laboratory Animals* by United States National Research Council, and the *Europe Guide ETS 123*. In addition, our laboratory animal facility obtained a laboratory animal use license issued by the Jiangsu Provincial Department of Science and Technology, and passed the certification by International Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC) and the US OLAW.

In order to standardize routine breeding management of laboratory animal facilities, during the reporting period, we launched a laboratory animal management system and App, which enables online applications for ethics review, animal ordering, animal breeding management, and material receipt and delivery and significantly improves work efficiency.



Laboratory Animal Management Service Platform

Renovation and upgrading of animal facility in Building 7

During the reporting period, we renovated the animal facility in Building 7 by optimizing the space layout and the flow of personnel, animals and waste, replacing the air-conditioning unit, ventilation unit, and deodorization system, and installing a pure water system and automated cleaning equipment. The upgraded animal facility platform will effectively support R&D projects and business related to animal experiments.



Animal Facility After Renovation

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To enhance employees' work abilities and learning ability, in addition to training organized by the Company, we also launched a number of internal and external training on laboratory animals. During the reporting period, we organized 30 laboratory mouse facility training sessions, 23 laboratory rabbit facility training sessions and 5 external training sessions.

In order to commemorate the animals sacrificed for medical research and their contribution to life sciences, and enhance the employees' awareness of animal care, during the reporting period, we launched the "Week of Laboratory Animals" commemorative event themed "Silent Praise, Earnest Gratitude". We mourned for the laboratory animals that dedicated their lives to human health and medical development, and left flowers in front of GenScript Laboratory Animal Monument. This reminds our employees to maintain show reverence and promote the development of scientific research.



"Week of Laboratory Animals" Commemorative Event



IV. PEOPLE ORIENTATION, FAIRNESS AND DIVERSIFICATION

Talents are essential for corporate sustainable development. GenScript attaches great importance to talent development, prioritizes talent development, and respects and protects basic rights and interests of every employee. We have a well-established career development and training system, care about the health and safety of employees, and work to create a harmonious and comfortable working environment for employees, facilitating common growth of the Company and employees.

4.1 Talent Management

GenScript 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 *Employment Promotion Law of the People's Republic of China*, the *Trade Union Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Minors* and the *Fair Labor Standards Act (FLSA)* of the United States. We have developed the *Employee Manual*, the *Recruitment and Employment Management Policy*, and the *Compensation and Benefits Management Policy*. We strictly abide by recruitment guidelines, ensure compliance and fairness in the hiring process, and forbid child labor and forced labor by ensuring that hired employees reach the required minimum age for employment. We protect the legal rights and interests of employees regarding recruitment, promotion, compensation and benefits.

GenScript builds the talent base through internal referral, internal job competition and external recruitment, and acquires global talents.

Multi-channel recruitment
During the reporting period, GenScript launched multi-channel recruiting campaigns, including livestreaming campus recruitment, virtual campus recruitment, internal referral for campus recruitment and social recruitment, open day for tripartite agreement signing, etc. We posted the company profile, job descriptions, talent training models, and benefits on 51 job and other online recruitment platforms, which helped candidates learn about our company history and culture and attract global outstanding talents.

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Livestreaming campus recruitment



Open day for tripartite agreement signing

As of December 31, 2021, GenScript has 5,260 employees, including 5,255 regular employees and 5 part-time employees; 3,024 female employees, accounting for 57.49%, and 2,102 employees with master or Ph.D. degree, accounting for 39.96%. During the reporting period, the overall employee turnover rate was 18.8%. The specific employee structure and turnover rate are as follows:

		2020	2021
Total number of employees		4,601	5,260
By gender	Male	2,039	2,236
	Female	2,562	3,024
By employment type	Full-time	4,592	5,255
	Part-time	9	5
By age	<30	2,352	2,583
	30–50	2,109	2,498
	>50	120	179
By region	Mainland China	3,999	4,381
	Overseas	602	879



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		Male	Female	Total
By age	<30	23.4%	17.5%	19.6%
	30–50	21.4%	14.4%	17.9%
	>50	14.8%	13.8%	14.5%
By region	Mainland China	21.9%	16.2%	18.6%
	Overseas	23.0%	16.1%	19.9%
Overall employee turnover rate		22.0%	16.2%	18.8%

* Employee data of Legend's overseas site is not counted in the turnover rate.

4.2 Employee Development

- **Employee Promotion**

GenScript has established a qualification and competency system to set career development goals for employees. This guides our employees to keep learning and improving themselves and helps build our talent pipeline in line with our strategic development needs. In addition, we have developed dual career ladders and employees may choose an appropriate career ladder based on their own advantages. During the reporting period, we updated the qualification and competency system and optimized on-job certification for new employees and transferred employees. The qualification and competency system allows employees to leverage their advantages and grow together with the Company while achieving self-worth and career development.



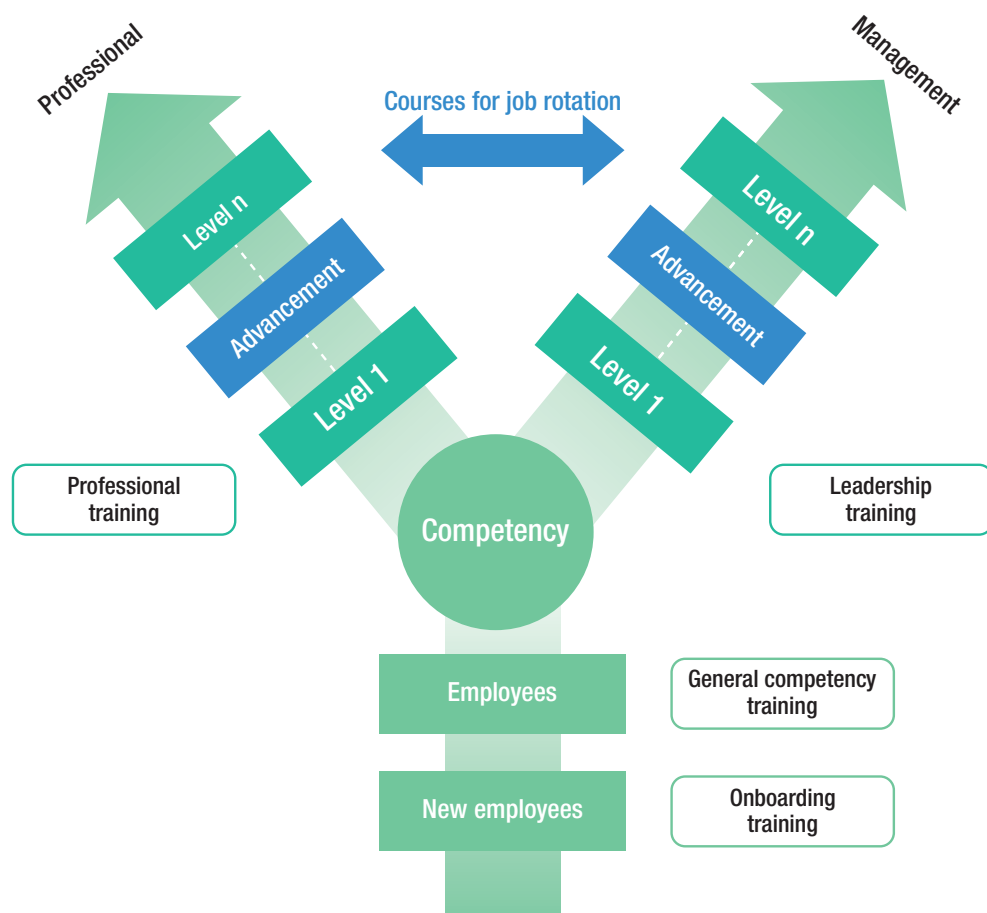
GenScript dual career ladders

- **Employee training**

In order to further develop the Company's talent system, GenScript developed the *Training Management Policy* and launched employee training programs designed to meet different training needs of employees, leaders and R&D personnel. We offered the onboarding training program for new employees, leadership training program for all employees, professional competency training programs such as captain training program and colonel training programs for leaders, and general competency training program for "technical", "commercial", "R&D" employees. We provide employee training on different capabilities to help employees grow in both work and life.

Learning map empowers employee development

While optimizing the qualification and competency system, GenScript also intends to develop more learning resources for talent development and facilitate employee's capability building and career development. During the reporting period, we created the employee learning map to visualize employee growth and learning paths. By analyzing knowledge and skills required for key positions, we established a standardized training system instead of fragmented training. We also utilized the learning map and virtual and on-site training features of E-learning platform to optimize the allocation of online and offline resources and support integrated training management.



OMD Competency Center

During the reporting period, we developed a talent training platform based on OMD Competency Center, covering lean, process and project management capabilities, which offers operation management tools tailored to employees' competency levels and improves employees' operation capabilities. During the reporting period, we launched a total of 30 courses and provided 23 offline training sessions, involving 1,294 trainees cumulatively. In addition, through on-site lean improvement activities and process workshops, we helped employees develop the ability to identify and solve problems and apply what they have learned in practice.



During the reporting period, training at GenScript involved 83,132 trainees cumulatively, with 100% participation. Employees received an average of 20.96 hours of training, increasing by 37% year on year. The training ratio and training hours per employee by category are as follows.

	Male		Female		Total	
	Number of trainees	Average training hours	Number of trainees	Average training hours	Number of trainees	Average training hours
Managers	1,380	19.92	1,401	22.02	2,781	20.65
Non-managerial employees	33,647	21.27	46,704	20.89	80,351	20.97
Total	35,027	21.22	48,105	20.93	83,132*	20.96**

* Training data for 2020 covers on-site training data only. Training data for 2021 covers on-site, E-learning and O2O program training data.

** Legend's overseas training data is not counted in the training data. The average training hours for Legend's full-time employees overseas in 2021 are 2 hours.

4.3 Health and Safety

GenScript always cares about the health and safety of employees, and strictly complies with national and local laws and regulations on occupational health. We have developed a health and safety management system, defined employee occupational health and safety objectives, and effectively identified and controlled risk factors of occupational health and safety, in an effort to create a healthy and safe working environment.

- **Work Safety**

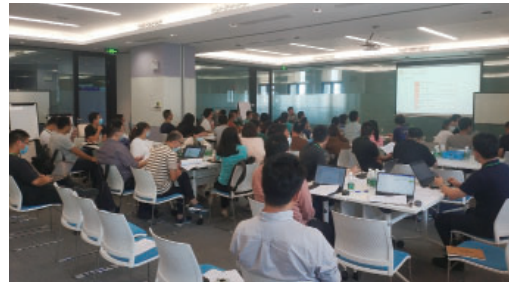
Regarding work safety management, GenScript strictly complies with the *Law of the People's Republic of China on Work Safety*, the *Measures for the Administration of Emergency Response Plan for Work Safety Accidents* and other relevant laws and regulations. We have constantly improved our safety management policies and enhanced safety management. During the reporting period, the Company developed the *EHS Change Management Policy* and the *Fire Safety Management Rules* to ensure the safety of our employees and reduce property damage.

EHS indicators

According to the *EHS Goal, Indicator and Performance Management* released in 2020, the Company developed EHS indicators for each department during the reporting period. We conducted inspection and assessment every month, and organized monthly communication of assessment results and fulfillment of EHS goals and indicators. During the reporting period, the Company achieved 95.8% of EHS indicators.

Work safety risk assessment

According to the *Regulations of Jiangsu Province on Industrial Enterprise Work Safety Risk Reporting*, we carried out risk identification and evaluation across the Company and identified more than 400 risk identification forms. Also, we developed control measures from the perspectives of man, machine, material, method, environment and management, and worked out safety operation procedures and hazard lists. For key risks, departments developed on-site emergency plans and carried out simulation drills. We raise employees' awareness of safety risks and create a safe and secure working environment through work safety risk assessment and training.



Work safety risk assessment

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- **Occupational Health**

GenScript strictly complies with the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, the *Protective Equipment Rules for Employers* and other relevant national and local laws and regulations. We provide personal protective equipment, organize regular health examinations, and offer safety equipment to employees involved in special operations, in an effort to create a healthy and safe working environment for employees. During the reporting period, we updated the *Occupational Health Management Policy* and the *Management Rules for Personal Protective Equipment* to standardize occupational health management, ensure compliance with relevant laws and regulations on occupational health, improve working conditions, protect employees' health, and prevent and eliminate occupational diseases. During the reporting period, no cases of occupational diseases occurred.

- **Publicity and Training**

GenScript attaches great importance to safety training and provides on-site and virtual EHS training for employees. During the reporting period, we updated the *EHS Training Management Policy* to standardize EHS-related training for all employees and help employees develop EHS-related abilities, knowledge and awareness.

Work safety training

Considering the implementation of the *Law of the People's Republic of China on Work Safety* in 2021 and increasingly strict environmental protection requirements, in order to further improve safety and environmental protection management, the Company invited external experts to provide training and assessment related to environmental protection compliance and the work safety law, involving leaders, managers and departments heads. Through work safety training, we improved employees' risk identification ability and safety awareness and ensured the achievement of work safety goals.



Safety training and publicity



During the reporting period, Legend held five training sessions, involving all employees. The training covered EHS laws and regulations, risk assessment and identification, chemical safety, biosafety, occupational health, fire and emergency response, etc.

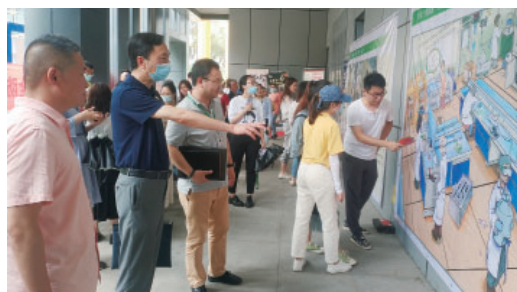


During the reporting period, Jinan Bestzyme organized 12 safety training sessions, covering EHS aspects and site management. The training was intended to enhance the capabilities of all employees and improve EHS management.

Safety emergency drills

In order to improve emergency organizational skills, emergency response and management capabilities, and protect the personal life and property of the Company and employees, we have organized a number of emergency drills such as emergency evacuation and emergency response for fire and chemical spills. We walked through the emergency response process, enhanced emergency rescue, emergency medical care and evacuation capabilities, raised safety awareness of all employees, and improved self-protection skills and the ability to respond to emergencies and escape.

In addition, we also organized various safety activities (such as hazard reporting reward, EHS commitments by all employees, defensive driving, and 100 safety mistakes). These activities enhanced the safety awareness of all employees, improved the safety skills of employees, and contributed to a safety culture involving all employees.



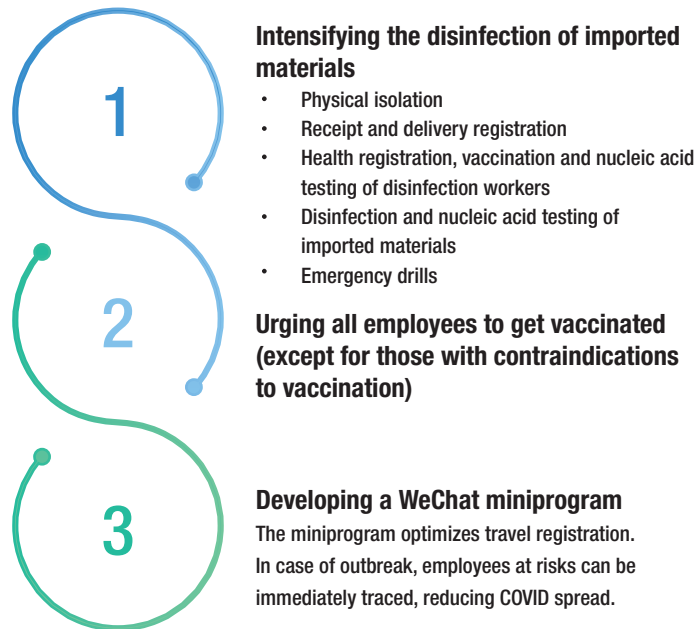
During the reporting period, seven work-related injuries occurred in the Company. In the past three years, no employee died due to work-related injuries.

Safety statistics	2019	2020	2021
Work-related injuries	3	9	7*
Work days lost due to work-related injuries	136	278	26

* As injured employees in three work-related injuries were absent from work without leave, their work days lost are not counted in the work days lost due to work-related injuries.

• COVID-19 Prevention and Control

Amid global COVID-19 pandemic, we tracked the epidemic in real time and took appropriate measures in a timely manner. We protected the health and safety of our employees by intensifying the disinfection of imported materials, urging all employees to get vaccinated, and developing a WeChat miniprogram for travel registration.



COVID management measures



Employee vaccination

4.4 Care and Support

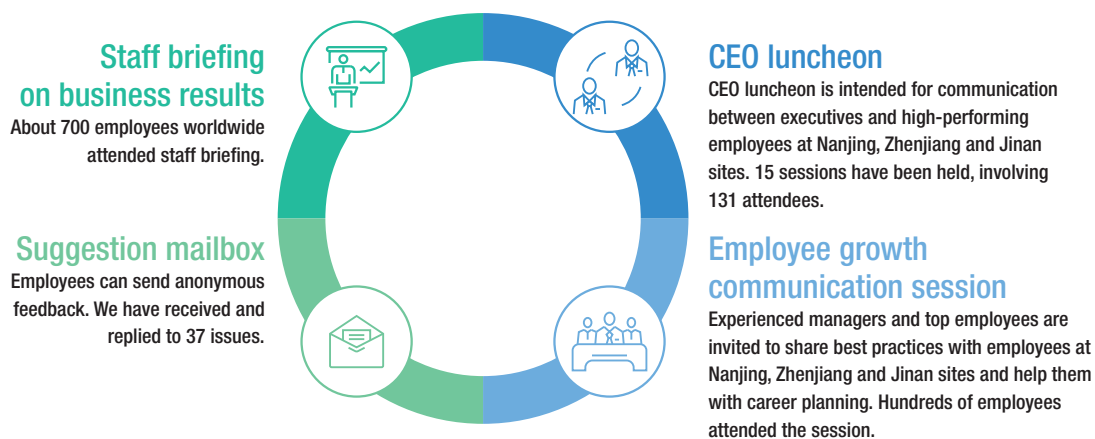
GenScript cares about the physical and mental health of all employees. We have developed rules and regulations on employee welfare and benefits, established an employee benefit and care protection system, and maintained effective information communication channels, in an effort to offer comprehensive benefits and care to employees.

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- **Employee Communication**

Upholding open communication, GenScript has a well-established communication system and channels in place. We launch the staff briefing on business results, CEO luncheon, suggestion mailbox, and employee growth communication sessions in a bid to ensure smooth communication between different roles, departments and levels and effectively enhance open communication.

To measure employees' engagement and satisfaction with the working environment, we conducted Gallup Q12 engagement survey during the reporting period. We collected 4,365 questionnaires, involving 97% of our employees. The overall average score is 4.37, increasing by 0.09 over 2020. The employee engagement survey helps us get true employee feedback, creates a harmonious and ideal working environment, and boosts employee wellbeing at work.



Staff briefing on business results



CEO luncheon

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• Employee Care

GenScript has continuously improved employee care and offered diversified benefits to enhance employee well-being and satisfaction. During the reporting period, we optimized and updated short-term incentive, international assignment and individual income tax management policies, encouraged employees to be part of the effort to expand business presence, and offered diversified incentives.

Short-term incentives

- ✓ Separate management of compensation package and bonus package
- ✓ Regular business bonus package is based on performance and not tied to goals. The Group's central bonus is controlled at the Group level.
- ✓ Encourage self-management and self-motivation in each business unit
- ✓ Setting up a bonus package for each business line

International assignment

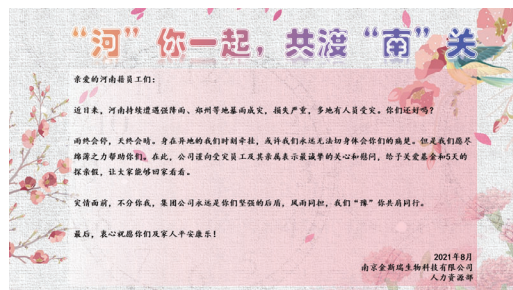
- ✓ Standardizing international assignment management
- ✓ Optimizing compensation & benefit provisions of the International Assignment Management Policy and tax planning policies

Individual income tax management

- ✓ Compensating the employees for the losses arising from exchange rate fluctuation
- ✓ Specifying the implementation rules of tax equalization for employees on international assignment

Condolence to employees affected by Henan floods

In July 2021, Henan Province was hit by extreme rainfall, destroying urban transport. In response to the disaster, the Company and the trade union offered condolence to employees from Henan by phone, asked if their families were affected, and offered care funds and five-day family leave to employees severely affected, bringing warmth to them.



Condolence to affected employees

Dormitory renovation

During the reporting period, we renovated employee dormitories by upgrading dormitories from 6-person rooms to 4-person rooms and renovating public showers. More than 400 female employees and 240 male employees have been relocated. This has improved the living environment and boosted employees' happiness.

- **Employee Activities**

GenScript promotes work-life balance by enriching employees' daily lives, publicizing corporate culture, and creating cohesion and a sense of belonging. During the reporting period, we organized a number of hybrid employee activities for the Women's Day, Dragon Boat Festival, Mid-Autumn Festival, Mother's Day, and Father's Day, with 86.9% average satisfaction.



Reopening red packets



Women's Day



Mother's Day



Father's Day

Club Activities

During the reporting period, our photography, yoga, working mothers, badminton, dance and soccer clubs organized a number of activities, which helped employees live fuller lives and promote employees' health and well-being.



Working Mothers Club



Dance Club



Soccer Club



Riding Club

V. CARBON REDUCTION AND GREEN OPERATIONS

Since its inception, GenScript has adhered to the mission of “making people and nature healthier through biotechnology”, continuously improved internal operational processes and procedures, and optimized the environmental management system. We strive to minimize the impact of business activities on the environment, take the green approach to development strategy, and achieve sustainable development of enterprises and the environment.

5.1 Environmental Management

GenScript is committed to improving the way it operates and overseeing the whole process from policy development to implementation. GenScript strictly abides by the *Environmental Protection Law of the People's Republic of China*, the *Energy Conservation Law of the People's Republic of China* and other national and local environmental protection requirements. Also, we have constantly improved our environmental management policies. During the reporting period, we developed and implemented the *Safety Management Policy for Hazardous Chemicals*, the *EHS Change Management Policy*, the *Laboratory Biosecurity Management System*, and the *EHS Training Management Policy* and other management policies for the purpose of continuously improving GenScript's EHS management capability.



Under GenScript's environmental management policies, the Company's sites, branches and subsidiaries have continuously optimized environmental management systems based on actual production and operation conditions. In day-to-day production and operation, we engage third-party professional organizations for regular monitoring to avoid adverse environmental impacts. During the reporting period, we reported no violations related to environmental protection, excessive pollutant discharge or illegal discharge. In addition, in order to further standardize environmental management and learn from advanced, scientific and profound management experience, we will prepare for ISO 14001 environmental management system certification and ISO 50001 energy management system certification.

In terms of environmental management, we rolled out the *EHS Training Management Policy* and *EHS Training Matrix Plan* to strengthen employees' awareness of environmental protection. Considering different roles, we specified job requirements to help employees develop the capability, knowledge and awareness fitting the expected roles. During the reporting period, EHS training, including environmental management training, involved 100% of employees.

5.2 Climate Changes

With the acceleration of global warming and increasingly severe impacts of climate changes, GenScript has taken action to address risks and opportunities brought by climate changes. During the reporting period, we adopted the suggestions from the Task Force on Climate-related Financial Disclosures (TCFD), analyzed our risks and opportunities in the face of climate changes, and disclosed information related to climate changes for the first time.

Environmental, Social and Governance Report

Risks of climate changes

Climate Change Risk (Primary Level)	Climate Change Risk (Secondary Level)	Item	Impact Description
Transition risks	Policies and laws	Enhanced emissions-reporting obligations	As a HKEX-listed company, GenScript would face increasingly stricter disclosure requirements for climate change-related information, resulting in an increase in operating costs in the short term, while investment in energy saving and emission reduction technologies would reduce long-term operating costs.
		Replacing existing products and services with low-emission options	Due to the governmental energy conservation and emission reduction policies or market trends, there is a risk of replacing the existing energy consumption structure with low-emission options. Low-emission options would incur costs for technical equipment and operational maintenance.
	Technology	Failed investment in new technology	Biomaterial selection due to climate changes might lead to GenScript's increased investment in new technologies, but the uncertainty of future technological changes might lead to investment failure.
		Front-end costs arising from low-emission technology transformation	Low-emission technology transformation would incur front-end costs, including front-end testing and application costs.
	Market	Changing customer behavior	Increase in infectious diseases due to climate changes would have an impact on GenScript's biomaterial selection for R&D and production and the direction of biologics development, resulting in changes in GenScript's revenue structure and sources.
		Uncertainty in market signals	Climate changes might result in changes in the direction of disease research, changes in market demand and the energy structure in operations.
		Increased cost of raw materials	Climate changes would lead to higher raw material prices.
	Reputation	Shifts in consumer preferences	Climate changes might result in changes in product preferences due to health concerns, leading to changes in GenScript's revenue structure and sources.
		Increased stakeholder concern or negative stakeholder feedback	The corporate reputation of GenScript and its supply chain might be affected by climate changes, which would have a financial impact on GenScript.

Environmental, Social and Governance Report

Climate Change Risk (Primary Level)	Climate Change Risk (Secondary Level)	Item	Impact Description
Physical risks	Acute	Cyclones	As GenScript operates in Nanjing, Zhenjiang, Jinan, China, and New Jersey, U.S., staff commuting and research continuity of GenScript might be affected by typhoons/hurricanes, resulting in delayed product delivery.
		Extreme heat	Continued high temperature would affect GenScript's operations in terms of product production process, storage, transportation, etc.
		Floods	Electricity, as the primary energy for GenScript's operations, might be affected by flooding, which would affect production lines and delays product delivery.
	Chronic	Changes in precipitation patterns and extreme variability in weather patterns	Extreme precipitation might lead to erosion of buildings and affect employee commuting.
		Rising mean temperatures	Rising mean temperatures would increase cooling demand of sites and offices, and lead to the outbreak and spread of new diseases, affecting GenScript's R&D operations.
		Rising sea levels	GenScript' Nanjing and Jinan Sites would be directly threatened by rising sea levels, and the infrastructure and R&D equipment in sites might be damaged.

Environmental, Social and Governance Report

Opportunities of climate changes

Opportunity of Climate Changes		Financial Impact	Direction of Development
Opportunity 1	Resource efficiency	- Reducing operating costs - Improving productivity and increasing revenue	More efficient shipping methods: Under the pressure of climate changes, GenScript could optimize logistics routes and improve shipping efficiency to ensure smooth transportation, and reduce operation and maintenance costs. More efficient production processes: Low-carbon resources and low-carbon operations might lead to more efficient production processes. More efficient buildings: Low-carbon technology and low-carbon awareness are conducive to future environmental cost savings, preserving the value of GenScript's fixed assets. Reduction of water usage and consumption: By improving production processes or operating techniques, GenScript could reduce operating costs while reducing water usage to cope with water risks.

Opportunity of Climate Changes			Financial Impact	Direction of Development
Opportunity 2	Energy source	•	Reducing the risk of rising energy prices	• Low-emission energy sources: By adopting more lower-cost remission reduction measures, GenScript could reduce the risk of future energy price rise while benefiting the environment.
			Improving reputation	• New technologies: In vast production sites, clean energy such as solar energy and wind energy could be used instead of fossil energy.
Opportunity 3	Products and services	•	Product and service transformation: proposing new climate adaptation solutions to improve competitive status in the industry, reflect the shift in consumer preferences, and increase revenue	• Reputation improvement: By transformation of energy use, GenScript could improve corporate reputation and attract more investors who prefer low-emission manufacturers.
				• Proposing climate adaptation solutions through R&D and innovation: Identifying possible health conditions due to climate changes and proposing biopharmaceutical solutions; improving competitive advantages in the industry through innovative low-carbon solutions.

Environmental, Social and Governance Report

Opportunity of Climate Changes			Financial Impact	Direction of Development
Opportunity 4	Market		Entering new and emerging markets to increase revenue	Reducing carbon footprint would facilitate GenScript to enter markets with stricter carbon governance.
				GenScript's innovative products in response to climate changes facilitate future entry to markets.
Opportunity 5	Adaptability		- Increasing revenue - Lowering costs	Improving supply chain reliability: By identifying climate risks and taking appropriate actions, GenScript could improve supply chain reliability and operational capabilities under different conditions.
				New product and service R&D: Early R&D of low-carbon products and services and development of climate and health solutions may help GenScript increase adaptability.

5.3 Green Operations

In response to the goals of “peak carbon dioxide emissions” and “carbon neutrality” proposed by China, GenScript has taken actions to promote green development. We are committed to reducing resource consumptions and greenhouse gas emissions by optimizing our policies and measures. GenScript strives to control the intensity of greenhouse gas emissions, energy consumption, water resources consumption and waste disposal over the data of the previous year. In 2021, we reduced the intensity of energy consumption, water resources consumption and waste disposal. In the future, we will step up efforts to achieve our environmental goals.

During the reporting period, we took a number of low-carbon and energy-saving measures in production and office work to reduce energy consumption and greenhouse gas emissions.

- Green Production**

In the production process, we strictly abide by the *Energy Management Policy* and control the electricity, gas and steam systems to reduce energy consumption and improve energy utilization. Departments conduct a monthly review of energy consumption to identify the causes of abnormal energy utilization and timely resolve the issues.

Electricity Management	Water Management	Gas and Steam Management
• Electric light management • Equipment power management of office areas • Power management of public areas • Air conditioner use management • Power management of production and R&D equipment • Construction power management	• Daily management of municipal water • Construction water management	• Daily management of gas and steam • Management during construction

During the reporting period, we renovated purification air-conditioning units, cooling units and the freezing system during production and operation, reducing energy consumption.

Renovation of purification air-conditioning units

- We made a quality change to lower the grade of the production clean areas and decreased air changes per hour from 30 times to 18 times. We also lowered the motor frequency of two purification air-conditioning units, saving nearly 160,000 kWh of electricity year on year.

Renovation of cooling units

- By renovating cooling units, we reduced the operating time of the air-source heat pump unit, saving about 220,000 kWh of electricity year on year.

Renovation of the freezing system

- By renovating the freezing system, we reduced the number of running pumps, saving about 70,000 kWh of electricity year on year.

Environmental, Social and Governance Report

• Green Office

In daily office work, GenScript works with employees to create a green and low-carbon office environment through office model optimization, continuous innovation, and daily consumption reduction.

Improving space operations	Improving the office space efficiency and energy efficiency through rational office space planning and layout
Reducing business travel	Enabling remote work and virtual meetings, and reducing business travel
Reducing energy consumption	- Advocating double-sided printing, and reusing one-side used paper - Installing LED lights in office areas to reduce power consumption - Providing more metro shuttles and urban shuttles to reduce the use of private cars and encourage green travel
Shaping energy-saving awareness	“Energy Conservation Month” campaign - Releasing energy-saving wallpapers and energy-saving promotional videos

Energy Consumption and Carbon Emissions***	2019	2020	2021
Energy consumption (MWh)	55,854.09	58,281.05	80,093.03*
Energy intensity (MWh/US\$10,000)	2.04	1.49	1.57
Steam (tons)	8,299.00	47,378.43	52,833.66
Steam intensity (tons/US\$10,000)	0.30	1.21	1.03
Natural gas ('000 cubic meters)	2,237.14	516.44	605.71
Natural gas intensity (cubic meters/US\$10,000)	81.84	13.21	11.85
Diesel (tons)	—	—	12.22**
Greenhouse gas emissions (tons CO ₂ -e) (Scope 1 only)	4,837.13	1,116.64	1,302.90
Greenhouse gas emissions (tons CO ₂ -e) (Scope 2 only)	44,105.72	48,305.92	76,173.32
Greenhouse gas emission intensity (tons CO ₂ -e/US\$10,000)	1.79	1.26	1.52

* As electricity purchased by Jinan Bestzyme was newly added in 2021, the total electricity consumption significantly rose.

** During the reporting period, due to China's power cuts, diesel generators were used for power supply at Nanjing Site.

*** The main sources of greenhouse gas emissions (scope 1) are diesel, gasoline and natural gas, and greenhouse gas emissions (Scope 2) are from purchased electricity and purchased steam. Greenhouse gas emissions are calculated in accordance with the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Enterprises Other Industries (Trial)* issued by the National Development and Reform Commission of the People's Republic of China, and some parameters are from the WRI/WBCSD GHG Protocol.

5.4 Emissions Management

In accordance with the requirements of national and local laws and regulations, GenScript proactively fulfills corporate social responsibility and strictly controls wastewater, exhaust gas and solid waste generated during production and operation. Also, we minimize the environmental impacts of emissions through timely equipment upgrades and technological innovation.

- **Wastewater Management**

GenScript strictly abides by the *Law of the People's Republic of China on Prevention and Control of Water Pollution*, and strictly controls the concentration of pollutants at the sewage drain under Level 3 specified in the *Integrated Wastewater Discharge Standard*. During the reporting period, we conducted more than 48 water quality analyses on the discharged rainwater and sewage to ensure up-to-standard discharge of wastewater.

Jiangsu GenScript renovated the sewage system

In order to ensure efficient sewage treatment and improve the stability of water quality, Jiangsu GenScript upgraded the techniques of the phase I sewage treatment station. We installed a stirring device for the hydrolysis and acidification tank, a nitrification liquid reflux device and an automatic control system. We also adjusted the aeration intensity of each treatment unit. After renovation, the ammonia nitrogen concentration in effluent dropped by nearly 50%.



- **Exhaust Gas Management**

GenScript controls exhaust gas emissions in accordance with the *Law of the People's Republic of China on the Prevention and Control of Air Pollution*. During production and operation, we have defined the types of exhaust gas, pollutants and treatment methods for the exhaust gas treatment system. Also, we have set parameters and the required range for each process of the exhaust gas treatment system.

During the reporting period, we entrusted a qualified environmental testing organization to conduct environmental testing of exhaust gas. We posted a QR code of activated carbon for the exhaust gas treatment device according to government requirements, and defined its replacement frequency and disposal destination as required, which reduced the environmental impact of exhaust gas emissions.

Nanjing GenScript renovated the exhaust gas system for animal facilities

During the reporting period, GenScript upgraded and renovated animal facilities by adjusting the layout of animal facilities, upgrading the breeding environment, and keeping the breeding environment dry rather than wet. Renovation focused on replacement of rabbit cage racks and exhaust gas treatment systems. We upgraded the original two exhaust gas activated carbon adsorption systems to one new exhaust gas treatment system, integrating active oxidation, photocatalysis, spraying, and defogging functions, which can improve waste gas treatment efficiency and reduce the consumption of activated carbon in the system while ensuring the air volume.

Exhaust Emissions	2019	2020	2021
Total exhaust emissions ('000 cubic meters)	1,020,116	1,066,964	1,350,746*
Emissions of smoke and dust (tons)	0.26	0.24	0.14
Sulfur dioxide emissions (tons)	0.10	0.16	0.09
NOx emissions (tons)	3.08	1.68	1.45

* During the reporting period, several new projects were completed, resulting in an increase in the total exhaust gas emissions.

Waste Management

In accordance with the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and the internal *Solid Waste Management Procedures*, GenScript strictly oversees waste generation, identification, confirmation, collection, transfer, storage, declaration and disposal to avoid the impact of waste on the environment. During the reporting period, we developed the *Management Rules for Domestic Waste and General Solid Waste Treatment*, specifying management and treatment requirements for domestic waste and general solid waste, for the purpose of reducing unnecessary waste of resources and reducing the generation and discharge of waste. We declare hazardous waste on time and deliver it to a qualified third-party organization for unified disposal.

Waste	2019	2020	2021
Domestic waste (tons)	9,143.90	6,268.83	9,843.38*
Intensity of domestic waste generation (tons/US\$10,000)	0.33	0.16	0.19
Hazardous waste (excluding medical waste) (tons)	997.97	1,338.13	1,623.10**
Intensity of hazardous waste generation (tons/US\$1 million)	4.76	4.35	3.18
Medical waste (tons)	303.42	363.49	385.62

* During the reporting period, sludge increased due to completion the renovation and expansion project of the sewage treatment plant in Jinan Bestzyme.

** During the reporting period, hazardous waste increased due to capacity expansion and launch of new projects in Jiangsu GenScript.

5.5 Use of Resources

Rational use of resources is important for the sustainable development of enterprises. GenScript adheres to scientific and rational use of water resources. We strictly abide by the *Water Law of the People's Republic of China* and other national and local laws and regulations, and use water resources as needed. On the one hand, we continuously improve the utilization efficiency of water resources by upgrading equipment and processes. On the other hand, we continuously monitor water consumption and discharge, and promote rational use of water resources and reduction of water waste. After declaration and publicity of comprehensive evaluation results, GenScript was awarded the title of Nanjing Water-Saving Enterprise during the reporting period.

Water Consumption	2019	2020	2021
Water consumed ('000 cubic meters)	440.26	579.28	689.68
Water recycled ('000 cubic meters)			
(only if water recycling facilities are installed at the headquarters in Jiangning District, Nanjing)	35.47	27.87	0.00*
Water recycling rate (%)	0.08	0.05	0.00*
Water consumption intensity (cubic meter/US\$10,000)	16.11	14.82	13.50

* Due to renovation of animal facilities at the headquarters in Jiangning District, Nanjing, water recycling was suspended. Also, After renovation of animal facilities, we keep the breeding environment dry rather than wet, so recycled water is no longer used.

VI. COOPERATION AND DEDICATION

GenScript upholds the vision of “becoming the most trustworthy biotech company” by providing high-quality products and services for customers and creating value for society. Undergoing rapid growth, we remain true to our original aspiration and fulfil our social responsibility. We have actively participated in industry exchanges and discussions, and leveraged our technology to give back to society and contribute to human well-being.

6.1 Multi-party Cooperation

As the leader in the biotech industry, we have been actively exploring opportunities and seeking breakthroughs. We intend to enhance exchanges and cooperation with our peers, explore new possibilities, and drive industry growth.

4th Global Synthetic Biology & Gene and Cell Therapy Industrial Chain Forum

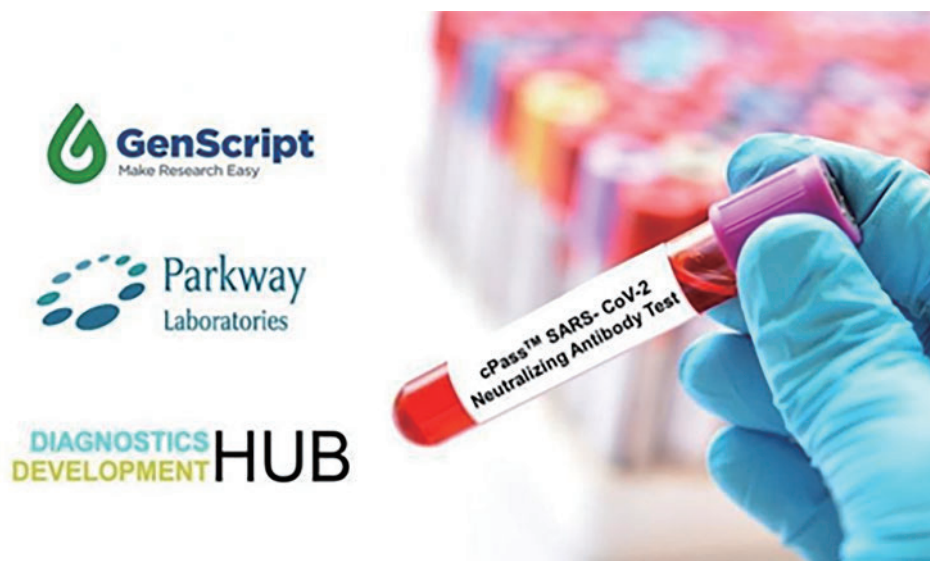
In December 2021, the 4th Global Synthetic Biology & Gene and Cell Therapy Industrial Chain Forum with the event theme of “SynBio & GCT Reshape the Future” took place in Nanjing. This event brought together 9 Chinese and foreign academicians, dozens of professors, specialized entrepreneurs, investors and medical experts who shared insights into industry policies, cutting-edge technology, industrialization and commercialization in a bid to fuel biotech and bio-economy prosperity. More than 7,000 virtual attendees and 400 in-person attendees participated in the event.



cPass™ SARS-CoV-2 NAb testing service was made available in Singapore

On April 12, GenScript, Parkway Laboratories and DxH Hub announced their collaboration to provide the cPass™ SARS-CoV-2 neutralizing antibody test in Singapore through Parkway's panel of specialist and GP clinics.

The cPass™ SARS-CoV-2 Neutralization Antibody Detection Kit was co-developed by Duke-NUS Medical School (Duke-NUS), GenScript, and DxH Hub. The kit has received provisional authorization by the Health Sciences Authority (HSA) Singapore, CE-IVD marking in Europe and emergency use authorization (EUA) by the U.S. Food and Drug Administration (FDA). The cPass™ kit can be performed in most standard laboratories with a short turnaround time (~1 hr). cPass™ is also adaptable to high throughput and fully automated testing.



GenScript Gene & Cell Therapy Speaking Tour

During the reporting period, GenScript Speaking Tour on “Gene & Cell Therapy Development and Commercialization Solutions” took place in Zhangjiang, Shanghai. Considering pain points of GCT companies, downstream applications and policy requirements, with 18 years of dedication to the biotech industry, GenScript has been optimizing CRISPR library, sgRNA, ssDNA, and other raw material manufacturing platforms and quality control techniques, and worked out one-stop solutions for GCT projects. In the speaking tour, GenScript and other industry players shared insights into challenges and opportunities for GCT.



6.2 Contribution to Society

GenScript has actively assisted and supported the social community by organizing local community events and reaching out to people in need. During the reporting period, our social donation amounted to a total of US\$987,000, including about US\$341,000 for COVID-19 management initiative and about US\$636,000 for education-related projects.

Jiangsu's first education base for biosafety legislation

April 15, 2021 marked the implementation of the Biosafety Law of the People's Republic of China as well as the inauguration of GenScript Education Base for Biosafety Legislation. The base is the first of its kind that is led by an enterprise in Jiangsu Province. While complying with the Biosafety Law, GenScript also steps up to social responsibility and calls for the public to participate in biosafety law education.

To publicize the biosafety law to the industry and the public, GenScript shot a biosafety legislation documentary titled "Biosafety Around Us" and won the second prize of the 7th Jiangsu Science Popularization Contest for Public Benefits.



“GenScript—Fullerene” scholarships and teaching grants

On June 7, 2021, “GenScript—Fullerene” scholarships and teaching grants awarding ceremony took place in China Pharmaceutical University. Seven excellent students who received admission offers from well-known overseas universities and two teachers who were dedicated to international teaching work were awarded the scholarships and grants. The scholarships and teaching grants were jointly funded by GenScript and Fullerene, an overseas education agency. By doing so, GenScript aims to support the cultivation of international talents for China’s biopharmaceutical industry and enhance the international competitiveness of China’s biopharmaceutical research.



GenScript and Legend Biotech donated emergency supplies to Nanjing for frontline fight against COVID-19

In July 2021, the epidemic spike put anti-epidemic efforts in Nanjing in the spotlight. GenScript and its subsidiary Legend Biotech donated anti-epidemic supplies to frontline testing workers and community workers in Nanjing. In addition, volunteers from GenScript and Legend Biotech stepped up to assist with nucleic acid testing in Jiangning Drug Valley.



APPENDIX I. LIST OF AWARDS AND CERTIFICATION FOR 2021

This section listed the awards and certifications granted to GenScript and its subsidiaries during the reporting period.

No.	Awards and Certifications
1	GenScript passed qualification review of Jiangsu Province Little Giant for Specialized, Refined, Featured and Novel Products
2	“NMPA’s First BTD for Legend Biotech” landed in 2020 Top 10 Chinese Medical and Biological Advances
3	Bestzyme was awarded the title of “Little Giant” for Specialized, Refined, Featured and Novel Products by the Ministry of Industry and Information Technology
4	GenScript ranked among 2020 World’s Top 100 Pharmaceutical Companies by R&D Investment
5	GenScript won “Responsible Brand Award 2020” at the 10th China Charity Festival
6	GenScript ranked among 2020 Top 500 Listed Chinese Companies by Brand
7	GenScript won Best Contract Research Organization by IMAPAC
8	GenScript ranked among “2021 China’s Top 500 Most Innovative Companies”
9	“Legend Biotech LCAR-B38M cells” won the “2020 Drug Innovation Pioneering Award”
10	Bestzyme landed in the list of 2021 Specialized, Refined, Featured and Novel Enterprises in Jinan
11	Legend Biotech was awarded the title of “Nanjing Unicorn” for the second year in a row
12	Legend Biotech won the “Golden Parasol” Award for Nanjing Model Enterprises of Overseas Talent Acquisition
13	GenScript won the Best CDMO Award
14	GenScript landed in the list of “China’s Top 500 Listed Companies by Market Cap”
15	GenScript ranked among 2020 Top 100 Companies in China’s Pharmaceutical Industry
16	GenScript and its subsidiary Legend Biotech were rated AAA
17	GenScript’s biosafety legislation documentary won a prize of Jiangsu Science Popularization Contest for Public Benefits
18	GenScript ranked among 2021 China’s Top 20 CDMO Enterprises
19	Legend Biotech was listed among “China’s Top 30 Innovative Enterprises by Novel Technology Drug”
20	GenScript won the “Best Brand Influence” Award at the 8th China Innovative Communication Awards

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No.	Awards and Certifications
21	Legend Biotech landed in “2021 China Biopharmaceutical Industry Innovation List” and won Kunpeng Award for the second year in a row
22	GenScript was awarded the title of Sunshine Innovative Enterprise of the Year
23	GenScript ProBio won Top 10 Drug Discovery Solution Providers in Asia-Pacific 2021
24	GenScript artificial gene synthesis biologics passed the review of manufacturing single champion products
25	GenScript won “CSR Golden Award” of 2021 Golden Flag Award
26	Legend Biotech topped the list of Top 20 Most Valuable Biotechs in Asia
27	Nanjing Bestzyme passed the national hi-tech enterprise certification
28	GenScript ranked among Leaders and Top 100 Companies in the Healthcare Industry
29	Jiangsu Province Hi-tech Industrial Development Zone Gazelle Enterprise

APPENDIX II. LIST OF DISCLOSURE POLICIES AND LEGAL REGULATIONS

This section lists laws and regulations applicable to the Company in the order of ESG indicators in accordance with “the policies” and “compliance with relevant laws and regulations that have a significant impact on the issuer” contained in the “General Disclosure” of HKEX ESG Reporting Guide.

Classification	Laws and Regulations
Environmental protection	• <i>Environmental Protection Law of the People’s Republic of China</i> • <i>Water Law of the People’s Republic of China</i> • <i>Law of the People’s Republic of China on Prevention and Control of Water Pollution</i> • <i>Law of the People’s Republic of China on Prevention and Control of Environmental Noise Pollution</i> • <i>Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution</i> • <i>Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste</i> • <i>Law of the People’s Republic of China on Environmental Impact Assessment</i> • <i>National Hazardous Waste Inventory</i> • <i>Regulations on the Administration of Medical Waste</i> • <i>Integrated Wastewater Discharge Standard</i>
Animal welfare	• <i>Regulations on the Administration of Laboratory Animals</i> • <i>Measures for the Administration of Laboratory Animal Licenses (Trial)</i> • <i>Biosafety Law of the People’s Republic of China</i> • <i>Guide for the Care and Use of Laboratory Animals</i> • <i>Europe Guide ETS 123</i>

Classification	Laws and Regulations
Labor	• <i>Labor Law of the People's Republic of China</i> • <i>Labor Contract Law of the People's Republic of China</i> • <i>Law of the People's Republic of China on Mediation and Arbitration of Labor Disputes</i> • <i>Law of the People's Republic of China on the Protection of Rights and Interests of Women</i> • <i>Law of the People's Republic of China on the Protection of Minors</i> • <i>Special Rules on the Labor Protection of Female Employees</i> • <i>Social Insurance Law of the People's Republic of China</i> • <i>Employment Promotion Law of the People's Republic of China</i> • <i>Trade Union Law of the People's Republic of China</i> • <i>Law of the People's Republic of China on the Protection of Disabled Persons</i> • <i>Regulations on Unemployment Insurance</i> • <i>Regulations on Work-related Injury Insurance</i> • <i>Regulations on Public Holidays for National Annual Festivals and Memorial Days</i> • <i>Provisions on Prohibition of Child Labor</i> • <i>Fair Labor Standards Act (FLSA) of the United States</i>
Product liability and service	• <i>Product Quality Law of the People's Republic of China</i> • <i>Advertisement Law of the People's Republic of China</i> • <i>Contract Law of the People's Republic of China</i> • <i>Regulations on Quality Responsibility for Industrial Products</i> • <i>Regulations of the People's Republic of China on the Administration of Human Genetic Resources</i> • <i>Provisions on Prohibition of Infringement of Trade Secrets</i>
Anti-commercial bribery law	• <i>Anti-Unfair Competition Law of the People's Republic of China</i> • <i>Criminal Law of the People's Republic of China</i>
Antitrust, company	• <i>Anti-monopoly Law of the People's Republic of China</i> • <i>Company Law of the People's Republic of China</i> • <i>Basic Norms of Enterprises Internal Control</i> • <i>Interim Provisions on the Prohibition of Commercial Bribery</i> • <i>Foreign Corrupt Practices Act (FCPA)</i>

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Classification	Laws and Regulations
Information security	• <i>Cybersecurity Law of the People's Republic of China</i> • <i>Regulations of the People's Republic of China on the Administration of Human Genetic Resources</i> • <i>Law of the People's Republic of China on the Protection of Consumer Rights and Interests</i> • <i>Tort Liability Law of the People's Republic of China</i>
Intellectual property	• <i>Patent Law of the People's Republic of China</i> • <i>Guidelines for Patent Examination</i> • <i>Trademark Law of the People's Republic of China</i> • <i>Copyright Law of the People's Republic of China</i>
Health and safety	• <i>Law of the People's Republic of China on Work Safety</i> • <i>Law of the People's Republic of China on the Prevention and Control of Occupational Diseases</i> • <i>Food Safety Law of the People's Republic of China</i> • <i>Code of Practice for Food Safety in Catering Services</i> • <i>Management Rules for Labor Protection Supplies of Employers</i> • <i>Measures for the Administration of Emergency Response Plans for Work Safety Accidents</i>

APPENDIX III. INDEX OF HKEX ESG REPORTING GUIDE

Indicator	Description	Indexes
A. Environmental		
Aspect A1:	Emissions	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5.1 Environmental Management 5.3 Green Operations 5.4 Emissions Management
KPI A1.1	The types of emissions and respective emissions data.	5.3 Green Operations 5.4 Emissions Management
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.3 Green Operations
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.4 Emissions Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.4 Emissions Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	5.1 Environmental Management 5.3 Green Operations
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	5.3 Green Operations 5.4 Emissions Management

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Indicator	Description	Indexes
Aspect A2:	Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5.3 Green Operations
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	5.3 Green Operations
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5.5 Resource Use
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	5.3 Green Operations 5.5 Resource Use
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	5.3 Green Operations 5.5 Resource Use
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable Due to nature of business and characteristics of the Company, packaging materials are not an important issue and not disclosed.
Aspect A3:	The Environment and Natural Resources	
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	5.5 Resource Use
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	5.5 Resource Use

Indicator	Description	Indexes
Aspect A4:	Climate Change	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	5.2 Climate Changes
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	5.2 Climate Changes
B. Social		
Employment and Labor Practices		
Aspect B1:	Employment	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1 Talent Management 4.4 Care and Support
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	4.1 Talent Management
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	4.1 Talent Management

Environmental, Social and Governance Report

Indicator	Description	Indexes
Aspect B2:	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.3 Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.3 Health and Safety
KPI B2.2	Lost days due to work injury.	4.3 Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.3 Health and Safety
Aspect B3:	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.2 Employee Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.2 Employee Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	4.2 Employee Development

Indicator	Description	Indexes
Aspect B4:	Labor Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.1 Talent Management
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Talent Management
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Talent Management
Operating Practices		
Aspect B5:	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.2 Responsible Purchasing
KPI B5.1	Number of suppliers by geographical region.	3.2 Responsible Purchasing (Suppliers classified by region are confidential to the Company and are not disclosed)
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	3.2 Responsible Purchasing
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3.2 Responsible Purchasing

Environmental, Social and Governance Report

Indicator	Description	Indexes
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3.2 Responsible Purchasing
Aspect B6:	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	2.3 Intellectual Property 3.1 Quality Assurance 3.3 Customer Service
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	3.1 Quality Assurance
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	3.3 Customer Service
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	2.3 Intellectual Property
KPI B6.4	Description of quality assurance process and recall procedures.	3.1 Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	3.3 Customer Service
Aspect B7:	Anticorruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	1.2 Operational Compliance

Environmental, Social and Governance Report

Indicator	Description	Indexes
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.2 Operational Compliance
KPI B7.2	Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored.	1.2 Operational Compliance
KPI B7.3	Description of anti-corruption training provided to directors and staff.	1.2 Operational Compliance
Community		
Aspect B8:	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6.1 Multi-party Cooperation 6.2 Contribution to Society
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6.1 Multi-party Cooperation 6.2 Contribution to Society
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	6.2 Contribution to Society

Independent Auditor's Report



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

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

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

To the shareholders of Genscript Biotech Corporation

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Genscript Biotech Corporation (the "Company") and its subsidiaries (the "Group") set out on pages 182 to 316, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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 disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

EMPHASIS OF MATTER

We draw attention to Note 47 to the consolidated financial statements and the Company's announcements dated 18 and 21 September 2020, 22 November 2020, 9 February 2021 and 25 May 2021, which indicate an uncertainty relating to the future outcome of an investigation over the Group in connection with suspected violations of import and export regulations under the laws of the PRC. No accrual was made in the consolidated financial statements as at 31 December 2021 as the Company is not able to make a sufficiently reliable estimate of the amount of the obligation. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

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

Key audit matter

How our audit addressed the key audit matter

Revenue recognition — Life science services and products

Revenue of life science services and products (including life-science and products segment, biologics development services segment and industrial synthetic biology products segment) amounted to US\$420,144,000 was recognised in 2021, which represents 82% of the total revenue.

Revenue recognition has been identified as a risk, particularly in respect of the occurrence and accuracy of a significant volume of transactions and the timing of revenue recognition for sales of goods and rendering of services with deliveries occurring on or around year-end. Due to the significant volume of transactions, minor errors could, in aggregate, have a material impact on the financial statements.

The Group's disclosure about accounting policies of revenue recognition is included in Note 2.4 summary of significant accounting policies and about revenue breakdown in Note 5 of the consolidated financial statements.

We performed the review on management's assessment of revenue recognition under HKFRS 15. We carried out testing relating to internal controls. On a sample basis, we examined deliveries during the year to documentation to assess whether the revenue recognition criteria were met for control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. We performed sales cut-off test to check to the goods delivery note and client acceptance note for sales of goods and check to the service report download record for rendering of services. We performed monthly analysis to observe the sales trend and identify whether there are any unusual sales. We performed testing on journal entries to test for any management override of internal controls related to revenue recognition.

Independent Auditor's Report

Key audit matter

How our audit addressed the key audit matter

Revenue recognition — License and collaboration arrangement

As discussed in Notes 2.4, 3 and 5 to the consolidated financial statements, the Group entered into a license and collaboration agreement with one customer, pursuant to which the remaining contractual milestone payments for the Group aggregated to US\$1,100,000,000 for the achievement of various development, regulatory, manufacturing and net trade sales milestones as of 31 December 2021. These future contractual milestone payments represent a form of variable consideration which is included in the transaction price using the most likely amount method to the extent that it is highly probable that a significant reversal of accumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. When the Group cannot conclude that it is probable that a significant revenue reversal of cumulative revenue under the contract will not occur, the Group constrains the related variable consideration resulting in its exclusion from the transaction price.

Auditing the amount of variable consideration included in the transaction price was complex due to the significant judgments in determining the portion of the transaction price to be constrained at each reporting period, including the assessment of the probability and uncertainty of whether the related development, regulatory, manufacturing and net trade sales milestones will be achieved based on the nature of clinical development and the stage of the underlying program. Changes to the constraint of variable consideration can have a material effect on the amount of revenue and contract liabilities recognised in the financial reporting period.

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Group's revenue recognition process. For example, we tested controls over management's estimation of the total transaction price for its license and collaboration agreement, including the application of the constraint to variable consideration associated with future milestones.

To test the Group's estimation of variable consideration, we performed audit procedures that included, among others, evaluating the Group's judgements related to the probability of achieving the related future milestones. We considered the nature and the stage of development of the underlying program in relation to relevant external and internal data and compared the probabilities of achieving the milestones to available information from the industry and other relevant factors. We evaluated the probability of achieving the milestones in relation to the program's phase of development, including holding discussions with the Group's research and development managers and sending confirmations to the customer on the status of the milestones.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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 of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

Independent Auditor's Report

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Independent Auditor's Report

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Shun Lung Wai, Ricky.

Certified Public Accountants

Hong Kong

20 March 2022

Consolidated Statement of Profit or Loss

Year ended 31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
REVENUE	5	511,062	390,846
Cost of sales		(207,578)	(134,953)
Gross profit		303,484	255,893
Other income and gains	5	17,250	24,795
Selling and distribution expenses		(167,969)	(107,341)
Administrative expenses		(134,508)	(90,341)
Research and development expenses		(358,401)	(263,401)
Fair value losses of financial liabilities	32	(139,428)	(79,984)
Other expenses		(13,011)	(15,497)
Finance costs	7	(2,378)	(5,432)
Share of losses of associates	18	—	(599)
(Provision for)/reversal of impairment of financial assets, net		(1,414)	7
LOSS BEFORE TAX	6	(496,375)	(281,900)
Income tax (expense)/credit	10	(4,579)	477
LOSS FOR THE YEAR		(500,954)	(281,423)
Attributable to:			
Owners of the parent		(347,865)	(204,945)
Non-controlling interests		(153,089)	(76,478)
		(500,954)	(281,423)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic (US cent per share)		(17.13)	(10.78)
Diluted (US cent per share)		(17.13)	(10.78)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	2021 US\$'000	2020 US\$'000
LOSS FOR THE YEAR	(500,954)	(281,423)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	20,344	22,011
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	20,344	22,011
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	20,344	22,011
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(480,610)	(259,412)
Attributable to:		
Owners of the parent	(332,088)	(182,558)
Non-controlling interests	(148,522)	(76,854)
	(480,610)	(259,412)

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	439,885	345,215
Advance payments for property, plant and equipment		18,512	5,906
Investment properties	14	6,882	7,726
Right-of-use assets	15	59,147	34,017
Goodwill	16	14,151	14,116
Other intangible assets	17	26,423	26,020
Investments in associates	18	3,318	3,433
Financial assets at fair value through profit or loss	19	10,444	10,555
Deferred tax assets	33	5,090	3,702
Time deposits	26	4,705	—
Other non-current assets	23	6,251	3,542
Total non-current assets		594,808	454,232
CURRENT ASSETS			
Inventories	20	44,358	31,745
Contract costs	21	8,877	5,785
Trade and notes receivables	22	142,345	141,748
Prepayments, other receivables and other assets	23	36,054	32,834
Financial assets at fair value through profit or loss	19	2,208	5,866
Financial assets measured at amortised cost	24	29,937	—
Loans to associates	18	1,680	2,422
Restricted cash	25	1,444	7,471
Time deposits	26	190,088	136,245
Cash and cash equivalents	26	1,180,971	629,058
Total current assets		1,637,962	993,174
CURRENT LIABILITIES			
Trade and bills payables	27	30,176	23,376
Other payables and accruals	28	213,469	168,980
Interest-bearing loans and borrowings	29	521	44,642
Lease liabilities	15	7,510	2,588
Tax payable		6,236	3,532
Contract liabilities	30	95,377	84,414
Government grants	31	740	379
Financial liabilities at fair value through profit or loss	32	110,338	—
Total current liabilities		464,367	327,911
NET CURRENT ASSETS		1,173,595	665,263
TOTAL ASSETS LESS CURRENT LIABILITIES		1,768,403	1,119,495

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	29	121,070	1,260
Lease liabilities	15	27,349	6,513
Contract liabilities	30	244,812	277,052
Deferred tax liabilities	33	7,730	7,030
Government grants	31	13,301	11,495
Financial liabilities at fair value through profit or loss	32	260,790	—
Other non-current liabilities		396	554
Total non-current liabilities		675,448	303,904
Net assets		1,092,955	815,591
EQUITY			
Share capital	34	2,096	1,954
Treasury shares		(15,753)	(16,712)
Reserves	38	893,408	916,463
Equity attributable to owners of the parent		879,751	901,705
Non-controlling interests		213,204	(86,114)
Total equity		1,092,955	815,591

Wang Ye
Director

Meng Jiange
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent									Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium*	Merger reserve*	Share option reserve*	Statutory surplus reserves*	Accumulated losses*	Exchange fluctuation reserve*	Total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	(Note 34)				(Note 35 & Note 36)						
At 1 January 2021	1,954	(16,712)	1,066,547	(20,883)	40,207	14,359	(189,365)	5,598	901,705	(86,114)	815,591
Loss for the year	—	—	—	—	—	—	(347,865)	—	(347,865)	(153,089)	(500,954)
Other comprehensive income for the year:											
Exchange differences related to foreign operations	—	—	—	—	—	—	—	15,777	15,777	4,567	20,344
Total comprehensive loss for the year	—	—	—	—	—	—	(347,865)	15,777	(332,088)	(148,522)	(480,610)
Issuance of ordinary shares and warrant of the Company and Legend Cayman	103	—	264,042	—	—	—	—	—	264,145	435,134	699,279
Acquisition of equity from non-controlling shareholders	—	—	(98)	—	—	—	—	—	(98)	(96)	(194)
Equity-settled share-based compensation expenses	—	—	—	—	31,728	—	—	—	31,728	7,963	39,691
Exercise of share options and restricted share units	39	959	21,689	—	(8,328)	—	—	—	14,359	4,839	19,198
At 31 December 2021	2,096	(15,753)	1,352,180	(20,883)	63,607	14,359	(537,230)	21,375	879,751	213,204	1,092,955

* These reserve accounts comprise the consolidated reserves of US\$893,408,000 (31 December 2020: US\$916,463,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital US\$'000	Treasury shares US\$'000	Share premium* US\$'000	Merger reserve* US\$'000	Share option reserve* US\$'000	Statutory surplus reserves* US\$'000	Retained earnings/ (accumulated losses)* US\$'000	Exchange fluctuation reserve* US\$'000	Total US\$'000			
										(Note 34)		
At 1 January 2020	1,879	(7,774)	368,781	(20,883)	27,651	14,359	15,580	(16,789)	382,804	(10,506)	372,298	
Loss for the year	—	—	—	—	—	—	(204,945)	—	(204,945)	(76,478)	(281,423)	
Other comprehensive income for the year:												
Exchange differences related to foreign operations	—	—	—	—	—	—	—	22,387	22,387	(376)	22,011	
Total comprehensive loss for the year	—	—	—	—	—	—	(204,945)	22,387	(182,558)	(76,854)	(259,412)	
Acquisition of equity by non-controlling shareholders	—	—	372	—	—	—	—	—	372	145	517	
Issuances of ordinary shares for initial public offering of Legend Cayman	—	—	690,519	—	—	—	—	—	690,519	—	690,519	
Shares repurchased	—	(9,460)	—	—	—	—	—	—	(9,460)	—	(9,460)	
Equity-settled share-based compensation arrangements	—	—	—	—	17,637	—	—	—	17,637	—	17,637	
Exercise of share options and restricted share units	75	522	14,506	—	(5,081)	—	—	—	10,022	—	10,022	
Dividends paid to non-controlling shareholders	—	—	(7,631)	—	—	—	—	—	(7,631)	1,101	(6,530)	
At 31 December 2020	1,954	(16,712)	1,066,547	(20,883)	40,207	14,359	(189,365)	5,598	901,705	(86,114)	815,591	

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
CASH FLOWS USED IN OPERATING ACTIVITIES			
Loss before tax		(496,375)	(281,900)
Adjustments for:			
Provision for/(reversal) for impairment of trade receivables	22	906	(644)
Provision for impairment of other receivables and other assets	6	508	637
Write-down/(reversal) of inventories to net realisable value	6	2,511	(294)
Depreciation of property, plant and equipment	13	38,553	27,341
Depreciation of investment properties	14	114	125
Depreciation of right-of-use assets	15	5,238	2,493
Amortisation of other intangible assets	17	3,874	2,936
Loss on disposal of property, plant and equipment	6	914	1,108
Interest income	5	(2,785)	(4,298)
Fair value losses of financial liabilities	32	139,428	79,984
Investment income	5	(3,767)	(3,707)
Share of losses of associates	18	—	599
Fair value gains on financial assets at fair value through profit or loss	5	(699)	(2,426)
Impairment of goodwill	16	—	1,264
Impairment of other intangible assets	17	—	2,295
Impairment of investments in associates	18	169	627
Finance costs	7	2,378	5,432
Deferred government grants	31	(609)	(290)
Foreign exchange differences, net	6	10,267	8,891
Equity-settled share-based compensation expense		39,691	17,637
		(259,684)	(142,190)
Decrease/(increase) in trade and notes receivables		1,569	(69,909)
Increase in prepayments, other receivables and other assets		(9,277)	(1,239)
Increase in inventories		(15,135)	(14,965)
Increase in other non-current assets		(2,278)	(3,542)
Increase in contract costs		(3,092)	(2,416)
Increase in government grants		2,505	7,969
Increase in trade and bills payables		8,069	5,427
Increase in other payables and accruals		157,568	42,376
(Decrease)/increase in contract liabilities		(21,277)	23,509
(Increase)/decrease in other non-current liabilities		(158)	554
Decrease/(increase) in restricted cash		3,185	(4,245)
Cash used in operations		(138,005)	(158,671)
Interest received		3,502	4,382
Interest paid for finance rental lease payment		(797)	(352)
Interest paid		(779)	(978)
Income taxes paid		(3,709)	(3,793)
Income taxes received		2,998	8,319
Net cash flows used in operating activities		(136,790)	(151,093)

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(133,044)	(121,879)
Purchases of financial assets at fair value through profit or loss		(234,285)	(430,727)
Redemption of financial assets at fair value through profit or loss		240,126	446,833
(Purchases)/redemptions of time deposits, net		(58,430)	12,448
Proceeds from disposal of property, plant and equipment		272	56
Purchases of intangible assets		(4,353)	(5,868)
Receipt of investment income		3,854	3,707
Decrease/(increase) in restricted cash		2,842	(2,254)
Repayment of loans from associates		319	—
Purchases of investments in associates		—	(2,067)
Loans to associates		—	(415)
Purchase of financial assets measured at amortised cost		(29,849)	—
Net cash flows used in investing activities		(212,548)	(100,166)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares and warrants of the Company and its subsidiaries		697,900	—
Proceeds from issuance of Legend Cayman's ordinary shares for Follow-on Public Offering, net of issuance cost		233,440	—
Proceeds from issuance of ordinary shares for initial public offering of Legend Cayman, net of issuance costs		—	450,085
Proceeds from preferred shares for initial public offering of Legend Cayman		—	160,450
Expenses of issuance of preferred shares for initial public offering of Legend Cayman		—	(2,514)
Exercise of share options and restricted share units		19,889	9,476
New loans and borrowings		26,041	52,921
Repayment of loans and borrowings		(71,216)	(28,720)
Dividends paid to non-controlling shareholders		—	(6,532)
Shares repurchased		—	(9,460)
Principal portion of lease payments	15	(3,719)	(1,875)
Acquisition of equity by non-controlling interests		—	372
Acquisition of equity from non-controlling shareholders		(194)	—
Net cash flows generated from financing activities		902,141	624,203

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		552,803	372,944
Net foreign exchange differences		(890)	3,717
Cash and cash equivalents at beginning of the year	26	629,058	252,397
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	26	1,180,971	629,058
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		966,662	514,046
Non-pledged time deposits with original maturity of less than three months when acquired		214,309	115,012
Cash and cash equivalents as stated in the statement of financial position	26	1,180,971	629,058
Cash and cash equivalents as stated in the statement of cash flows		1,180,971	629,058

1. CORPORATE INFORMATION

Genscript Biotech Corporation (the “Company”) was incorporated on 21 May 2015 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company’s subsidiaries are principally engaged in the manufacture and sale of life science research products and services. The products and services mainly include life-science services and products, biologics development services, industrial synthetic biology products and cell therapy. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 December 2015.

In the opinion of the directors, the ultimate holding company of the Company is Genscript Corporation (“GS Corp”), which was incorporated in the United States of America.

Information about subsidiaries

Particulars of the Company’s principal subsidiaries as at 31 December 2021 are as follows:

Company	Place and date of incorporation/ registration and place of business	Issued ordinary share/paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
GenScript (Hong Kong) Limited (“GS HK”)	PRC /Hong Kong 8 January 2009	HK\$ 155,000	—	100	Sale of life science research products and services
Nanjing GenScript Biotech Co., Ltd. (“GS China”) — wholly foreign-owned enterprise	PRC/Mainland China 12 March 2009	US\$ 88,020,000	—	100	Manufacture and sale of life science research products and services
GenScript USA Incorporated (“GS USA”)	United States of America 26 March 2009	US\$ 1,000	100	—	Manufacture and sale of life science research products and services

Notes to Financial Statements

31 December 2021

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Company	Place and date of incorporation/ registration and place of business	Issued ordinary shares/paid-up capital	Percentage of equity interest attributable to the		Principal activities
			Company		
			Direct %	Indirect %	
Genscript (Nanjing) Co., Ltd. ("Nanjing Jinsikang") — limited liability company	PRC/Mainland China 30 April 2009	RMB 132,550,600	—	100	Manufacture and sale of life science research products and services
Genscript Japan Inc. ("GS JP")	Japan 7 July 2011	JPY 8,300,000	—	100	Sale of life science research products and services
Nanjing Bestzyme Bio-Engineering Co., Ltd. ("Nanjing Bestzyme") — cooperative joint venture enterprise	PRC/Mainland China 6 June 2013	RMB 284,026,237	—	94.62	Manufacture and sale of life science research products and services
Nanjing Legend Biotech Co., Ltd. ("Legend Nanjing") — wholly foreign-owned enterprise	PRC/Mainland China 17 November 2014	US\$ 62,500,000	—	56.57	Manufacture and sale of life science research products and services
Shanghai Bestzyme Bio-Engineering Co., Ltd. ("Shanghai Bestzyme") — limited liability company	PRC/Mainland China 11 December 2018	RMB 3,000,000	—	100	Manufacture and sale of life science research products and services
Jinan Bestzyme Bio-Engineering Co., Ltd. ("Jinan Bestzyme") — limited liability company	PRC/Mainland China 19 August 2009	RMB 45,436,341	—	80.37	Manufacture and sale of life science research products and services

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Company	Place and date of incorporation/ registration and place of business	Issued ordinary shares/paid-up capital	Percentage of equity interest attributable to the		Principal activities
			Company		
			Direct %	Indirect %	
Jiangsu GenScript Biotech Co., Ltd. ("Jiangsu Jinsirui") — wholly foreign-owned enterprise	PRC/Mainland China 31 August 2016	RMB 637,445,000	—	100	Manufacture and sale of life science research products and services
Legend Biotech Corporation ("Legend Cayman" or "Legend")	Cayman Islands 27 May 2016	US\$ 30,846	56.57	—	Investment holding company
Legend Biotech USA Incorporated ("Legend USA")	United States of America 31 August 2017	—	—	56.57	Manufacture and sale of life science research products and services
Legend Biotech Ireland Limited ("Legend Ireland")	Ireland 13 November 2017	—	—	56.57	Manufacture and sale of life science research products and services
Genscript Biotech (Netherlands) B.V. ("GS EU")	Netherlands 6 December 2017	—	—	100	Manufacture and sale of life science research products and services
CustomArray, Inc. ("CustomArray")	United States of America 1 January 2018	US\$ 957,800	—	100	Manufacture and sale of life science research products and services

Notes to Financial Statements

31 December 2021

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Company	Place and date of incorporation/ registration and place of business	Issued ordinary shares/paid-up capital	Percentage of equity interest attributable to the		Principal activities
			Company		
			Direct %	Indirect %	
Genscript Biotech Singapore PTE. LTD. ("Genscript Singapore")	Singapore 28 November 2019	SGD 1,341,801	—	100	Manufacture and sale of life science research products and services
Probio Technology Limited ("Probio Cayman")	Cayman Islands 5 July 2021	—	—	100	Investment holding company
Nanjing Probio Biotech Co., Ltd. ("Probio Nanjing")	PRC/Mainland China 7 July 2021	US\$ 45,000,000	—	100	Manufacture and sale of life sciences research products and services
Jiangsu GenScript Probio Biotech Co., Ltd. ("Probio Jiangsu")	PRC/Mainland China 19 July 2021	US\$ 36,000,000	—	100	Manufacture and sale of life sciences research products and services

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the revenue, net profit and total assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets and financial liabilities which have been measured at fair value. These financial statements are presented in United States dollars (“US\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

Notes to Financial Statements

31 December 2021

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

The Group had certain interest-bearing bank borrowings denominated in US\$ based on the London Interbank Offered Rate ("LIBOR") and Japanese yen in Tokyo Interbank Offered Rate ("TIBOR") as at 31 December 2021. For the LIBOR and TIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this the above-mentioned practical expedient upon the modification of these borrowings when instruments provided that the "economically equivalent" criterion is met. Additional information about the transition and the associated risks is disclosed in Note 45 to the financial statements.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions during the year ended 31 December 2021 and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

Notes to Financial Statements

31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{2, 4}</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current²</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract¹</i>
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹

1 Effective for annual periods beginning on or after 1 January 2022

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

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is currently assessing the impact of these standards.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

or

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

Notes to Financial Statements

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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

Freehold land	Not depreciated
Buildings and leasehold improvements	2% to 20%
Machinery and equipment	10% to 33 $\frac{1}{3}$ %
Transportation equipment	10%
Computer and office equipment	20% to 33 $\frac{1}{3}$ %

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

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

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

Investment properties

Investment properties are interests in buildings held to earn rental income, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 22 years.

The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each financial year end. The effects of any revision are included in the statement of profit or loss when the changes arise.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	2 to 10 years
Patents and licenses	5 to 10 years
Customer relationship	10 years

Research and development costs

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

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

Leases

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

Group as a lessee

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

(a) *Right-of-use assets*

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

Leasehold land	50 years
Buildings and office premises	2 to 10 years

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

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

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

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

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

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

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

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

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

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

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

Derecognition of financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)

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

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

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

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

Simplified approach

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables.

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, financial liabilities at fair value through profit or loss, amounts due related parties, interest-bearing loans and borrowings and lease liabilities.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at fair value through profit or loss (continued)

During the year ended 31 December 2021, one of the Company's subsidiaries entered into a share purchase agreement with independent investor and issued convertible redeemable preferred shares as detailed in Note 32 to the financial statements. The Group has designated the convertible redeemable preferred shares as financial liabilities at fair value change through profit or loss. The convertible redeemable preferred shares issued by the Group are redeemable upon occurrence of certain future events. When the redemption rights held by the shareholders of the convertible redeemable preferred shares are terminated, redemption liabilities are reclassified and credited to equity.

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including time deposits, and assets similar in nature to cash, which are not restricted as to use.

Time deposits represent cash placed with banks with original maturities of more than three months when acquired. The time deposits are presented as a non-current asset if the collection of time deposits is expected more than one year.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Income tax

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

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

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

Contracts may be amended to account for changes in contract specifications and requirements. Contract modifications exist when the amendment either creates new, or changes existing, enforceable rights and obligations. When contract modifications create new performance obligations and the increase in consideration approximates the standalone selling price for goods and services related to such new performance obligations as adjusted for specific facts and circumstances of the contract, the modification is considered to be a separate contract.

If a contract modification is not accounted for as a separate contract, the Group accounts for the promised goods or services not yet transferred at the date of the contract modification (the remaining promised goods or services) prospectively, as if it were a termination of the existing contract and the creation of a new contract, if the remaining goods or services are distinct from the goods or services transferred on or before the date of the contract modification. For a change in transaction price that occurs after a contract modification, the Group allocates the change in the transaction price to the performance obligations identified in the contract before the modification if, and to the extent that, the change in the transaction price is attributable to an amount of variable consideration promised before the modification.

The Group accounts for a contract modification as if it were a part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. In such case, the effect that the contract modification has on the transaction price, and on the entity's measure of progress toward complete satisfaction of the performance obligation, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (the adjustment to revenue is made on a cumulative catch-up basis).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) License and collaboration revenue

The Group usually entered into license and collaboration agreements with customers for research, development manufacturing and commercialization services. The terms of these arrangements usually include non-refundable upfront fees, milestone payments and royalties. Milestone payments represent a form of variable consideration which is included in the transaction price to the extent that it is highly probable that a significant reversal of accumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. When the Group cannot conclude that it is highly probable that a significant revenue reversal of cumulative revenue under the contract will not occur, the Group constrains the related variable consideration resulting in its exclusion from the transaction price. These contracts generally do not include a significant financing component.

As part of the accounting for these arrangements, the Group must use significant judgement to determine: (a) the performance obligations; and (b) the method to estimate variable consideration.

At contract inception, the Group assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct.

The Group uses judgement to determine whether milestones or other variable consideration, except for royalties, should be included in the transaction price. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis, for which the Group recognises revenue as or when the performance obligations under the contract are satisfied. If a milestone or other variable consideration relates specifically to the Group's efforts to satisfy a single performance obligation or to a specific outcome from satisfying the performance obligation, the Group generally allocates that milestone amount entirely to that performance obligation once it is highly probable that a significant revenue reversal would not occur.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) License and collaboration revenue (continued)

The Group recognises revenue only when it satisfies a performance obligation by transferring control of the promised goods or services. The transfer of control can occur over time or at a point in time. A performance obligation is satisfied over time if it meets one of the following criteria:

- The counterparty simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- The Group's performance creates or enhances an asset that the counterparty controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The portion of the transaction price that is allocated to performance obligations satisfied at a point in time is recognised as revenue when control of the goods or services is transferred to the counterparty. If the performance obligation is satisfied over time, the portion of the transaction price allocated to that performance obligation is recognised as revenue as the performance obligation is satisfied. The Group adopts an appropriate method of measuring progress for purposes of recognizing revenue. The Group evaluates the measure of progress at the end of each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Upfront fees

Upfront payment is allocated to the performance obligations based on the Group's best estimate of their relative stand-alone selling prices.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) License and collaboration revenue (continued)

Milestone payments

At the inception of each arrangement that includes milestone payments, the Group evaluates whether the milestones are considered highly probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is highly probable that a significant reversal of cumulative revenue would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of the Group, such as regulatory approvals, are not considered highly probable of being achieved until those approvals are received. The Group evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment. There is considerable judgement involved in determining whether it is highly probable that a significant reversal of cumulative revenue would not occur. At the end of each subsequent reporting period, the Group re-evaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price. The milestone payments were allocated to the performance obligations based on the Group's best estimate of their relative stand-alone selling prices unless the criteria under IFRS 15.85 are met, where the milestone payments are allocated entirely to the performance obligation which the milestone payments are specifically related to.

Licenses of intellectual property

In assessing whether a license is distinct from the other promises, the Group considers whether the counterparty can benefit from a license for its intended purpose without the receipt of the remaining promise(s) by considering whether the value of the license is dependent on the unsatisfied promise(s), whether there are other vendors that could provide the remaining promise(s), and whether it is separately identifiable from the remaining promise(s). The Group evaluates the nature of a promise to grant a license in order to determine whether the promise is satisfied over time or at a point in time.

Royalties

The Group recognises revenue for sales-based royalties promised in exchange for a license of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sale occurs; and
- the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) License and collaboration revenue (continued)

License and collaboration revenue for cell therapy — Legend

The Group, through Legend, entered into a license and collaboration agreement with one customer for research, development, manufacturing and commercialization services. The terms of the arrangement include non-refundable upfront fees of US\$350,000,000, milestone payments for the achievement of specified manufacturing milestones, specified development milestones, specified regulatory milestones and specified net trade sales milestones of US\$125,000,000, US\$215,000,000, US\$800,000,000 and US\$210,000,000. Upon contract inception, the Group has estimated that the total transaction price is constrained to US\$400,000,000 which included upfront fees of US\$350,000,000 and milestone payments of US\$50,000,000. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis, for which the Group recognises revenue as or when the performance obligations under the contract are satisfied, and the remaining milestone amount were allocated by the Group entirely to that performance obligation once it is highly probable that a significant revenue reversal would not occur.

- Upfront fee

The upfront fees of US\$350,000,000 was included in the transaction price upon contract inception in 2017 and fully received by the Group in 2018.

- Milestone payments

The initial two milestone payments of US\$50,000,000 were included in the transaction price at contract inception in 2017. In 2019, 2020 and 2021, additional milestone payments of US\$60,000,000, US\$75,000,000 and US\$65,000,000, respectively, were included in the transaction price when the corresponding milestones were achieved.

As of December 31, 2021, pursuant to the Legend's license and collaboration agreement, the remaining future contractual milestone payments for the Group aggregated to US\$1,100,000,000 for the achievement of various development, regulatory, manufacturing and net trade sales milestones. More specifically, the future contractual milestones consist of US\$125,000,000 for the achievement of specified manufacturing milestones, US\$60,000,000 for the achievement of specified development milestones, US\$705,000,000 for the achievement of specified regulatory milestones and US\$210,000,000 for the achievement of specified net trade sales milestones. The Group's development plans and research progresses might change from time to time, which would increase the uncertainties of achieving future contractual milestones. The Group does not believe US\$280,000,000 of the remaining US\$1,100,000,000 contractual milestone payments would be eligible to be received based on a subsequent change in development plan with the collaborator. Furthermore, the Group assessed that achievement of all the remaining contractual milestones is highly uncertain and the related milestone payments are not included in the transaction price. The milestone is achieved when the triggering event described in the agreement occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) *License and collaboration revenue (continued)*

License and collaboration revenue for cell therapy – Legend (continued)

- Steering committee services

In assessing whether the preparation and participation in a Joint Steering Committee which leads to the commercialization of a new drug ("JSC service") is a promised service in the arrangement, the Group concluded that the services are capable of being distinct from the intellectual property licenses and distinct within the context of the contract based on a careful evaluation of the specific facts and circumstances. It was determined that the largest portion of the transaction price should be allocated to the JSC service as the Group is responsible for a significant portion of the development work prior to commercialization. The performance obligation is satisfied over time as services are rendered. Revenue from JSC service is recognised on a straight-line basis over the period when the JSC service is provided.

Pursuant to the Legend's license and collaboration agreement, both the Group and the customer jointly perform research and development activities and share the related costs. The research and development activities conducted by the Company are included within the JSC service performance obligation and are a significant input to the JSC service to achieve commercialization of the new drug. Therefore, performing such research and development activities under the arrangement is not considered a distinct performance obligation.

(b) *Rendering of services*

Revenue for services rendered mainly represent the Group's life-science services and biologics development services.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same. For contracts that contains more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price of each performance obligation is determined at contract inception.

Revenue is recognised at the point in time when the Group transfer the control for underlying services and have right to payment from the customers for the services performed, upon the delivery or acceptance of the underlying services.

(c) *Sale of goods*

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery or acceptance of the goods.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in Note 35 and Note 36 to the financial statements.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

The Group participates in the national pension schemes as defined by the laws of the countries and regions in which it has operations.

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

The non-PRC employees are covered by other defined contribution pension plans sponsored by the respective local governments.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the Note 11 to the financial statements.

Foreign currencies

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

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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

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

The functional currencies of certain subsidiaries established in the PRC, Japan, Europe, Singapore and Hong Kong are currencies other than the US\$. As at the end of the reporting period, the assets and liabilities of these entities are translated into United States dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into US\$ at the exchange rate that approximate to those prevailing at the dates of the transactions.

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

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

For the purpose of the consolidated statements of cash flows, the cash flows established in the subsidiaries are translated into US\$ at exchange rates that approximate to those prevailing at the dates of the transactions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgement

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

Revenue from contracts with customers

The Group has applied the following judgements that significantly affect the determination of the performance obligations and the method to estimate variable consideration of revenue from contracts with customers:

(i) Determining the performance of obligations of the contract

A good or service that is promised to a customer is distinct if both of the following criteria are met: (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and (b) the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgement (continued)

Revenue from contracts with customers (continued)

(i) *Determining the performance of obligations of the contract (continued)*

For Legend's license and collaboration agreement, the Group determined that both license and JSC service are each capable of being distinct. In assessing whether each item has standalone value to the customer, the Group considers factors such as the research, manufacturing, and commercialization capabilities of the collaboration partner and the availability of the associated expertise in the general marketplace, which indicates that the customer can benefit from both license and service on their own. The Group also determined that the promises to transfer the license and to provide JSC service are distinct within the context of the contract. The license is separately identifiable in the contract and will be granted at contract inception. The license is not an input that will be integrated with the service which represents a combined output. The preparation and attendance of the various steering committees is to assist in conducting clinical trials and obtaining regulatory approval of the technology, but does not modify the technology itself. In addition, the license and JSC service are not highly interdependent or highly interrelated, because the delivery of license is not dependent on the service to be provided in the future, and accordingly, it is not interdependent or interrelated with the service.

In determining whether the license transfers to a customer either at a point in time or over time, the Group considers whether the nature of the Group's promise in granting the license to a customer is to provide a right to access or a right to use the Group's intellectual property. The Group assessed that the Group provides a right to use the license as the license exists (in terms of form and functionality) at a point in time at which it is granted. The license is already developed and has positive results on cancer patient candidates. The next step is to perform clinical trials again in a controlled and monitored environment.

The Group has allocated the transaction price to license and JSC service based on relative standalone selling prices. The standalone selling prices are not directly observable, and therefore, the Group estimates it using income approach for license and expected cost plus margin approach for JSC service with the assistance of an independent third-party valuer. The Group has considered all information that is reasonably available, including but not limited to, third-party or industry pricing, costs incurred to provide the good or service, related profit margins.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgement (continued)

Revenue from contracts with customers (continued)

(ii) Determining the method to estimate variable consideration

Certain contract includes milestone payments that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Group determined that the most likely amount method is the appropriate method to use in estimating the variable consideration for the milestone payments as this method better predicts the amount of variable consideration to which the Group will be entitled.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was US\$14,151,000 (2020: US\$14,116,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

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

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns by product type and rating.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the life science sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 22 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Leases — Estimating the incremental borrowing rate

In calculating the present value of lease payments, the Group uses its incremental borrowing rate (“IBR”) because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The outcome of their actual utilisation may be different. The carrying value of deferred tax assets relating to recognised deductible temporary differences at 31 December 2021 was US\$5,090,000 (2020: US\$3,702,000). The amount of unrecognised deferred tax assets for deductible temporary differences and unused tax losses as at 31 December 2021 and 2020 was US\$241,600,000 and US\$111,700,000, respectively.

Net realisable value of inventories and contract costs

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in market conditions. Management reassesses these estimates at each reporting date. At 31 December 2021, the net carrying value of inventories was US\$44,358,000 (2020: US\$31,745,000), and the net carrying value of contract costs was US\$8,877,000 (2020: US\$5,785,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Share-based compensation

The fair value of share options granted by the Group is estimated using valuation techniques, including the binomial model and the Black-Scholes model. The use of these valuation models require management to make certain assumptions with respect to selected model inputs. Management estimates expected volatility based on the historical volatility of the stock of comparable companies. Expiration date is the basis for determining the expected life of an option. The risk-free interest rate is based on treasury yield curve rates with a remaining term which approximates to the expected life assumed at the date of grant. Changes in these input variables would affect the amount of expense associated with share-based compensation. The compensation expense recognised for all share-based awards is net of estimated forfeitures. The Group estimates forfeiture rates based on historical analysis of option forfeitures. If actual forfeitures vary from estimated forfeitures, adjustments to compensation expense may be required. For the year ended 31 December 2021, the equity-settled share-based compensation expense was US\$39,691,000 (2020: US\$17,637,000).

Fair value of convertible redeemable preferred shares

The fair value of convertible redeemable preferred shares is determined by using the valuation techniques, including the discounted cash flow method and the back-solve method. Such valuation requires the Group to make estimates of the key assumptions including the risk-free interest rate, discount for lack of marketability ("DLOM") and volatility, which are subject to uncertainty and might materially differ from the actual results. Further details are included in Note 44 to the financial statement.

Fair value of warrant liabilities

The fair value of the warrant liabilities is determined by using the Black-Scholes model and binomial model. The valuation technique requires significant inputs, including but not limited to, the fair value of the underlying ordinary share, the risk-free interest rate, volatility and etc., which are subject to uncertainty and might materially differ from the actual results. Further details are contained in Note 44 to the financial statements.

Impact of covid-19

The outbreak of the novel coronavirus (COVID-19) in early January 2020 has spread throughout China and to countries across the world. The COVID-19 caused delay on the Group's employees' return to work and has certain impact on the Group's shipping service and customers' on-site audit. The Group will continue to monitor and assess the impact of the ongoing development of the epidemic on the financial position and operating results of the Group and respond accordingly. Up to the date of this report, the assessment is still in progress.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (a) The life-science services and products unit provides comprehensive research services and products, which are widely used and are fundamental to life-science research and application;
- (b) The biologics development services unit provides comprehensive services aimed to help biopharmaceutical and biotech companies accelerate the development of therapeutic antibodies, and gene/cell therapy products with an integrated platform;
- (c) The industrial synthetic biology products unit provides industrial enzyme development and production through non-pathogenic microbial strains constructed using genetic engineering;
- (d) The cell therapy unit discovers and develops innovative CAR-T therapies for the treatment of liquid and solid tumors;
- (e) The operation unit mainly provides shared services to other segments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax.

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the chief operating decision maker for review.

Notes to Financial Statements

31 December 2021

4. OPERATING SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2021	Life-science services and products US\$'000	Biologics development services US\$'000	Industrial synthetic biology products US\$'000	Cell therapy US\$'000	Operation unit US\$'000	Eliminations US\$'000	Total US\$'000
Segment revenue (Note 5)							
Sales to external customers	305,897	80,256	38,196	86,368	345	—	511,062
Intersegment sales	9,897	1,095	370	3,424	9,246	(24,032)	—
Total revenue	315,794	81,351	38,566	89,792	9,591	(24,032)	511,062
Segment cost of sales	(132,462)	(55,757)	(27,250)	—	(4,360)	12,251	(207,578)
Segment gross profit	183,332	25,594	11,316	89,792	5,231	(11,781)	303,484
Other income and gains	—	537	1,320	3,059	25,297	(12,963)	17,250
Selling and distribution expenses	(49,069)	(13,436)	(2,885)	(102,542)	(12)	(25)	(167,969)
Administrative expenses	(9,014)	(6,868)	(3,203)	(46,961)	(72,365)	3,903	(134,508)
Research and development expenses	(32,850)	(9,575)	(5,232)	(313,346)	(2,272)	4,874	(358,401)
Fair value losses of financial liabilities	—	(143,278)	—	(6,200)	—	10,050	(139,428)
Other expenses	—	(879)	(512)	(9,132)	(5,394)	2,906	(13,011)
Finance costs	—	(104)	(116)	(900)	(1,374)	116	(2,378)
(Provision for)/reversal of impairment of financial assets, net	(755)	(137)	(36)	22	(508)	—	(1,414)
Profit/(loss) before tax	91,644	(148,146)	652	(386,208)	(51,397)	(2,920)	(496,375)
Income tax expense	—	(531)	(198)	(1)	—	—	(730)
Unallocated income tax expense	—	—	—	—	—	—	(3,849)
Profit/(loss) for the year	91,644	(148,677)	454	(386,209)	(51,397)	(2,920)	(500,954)

4. OPERATING SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2020	Life-science services and products US\$'000	Biologics development services US\$'000	Industrial synthetic biology products US\$'000	Cell therapy US\$'000	Operation unit US\$'000	Eliminations US\$'000	Total US\$'000
Segment revenue (Note 5)							
Sales to external customers	246,502	39,691	28,582	75,676	395	—	390,846
Intersegment sales	3,315	735	323	—	7,364	(11,737)	—
Total revenue	249,817	40,426	28,905	75,676	7,759	(11,737)	390,846
Segment cost of sales	(84,472)	(30,492)	(20,296)	—	(2,710)	3,017	(134,953)
Segment gross profit	165,345	9,934	8,609	75,676	5,049	(8,720)	255,893
Other income and gains	—	—	801	6,119	18,286	(411)	24,795
Selling and distribution expenses	(48,475)	(5,915)	(3,589)	(49,571)	—	209	(107,341)
Administrative expenses	(8,471)	(2,602)	(3,020)	(23,124)	(56,607)	3,483	(90,341)
Research and development expenses	(21,334)	(10,048)	(4,887)	(232,160)	—	5,028	(263,401)
Fair value losses of financial liabilities	—	—	—	(79,984)	—	—	(79,984)
Other expenses	(3,559)	—	(525)	(346)	(11,369)	302	(15,497)
Finance costs	—	—	(176)	(4,209)	(1,156)	109	(5,432)
Share of profits and losses of associates	—	—	11	—	(610)	—	(599)
(Provision for)/reversal of impairment of financial assets, net	(1,072)	1,033	69	(23)	—	—	7
Profit/(loss) before tax	82,434	(7,598)	(2,707)	(307,622)	(46,407)	—	(281,900)
Income tax (expense)/credit	—	—	(461)	4,145	—	—	3,684
Unallocated income tax expense	—	—	—	—	—	—	(3,207)
Profit/(loss) for the year	82,434	(7,598)	(3,168)	(303,477)	(46,407)	—	(281,423)

Notes to Financial Statements

31 December 2021

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographic information

(a) Revenue from external customers

	2021 US\$'000	2020 US\$'000
The United States of America	267,196	218,881
Mainland China	144,352	98,420
Europe	43,404	34,257
Asia Pacific (excluding Mainland China)	42,388	31,851
Others	13,722	7,437
Total	511,062	390,846

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2021 US\$'000	2020 US\$'000
Mainland China	361,628	290,006
The United States of America	191,425	133,043
Others	21,516	16,926
Total	574,569	439,975

The non-current asset information above is based on the locations of assets and excludes deferred tax assets and financial instruments.

Information about a major customer

Revenue of approximately US\$86,368,000 (2020: US\$75,676,000) was derived from sales by the cell therapy segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 US\$'000	2020 US\$'000
<i>Revenue from contracts with customers</i>	510,601	390,333
<i>Revenue from other sources</i>		
Gross rental income from operating leases	461	513
	511,062	390,846

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2021

Segments	Life-science services and products US\$'000	Biologics development services US\$'000	Industrial synthetic biology products US\$'000	Cell therapy US\$'000	Total US\$'000
Types of goods or services					
Rendering of services	252,943	76,167	—	—	330,110
Sale of products	51,954	—	38,080	—	90,034
License and collaboration revenue	—	4,089	—	86,368	90,457
Total revenue from contracts with customers	305,897	80,256	38,080	86,368	510,601
Timing of revenue recognition					
Goods transferred at a point in time	51,954	—	38,080	—	90,034
Services transferred at a point in time	252,943	76,167	—	—	330,110
Licenses transferred at a point in time	—	4,089	—	4,905	8,994
Services transferred over time	—	—	—	81,463	81,463
Total revenue from contracts with customers	305,897	80,256	38,080	86,368	510,601

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5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

For the year ended 31 December 2020

Segments	Life-science services and products US\$'000	Biologics development services US\$'000	Industrial synthetic biology products US\$'000	Cell therapy US\$'000	Total US\$'000
Types of goods or services					
Rendering of services	199,358	39,691	27	—	239,076
Sale of products	47,144	—	28,437	—	75,581
License and collaboration revenue	—	—	—	75,676	75,676
Total revenue from contracts with customers	246,502	39,691	28,464	75,676	390,333
Timing of revenue recognition					
Goods transferred at a point in time	47,144	—	28,437	—	75,581
Services transferred at a point in time	199,358	39,691	27	—	239,076
Licenses transferred at a point in time	—	—	—	5,625	5,625
Services transferred over time	—	—	—	70,051	70,051
Total revenue from contracts with customers	246,502	39,691	28,464	75,676	390,333

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021 US\$'000	2020 US\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of products	257	433
Rendering of services	29,143	13,403
License and collaboration revenue	54,523	46,777
Total	83,923	60,613
Revenue recognised from performance obligation satisfied in previous periods:		
License and collaboration revenue	25,133	21,216

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(b) Performance obligations

Information about the Group's performance obligations is summarised in Note 2.4.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 are as follows:

	2021 US\$'000	2020 US\$'000
Within one year	95,377	84,414
More than one year	244,812	277,052
	340,189	361,466

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue relate to license and collaboration revenue, of which the performance obligations for service are to be satisfied over the collaboration period, which are estimated to be 9 years. The amounts disclosed above do not include variable consideration which is constrained.

Other income and gains

	2021 US\$'000	2020 US\$'000
Other income		
Government grants	9,148	13,197
Investment income	3,767	3,707
Bank interest income	2,785	4,298
Others	35	4
	15,735	21,206
Gains		
Fair value gains on financial assets at fair value through profit or loss	699	2,426
Others	816	1,163
	1,515	3,589
	17,250	24,795

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6. LOSS BEFORE TAX

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

	Notes	2021 US\$'000	2020 US\$'000
Cost of services and products		110,590	70,332
Depreciation of property, plant and equipment	13	38,553	27,341
Depreciation of investment properties	14	114	125
Depreciation of right-of-use assets	15	5,238	2,493
Amortisation of other intangible assets	17	3,874	2,936
Impairment of financial assets, net:			
Provision for/(reversal of) impairment of trade receivables	22	906	(644)
Provision for impairment of other receivables and other assets		508	637
Impairment losses of goodwill	16	—	1,264
Impairment losses of other intangible assets	17	—	2,295
Impairment of investments in associates	18	169	627
Lease payments not included in the measurement of lease liabilities	15	955	1,744
Auditors' remuneration		664	576
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages and salaries		282,928	202,536
Pension scheme contributions (defined contribution schemes)		13,943	5,449
Equity-settled share-based compensation expense		39,691	17,637
		336,562	225,622
Fair value losses of financial liabilities	32	139,428	79,984
Foreign exchange losses, net		10,267	8,891
Write-down/(reversal of) inventories to net realisable value		2,511	(294)
Loss on disposal of property, plant and equipment		914	1,108
Service fees for the deemed disposal of equity interest in Probio Cayman		520	—
Service fees for Follow-on Public Offering of Legend		400	—
Spin-off expenses relating to the separate listing of Legend		—	1,463

7. FINANCE COSTS

	2021 US\$'000	2020 US\$'000
Service fee for the issuance of Legend Series A Preference Shares	—	4,014
Interest on loans and borrowings	1,581	1,066
Interest on lease liabilities	797	352
	2,378	5,432

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 US\$'000	2020 US\$'000
Fee	234	163
Other emoluments:		
Salaries, allowances and benefits in kind	1,410	908
Performance related bonuses	624	242
Equity-settled share-based compensation expense	1,309	546
Pension scheme contributions	14	6
	3,357	1,702
	3,591	1,865

For the year ended 31 December 2021, the Group granted restricted stock shares (2020: share options) to certain directors in respect of their services to the Group, under the restricted stock shares scheme of the Group, further details of which are set out in Note 36 to the financial statements. The fair value of such restricted stock shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 US\$'000	2020 US\$'000
Mr. Guo Hongxin	39	32
Mr. Dai Zumian	39	32
Mr. Pan Jiu'an	39	32
Mr. Wang Xuehai	39	3
	156	99

The equity-settled share-based compensation expense of independent non-executive directors during the year was as follows:

	2021 US\$'000	2020 US\$'000
Mr. Guo Hongxin	49	81
Mr. Dai Zumian	49	81
Mr. Pan Jiu'an	59	148
Mr. Wang Xuehai	78	1
	235	311

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and the chief executive

	Fees US\$'000	Salaries, allowances and benefits in kind* US\$'000	Performance related bonuses US\$'000	Equity-settled share-based compensation expense US\$'000	Pension scheme contributions US\$'000	Total remuneration US\$'000
2021						
Executive directors:						
Mr. Meng Jiange	—	290	145	274	7	716
Ms. Wang Ye	—	531	153	315	—	999
Dr. Zhu Li ²	—	194	71	303	—	568
	—	1,015	369	892	7	2,283
Non-executive directors:						
Mr. Pan Yuexin	39	—	—	49	—	88
Ms. Wang Jiafen	39	—	—	59	—	98
Mr. Wang Luquan	—	—	—	—	—	—
	78	—	—	108	—	186
Chief executive:						
Mr. Liu Zhenyu	—	395	255	74	7	731
	78	1,410	624	1,074	14	3,200
2020						
Executive directors:						
Dr. Zhang Fangliang ¹	—	233	—	—	2	235
Ms. Wang Ye	—	488	138	—	—	626
Mr. Meng Jiange	—	175	103	4	4	286
Dr. Zhu Li ²	—	12	1	2	—	15
	—	908	242	6	6	1,162
Non-executive directors:						
Mr. Pan Yuexin	32	—	—	81	—	113
Ms. Wang Jiafen	32	—	—	148	—	180
Mr. Wang Luquan	—	—	—	—	—	—
	64	—	—	229	—	293
	64	908	242	235	6	1,455

* The benefits in kind include contributions made for directors' social security in the United States of America and other commercial insurance paid by the Group.

1 Dr. Zhang Fangliang was resigned effective from 22 November 2020.

2 Dr. Zhu Li was appointed as an executive director effective from 22 November 2020.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2021 (2020: Nil).

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included no director (2020: Nil) and no chief executives (2020: two chief executives). Details of the remuneration for the year of the five (2020: three) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2021 US\$'000	2020 US\$'000
Salaries, allowances and benefits in kind	2,266	1,153
Performance related bonuses	1,210	653
Equity-settled share-based compensation expense	3,868	281
Pension scheme contributions	12	—
	7,356	2,087

The number of the non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
HK\$5,000,001 to HK\$6,000,000	—	3
HK\$7,000,001 to HK\$8,000,000	1	—
HK\$8,000,001 to HK\$9,000,000	1	—
HK\$9,000,001 to HK\$10,000,000	1	—
HK\$10,000,001 to HK\$11,000,000	1	—
HK\$20,000,001 to HK\$21,000,000	1	—
	5	3

10. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands in 2021 and 2020.

Hong Kong profits tax was subject to the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits were taxed at 8.25% (2020: 8.25%) and the remaining assessable profits were taxed at 16.5% (2020: 16.5%).

10. INCOME TAX (CONTINUED)

The subsidiaries of the Group operating in the United States of America were subject to federal tax at a rate of 21% (2020: 21%) and state tax at rates ranging from 4.9% to 11.5% (2020: 4.9% to 11.5%) during the year.

The subsidiary of the Group operating in Ireland was subject to income tax at the rate of 12.5% (2020: 12.5%) on the estimated assessable profits arising in Ireland during the year. Any non-trading income is subject to income tax at a rate of 25% (2020: 25%). Dividend withholding tax is imposed on distributions made by Irish companies at a rate of 25% (2020: 25%) with many exemptions provided.

The subsidiary of the Group operating in Japan was subject to the basic rate of national corporation tax of 23.2% (2020: 22%), and the effective corporate income tax rate of 29.74% (2020: 31.5%).

The subsidiary of the Group operating in the Netherlands depends on the taxable amount. The first EUR245,000 (2020: EUR200,000) of taxable amount was taxed at 15% (2020: 16.5%), and the remaining taxable amount was taxed at 25% (2020: 25%).

The subsidiary of the Group operating in Singapore was entitled to concessionary income tax rate of 5% (2020: 17%) on the estimated assessable profits arising from qualifying activities in Singapore during the year. Any non-qualifying income is subject to income tax at a rate of 17% (2020: 17%).

The provision for current income tax in Mainland China is based on the statutory rate of 25% (2020: 25%) of the assessable profits of PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China which enjoy tax concession and are taxed at preferential tax rates.

Jinan Bestzyme is qualified as High and New Technology Enterprise. It was subject to income tax at a preferential tax rate of 15% (2020: 15%) for the reporting period.

	2021 US\$'000	2020 US\$'000
Current — Mainland China	4,890	900
Current — Others	521	(4,627)
Deferred (Note 33)	(832)	3,250
Total tax charge/(credit) for the year	4,579	(477)

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10. INCOME TAX (CONTINUED)

A reconciliation of the tax expense/(credit) applicable to loss before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates is as follows:

	2021 US\$'000	2020 US\$'000
Loss before tax	(496,375)	(281,900)
Tax at the statutory rate of 25%	(124,094)	(70,475)
Effect of tax rate differences in other countries and regions	33,514	21,549
Net operating loss carried back	(319)	(2,088)
Preferential income tax rates applicable to subsidiaries	(288)	(1,410)
Effect on deferred tax of increase in rates	—	1,400
Additional deductible allowance for research and development expenses	(26,838)	(10,981)
Effect of non-deductible expenses	7,698	5,038
Tax losses and deductible temporary differences not recognised	130,705	59,614
Adjustments in respect of current tax of previous periods	251	1,031
Option income tax benefit	(15,701)	(3,441)
Others	(349)	(714)
Total tax charge/(credit) for the year	4,579	(477)

11. DIVIDENDS

	2021 US\$'000	2020 US\$'000
Dividends on ordinary shares during the year	—	14,879

On 5 June 2020, the board of directors declared a special dividend to the shareholders of the Company in connection with the spin-off and separate listing of Legend Cayman on the NASDAQ global market.

The board of directors has resolved not to declare any dividend for the year ended 31 December 2021.

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,030,597,579 (2020: 1,900,787,442) in issue and fully paid during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The calculations of basic and diluted loss per share are based on:

	2021 US\$'000	2020 US\$'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	(347,865)	(204,945)
	Number of shares 2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year	2,039,208,697	1,907,951,001
Effect of shares repurchased	(8,611,118)	(7,163,559)
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	2,030,597,579	1,900,787,442

* The diluted loss per share is the same as the basic loss per share because the effect of share options, restricted share units, warrants and convertible redeemable preferred shares were anti-dilutive for the years ended 31 December 2021 and 2020.

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13. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and leasehold improvements US\$'000	Machinery and equipment US\$'000	Transport- ation equipment US\$'000	Computer and office equipment US\$'000	Construction in progress US\$'000	Total US\$'000
31 December 2021						
At 31 December 2020 and at 1 January 2021:						
Cost	175,824	168,926	700	14,447	66,440	426,337
Accumulated depreciation and impairment	(19,942)	(50,983)	(416)	(9,781)	—	(81,122)
Net carrying amount	155,882	117,943	284	4,666	66,440	345,215
At 1 January 2021, net of accumulated depreciation and impairment	155,882	117,943	284	4,666	66,440	345,215
Additions	1,659	4,975	48	176	125,728	132,586
Disposals	(936)	(1,187)	(2)	(111)	(860)	(3,096)
Depreciation provided during the year	(10,629)	(25,591)	(51)	(2,282)	—	(38,553)
Transfers	35,959	50,897	98	1,842	(88,796)	—
Exchange realignment	974	1,359	22	545	833	3,733
At 31 December 2021, net of accumulated depreciation and impairment	182,909	148,396	399	4,836	103,345	439,885
At 31 December 2021:						
Cost	211,320	221,986	855	15,975	103,345	553,481
Accumulated depreciation and impairment	(28,411)	(73,590)	(456)	(11,139)	—	(113,596)
Net carrying amount	182,909	148,396	399	4,836	103,345	439,885

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land, buildings and leasehold improvements US\$'000	Machinery and equipment US\$'000	Transport- ation equipment US\$'000	Computer and office equipment US\$'000	Construction in progress US\$'000	Total US\$'000
31 December 2020						
At 31 December 2019 and at 1 January 2020:						
Cost	129,433	106,953	654	9,961	40,321	287,322
Accumulated depreciation and impairment	(11,655)	(32,837)	(335)	(6,509)	—	(51,336)
Net carrying amount	117,778	74,116	319	3,452	40,321	235,986
At 1 January 2020, net of accumulated depreciation and impairment	117,778	74,116	319	3,452	40,321	235,986
Additions	62	1,052	—	732	123,017	124,863
Disposals	(544)	(758)	—	(11)	—	(1,313)
Depreciation provided during the year	(7,452)	(16,899)	(54)	(2,936)	—	(27,341)
Transfers to investment properties (Note 14)	(14)	—	—	—	—	(14)
Transfers	40,388	56,625	—	3,367	(100,380)	—
Exchange realignment	5,664	3,807	19	62	3,482	13,034
At 31 December 2020, net of accumulated depreciation and impairment	155,882	117,943	284	4,666	66,440	345,215
At 31 December 2020:						
Cost	175,824	168,926	700	14,447	66,440	426,337
Accumulated depreciation and impairment	(19,942)	(50,983)	(416)	(9,781)	—	(81,122)
Net carrying amount	155,882	117,943	284	4,666	66,440	345,215

As at 31 December 2021, property, plant and equipment with a net book value of US\$3,683,000 were pledged for interest-bearing bank loan as set out in Note 29 (2020: US\$4,262,000).

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14. INVESTMENT PROPERTIES

	2021 US\$'000	2020 US\$'000
Carrying amount at 1 January	7,726	7,442
Transfer from owner-occupied property (Note 13)	—	14
Depreciation provided during the year	(114)	(125)
Exchange realignment	(730)	395
Carrying amount at 31 December	6,882	7,726

As at 31 December 2021, the Group's investment properties are located in Japan with estimated useful lives of 22 years and a carrying amount of US\$6,882,000 (2020: US\$7,726,000) were pledged as collateral for the Group's interest-bearing loans and borrowings (Note 29).

As at 31 December 2021, the Group's investment properties were valued based on valuations performed by an independent professionally qualified valuer at US\$11,299,000 (2020: US\$12,598,000).

The investment properties are leased to third parties under operating leases, further details of which are included in Note 15 to the financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

As at 31 December 2021

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Recurring fair value measurement for:				
Investment properties	—	—	11,299	11,299

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (continued)

The following table illustrates the fair value measurement hierarchy of the Group's investment properties: (continued)

As at 31 December 2020

	Fair value measurement using			Total US\$'000
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
	(Level 1)	(Level 2)	(Level 3)	
	US\$'000	US\$'000	US\$'000	
Recurring fair value measurement for:				
Investment properties	—	—	12,598	12,598

During the year ended 31 December 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for investment properties (2020: Nil).

Below is a summary of significant unobservable inputs to the valuation of investment properties together with a quantitative sensitivity analysis as at 31 December 2021 and 2020:

Valuation technique	Significant unobservable input	Range or weighted average	
		2021	2020
Discounted cash flow method	Estimated rental value (per tsubo and per month)	US\$202 to US\$229	US\$208 to US\$236
	Standard vacancy rate	3%–4%	3%–4%
	Discount rate	3.7%	3.7%

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

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15. LEASES

The Group as a lessee

The Group has lease contracts for buildings and office premises. Leases of buildings and office premises generally have lease terms between 2 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land US\$'000	Buildings and office premises US\$'000	Total US\$'000
As at 1 January 2020	23,921	5,721	29,642
Additions	—	5,305	5,305
Covid-19-related rent concessions from lessors	—	(48)	(48)
Depreciation charge	(516)	(1,977)	(2,493)
Exchange realignment	1,192	419	1,611
As at 31 December 2020 and 1 January 2021	24,597	9,420	34,017
Additions	36	29,456	29,492
Depreciation charge	(540)	(4,698)	(5,238)
Disposal	—	(234)	(234)
Exchange realignment	1,013	97	1,110
As at 31 December 2021	25,106	34,041	59,147

15. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 US\$'000	2020 US\$'000
Carrying amount at 1 January	9,101	5,377
New leases	29,456	5,305
Covid-19-related rent concessions from lessors	—	(48)
Accretion of interest recognised during the year	797	352
Payments	(4,516)	(2,227)
Disposal	(164)	—
Exchange realignment	185	342
Carrying amount at 31 December	34,859	9,101
Analysed into:		
Current portion	7,510	2,588
Non-current portion	27,349	6,513
	34,859	9,101

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 US\$'000	2020 US\$'000
Interest on lease liabilities	797	352
Depreciation charge of right-of-use assets	5,238	2,493
Expense relating to short-term leases and leases of low-value assets	955	1,744
Covid-19-related rent concessions from lessors	—	(48)
Total amount recognised in profit or loss	6,990	4,541

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15. LEASES (CONTINUED)

The Group as a lessor

The Group leases its investment property in Japan (Note 14), car parking space in Ireland, and several equipment in Mainland China under operating lease arrangements. Rental income recognised by the Group during the year was US\$461,000 (2020: US\$513,000), details of which are included in Note 5 to the financial statements.

At 31 December 2021, the undiscounted minimum lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 US\$'000	2020 US\$'000
Within one year	279	133

16. GOODWILL

	2021 US\$'000	2020 US\$'000
Cost and net carrying amount at 1 January	14,116	15,245
Impairment during year	—	(1,264)
Exchange realignment	35	135
Net carrying amount at 31 December	14,151	14,116
Cost	14,151	15,380
Accumulated impairment (note)	—	(1,264)
Net carrying amount at 31 December	14,151	14,116

Note: During the year ended 31 December 2020, the Group provided goodwill impairment of US\$1,264,000 for one investment which was subsequently disposed in 2021, thus the goodwill and the impairment were written off as at 31 December 2021.

16. GOODWILL (CONTINUED)

Besides that, the Group performed the following goodwill impairment testing as at 31 December 2021, under which goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

Impairment testing of goodwill

(a) Life-science services and products cash-generating unit

	2021 US\$'000	2020 US\$'000
Carrying amount of goodwill	12,644	12,644

The recoverable amount of the life-science services and products cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 23% (2020: 23%). The growth rate used to extrapolate the cash flows of the life-science services and products unit beyond the five-year period is 0% (2020: 0%), which is the same as the long-term growth rate of the industry.

(b) Industrial synthetic biology products cash-generating unit

	2021 US\$'000	2020 US\$'000
Carrying amount of goodwill	1,507	1,472

The recoverable amount of the industrial synthetic biology products cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 16% (2020: 16%). The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 2.3% (2020: 3%), which is the same as the long-term growth rate of the industry.

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16. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

(b) Industrial synthetic biology products cash-generating unit (continued)

Assumptions were used in the value in use calculation of the two cash-generating units for 31 December 2021 and 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on market development of life-science services and products and industrial synthetic biology products and discount rates are consistent with external information sources.

17. OTHER INTANGIBLE ASSETS

	Software US\$'000	Patents and licenses US\$'000	Customer relationship US\$'000	Total US\$'000
31 December 2021				
Cost at 1 January 2021, net of accumulated amortisation	1,392	24,541	87	26,020
Additions	3,708	624	—	4,332
Amortisation provided during the year	(1,915)	(1,959)	—	(3,874)
Reclass	2,363	(2,363)	—	—
Exchange realignment	(18)	(37)	—	(55)
At 31 December 2021	5,530	20,806	87	26,423
At 31 December 2021:				
Cost	9,257	29,536	158	38,951
Accumulated amortisation and impairment	(3,727)	(8,730)	(71)	(12,528)
Net carrying amount	5,530	20,806	87	26,423

17. OTHER INTANGIBLE ASSETS (CONTINUED)

	Software US\$'000	Patents and licenses US\$'000	Customer relationship US\$'000	Total US\$'000
31 December 2020				
Cost at 1 January 2020, net of accumulated amortisation	860	24,526	96	25,482
Additions	1,010	4,858	—	5,868
Amortisation provided during the year	(564)	(2,357)	(15)	(2,936)
Disposal	—	(28)	—	(28)
Impairment during the year	—	(2,295)	—	(2,295)
Exchange realignment	86	(163)	6	(71)
At 31 December 2020	1,392	24,541	87	26,020
At 31 December 2020:				
Cost	3,352	33,206	158	36,716
Accumulated amortisation and impairment	(1,960)	(8,665)	(71)	(10,696)
Net carrying amount	1,392	24,541	87	26,020

During the year ended 31 December 2021, no impairment loss was provided for the Group's intangible assets (2020: US\$2,295,000).

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18. INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES

	2021 US\$'000	2020 US\$'000
Share of net assets	3,433	4,060
Impairment losses during the year	(169)	(627)
Exchange alignment	54	—
Net carrying amount	3,318	3,433
Loans to associates Net carrying amount	1,680	2,422

As at 31 December 2021, the loans to associates were interest-bearing and on demand, management performed impairment assessment on the loans to associates of US\$461,000 (2020: Nil).

The Group's trade receivables with associates are disclosed in Note 41 to the financial statements.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2021 US\$'000	2020 US\$'000
Share of the associates' loss for the year	—	(599)
Share of the associates' total comprehensive loss	—	(599)
Aggregate carrying amount of the Group's investments in the associates	3,318	3,433

As at 31 December 2021, management performed impairment assessment on the investments in associates by reviewing the financial performance of each associate and provided an impairment loss of US\$169,000 (2020: US\$627,000) as the recoverable amount of certain investment is higher than its carrying amount.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 US\$'000	2020 US\$'000
Unlisted equity investments (non-current) (note i)	10,444	10,555
Investments in financial products (current) (note ii)	2,208	5,866
	12,652	16,421

Notes:

- (i) The balance mainly represents the Group's investments in certain limited partnerships. These investments are not regarded as associates of the Group because the Group has no right to participate in the relevant activities of these limited partnerships.
- (ii) The balance represents the investments in wealth management products issued by reputable commercial banks in Mainland and Hong Kong. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

20. INVENTORIES

	2021 US\$'000	2020 US\$'000
Raw materials	24,600	13,556
Work in progress	2,917	6,451
Finished goods	21,156	13,980
	48,673	33,987
Provision for inventories	(4,315)	(2,242)
	44,358	31,745

21. CONTRACT COSTS

	2021 US\$'000	2020 US\$'000
Costs to fulfil contracts	8,877	5,785

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22. TRADE AND NOTES RECEIVABLES

	2021 US\$'000	2020 US\$'000
Trade receivables	138,348	140,266
Notes receivable	7,169	4,708
	145,517	144,974
Impairment of trade receivables	(3,172)	(3,226)
	142,345	141,748

The Group's trading terms with its customers are mainly on credit and the credit period granted by the Group is 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The Group's trade receivables are related to a large number of diversified customers except for one major customer, there is no significant concentration of credit risk. The Group's trade receivables are non-interest-bearing.

Amounts due from the Group's associates of US\$147,000 (2020: US\$570,000) are included in the Group's trade receivables, which are repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of the gross carrying amount of trade receivables as at the end of the year, based on the invoice date, is as follows:

	2021 US\$'000	2020 US\$'000
Within 3 months	127,791	133,185
3 months to 6 months	4,068	1,652
6 months to 12 months	4,166	1,894
Over 1 year	2,323	3,535
	138,348	140,266

22. TRADE AND NOTES RECEIVABLES (CONTINUED)

Movements in the loss allowance for impairment of trade receivables were as follows:

	Total US\$'000
At 1 January 2021	3,226
Impairment losses recognised	1,211
Impairment losses reversed	(305)
Amount written off as uncollectible	(960)
At 31 December 2021	3,172
At 1 January 2020	4,436
Impairment losses recognised	1,791
Impairment losses reversed	(2,435)
Amount written off as uncollectible	(566)
At 31 December 2020	3,226

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns by product type and rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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22. TRADE AND NOTES RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	As at 31 December 2021		
	Gross carrying amount US\$'000	Expected loss rate	Expected credit loss US\$'000
Trade receivables aged:			
Less than 1 year	136,026	1.15%	1,569
Within 1 to 2 years	1,335	47.42%	633
Within 2 to 3 years	449	96.21%	432
Over 3 years	538	100.00%	538
	138,348		3,172

	As at 31 December 2020		
	Gross carrying amount US\$'000	Expected loss rate	Expected credit loss US\$'000
Trade receivables aged:			
Less than 1 year	136,731	0.50%	684
Within 1 to 2 years	2,407	63.64%	1,532
Within 2 to 3 years	508	76.76%	390
Over 3 years	620	100.00%	620
	140,266		3,226

The Group applies a simplified approach in calculating ECLs for trade receivables prescribed by HKFRS 9, which permits the use of the lifetime expected loss for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses have also incorporated forward-looking information.

The Group applies a general approach in calculating ECLs for notes receivable. All of the notes receivable are not past due and the Group classified such instruments as Stage 1 and measured ECLs on a 12-month basis. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. For bank acceptance notes, as the relevant financial institutions have a high credit rating, the loss rate is expected to be minimal. For commercial acceptance notes, which were not yet past due, the loss rate is expected to be minimal as well.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 US\$'000	2020 US\$'000
Current		
Value-added tax recoverable	11,822	10,875
Tax refund	6,092	6,348
Prepaid expense	5,478	3,676
Prepayments	5,758	5,887
Other receivables	3,577	3,135
Deposits	2,508	1,213
Prepaid income tax	857	1,734
	36,092	32,868
Impairment of other receivables	(38)	(34)
	36,054	32,834
Non-current		
Value-added input tax recoverable	4,080	3,542
Deposits	1,103	—
Prepaid expense	1,068	—
	6,251	3,542

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23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Movements in the provision for impairment of other receivables were as follows:

	Individually impaired US\$'000
At 1 January 2021	34
Exchange realignment	4
Impairment losses recognised	47
Amount written off as uncollectible	(47)
At 31 December 2021	38
At 1 January 2020	34
Impairment losses recognised	637
Amount written off as uncollectible	(637)
At 31 December 2020	34

The Group applies a general approach in calculating ECLs for other receivables. Other receivables related to debtors that are in default are classified as Stage 1 without any significant increase in credit risk tracked since initial recognition. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit losses as at 31 December 2021 and 2020 were considered to be insignificant.

24. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2021 US\$'000	2020 US\$'000
Financial assets measured at amortised cost	29,937	—

Financial assets measured at amortised cost were related to commercial paper issued by a financial institution with a principal amount of US\$30,000,000, discounted bid yield of 0.5% per annum and one-year maturity date as 1 June 2022.

25. RESTRICTED CASH

		2021 US\$'000	2020 US\$'000
Pledged for the letter of guarantee	i)	988	—
Pledged for credit cards' facilities	i)	456	256
Frozen for the Investigation	ii)	—	4,245
Pledged for bills payable	i)	—	2,970
		1,444	7,471

- i) The restricted cash as at 31 December 2021 was pledged for issuing the letter of guarantee to a supplier of the Group and for credit card facilities. The restricted cash as at 31 December 2020 was pledged for issuing bank acceptable notes to suppliers of the Group and credit card facilities.
- ii) On 17 September 2020, the Customs Anti-Smuggling Department (the "Authority") of the People's Republic of China (the "PRC") inspected the Group's places of business in Nanjing and Zhenjiang, China. The inspections were in connection with what the Group understands to be an investigation (the "Investigation") relating to suspected violations of import and export regulations under the laws of the PRC. As at 23 September 2021, the bank balances frozen by the Authority in connection with the Investigation were fully unfrozen (31 December 2020: US\$4,245,000).

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26. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	2021 US\$'000	2020 US\$'000
Cash and bank balances	966,662	514,046
Time deposits	409,102	251,257
	1,375,764	765,303
Less:		
Non-pledged time deposits with original maturity of more than three months when acquired	(194,793)	(136,245)
Cash and cash equivalents	1,180,971	629,058
Denominated in US\$	1,016,987	537,987
Denominated in RMB	155,953	82,733
Denominated in EUR	2,987	617
Denominated in HK\$	2,309	4,054
Denominated in GBP	1,262	135
Denominated in other currencies	1,473	3,532
Cash and cash equivalents	1,180,971	629,058

At the end of the year, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US\$155,953,000 (2020: US\$82,733,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

27. TRADE AND BILLS PAYABLES

	2021 US\$'000	2020 US\$'000
Trade payables	28,693	19,986
Bills payable	1,483	3,390
	30,176	23,376

An ageing analysis of the trade payables as at the end of the year, based on the invoice date, is as follows:

	2021 US\$'000	2020 US\$'000
Within 3 months	23,910	18,880
3 months to 6 months	3,059	351
6 months to 12 months	1,166	510
Over 1 year	558	245
	28,693	19,986

Amounts due to associates of US\$36,000 (2020: US\$14,000) are included in the trade and bills payables, which are repayable within 90 days and the credit terms are similar to those offered by the associates to their major customers.

The trade payables are non-interest-bearing and are normally settled on turnover of 30 to 90 days.

28. OTHER PAYABLES AND ACCRUALS

	2021 US\$'000	2020 US\$'000
Accrued expenses	96,991	68,874
Accrued payroll and welfare	55,022	40,697
Payables for purchases of property, plant and equipment	44,882	35,801
Other tax payables	9,610	4,829
Other payables	6,964	18,779
	213,469	168,980

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29. INTEREST-BEARING LOANS AND BORROWINGS

		2021			2020		
	Notes	Effective interest rate (%)	Maturity	US\$'000	Effective interest rate (%)	Maturity	US\$'000
Current							
Bank loans — unsecured	(a)	—	—	—	0.6–3.5	2021	44,061
Current portion of long term bank loans — secured	(a)(b)	0.32	2022	521	0.32	2021	581
				521	44,642		
Non-current							
Other borrowings — unsecured	(c)	3.03	No specific	120,462	—	—	—
Non-current portion of long term bank loans — secured	(a)(b)	0.32	2023–2024	608	0.32	2022–2024	1,260
				121,070	1,260		

	2021	2020
	US\$'000	US\$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	521	44,642
In the second year	521	581
In the third to fifth years, inclusive	87	679
Other borrowings repayable:		
No agreed repayment period	120,462	—
	121,591	45,902

(a) As at 31 December 2021, the Group's total bank facilities amounted to US\$148,083,897 (2020: US\$186,242,824), of which US\$2,607,478 (2020: US\$46,968,551) had been utilised by the Group.

29. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

- (b) Certain of the Group's bank loans were secured by the land and buildings and investment properties with a book value of approximately US\$10,565,000 (2020: US\$11,988,000). The effective interest rate bank loan was based on the TIBOR+0.25% (2020: TIBOR+0.25%), and the average effective interest rate for the year end 31 December 2021 was calculated as 0.32% (2020: 0.32%).
- (c) Pursuant to the license and collaboration agreement entered into with a collaborator, Legend is entitled to receive funding advances from the collaborator when certain operational conditions are met. As a result, Legend took an initial funding advance with principal amounting to US\$17,300,000 on 18 June 2021, a second funding advance with principal amounting to US\$53,100,000 on 17 September 2021, and a third funding advance with principal amounting to US\$49,300,000 on 17 December 2021, by reducing the same amount of other payables due to the collaborator, respectively (collectively, the "Funding Advances").

These Funding Advances are accounted for as interest-bearing borrowings funded by the collaborator, constituted by a principal amounting to US\$119,700,000 and applicable interests accrued amounting to US\$800,000 upon such principal. The respective interest rate of each borrowing is based on the average annual LIBOR for US\$ as reported in the Wall Street Journal on the due date of the quarterly invoice or the next business date should the due date fall on a weekend or holiday, plus 250 basis points, calculated on the number of days from the date on which Legend applied such borrowings. For each of the three batches of funding advances, interest started to accrue from 18 June 2021, 17 September 2021 and 17 December 2021, respectively.

Pursuant to the terms of the license and collaboration agreement, the collaborator may recoup the aggregate amount of Funding Advances together with interest thereon from Legend's share of pre-tax profits from the first profitable year of the collaboration program. The management estimated the loan will not be recouped by the collaborator within one year, and thus the loan was classified as a long-term liability.

30. CONTRACT LIABILITIES

	2021 US\$'000	2020 US\$'000
Non-current		
License and collaboration revenue	244,812	277,052
Current		
License and collaboration revenue	60,644	55,014
Rendering of services	34,308	29,143
Sales of products	425	257
	95,377	84,414
	340,189	361,466

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30. CONTRACT LIABILITIES (CONTINUED)

The movements in contract liabilities during the year are as follows:

	US\$'000
At 1 January 2021	361,466
Advance received	75,652
Transferred to revenue	(90,258)
Exchange realignment	(6,671)
At 31 December 2021	340,189
At 1 January 2020	337,957
Advance received	91,895
Transferred to revenue	(75,680)
Exchange realignment	7,294
At 31 December 2020	361,466

Contract liabilities include advances received at the end of each year. Contract liabilities are recognised as revenue upon the Group satisfying its performance obligations under the agreement.

31. GOVERNMENT GRANTS

	2021 US\$'000	2020 US\$'000
At 1 January	11,874	3,933
Additions	2,505	7,969
Amount released	(609)	(290)
Exchange realignment	271	262
At 31 December	14,041	11,874
Current	740	379
Non-current	13,301	11,495
	14,041	11,874

The grants were related to the subsidies received from local government authorities for the purpose of compensation for the expenditure on certain facilities and were credited to a deferred income account. The grants were released to profit or loss over the expected useful lives of the relevant assets.

The Group also received certain financial subsidies from local government authorities to support local business. There were no unfulfilled conditions and other contingencies attached to these government grants. These government grants of US\$8,540,000 (2020: US\$12,907,000) were recognised in profit or loss upon receipt.

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32. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2021 US\$'000	2020 US\$'000
Current			
Legend Warrant	(a)	87,900	—
Probio Warrant	(b)	22,438	—
		110,338	—
Non-current			
Probio Series A Preferred Shares	(c)	260,790	—
Legend Series A Preference Shares	(d)	—	—
		260,790	—
		371,128	—

(a) Legend Warrant

On 13 May 2021, Legend entered into a subscription agreement with an institutional investor relating to the offer and sale of 20,809,850 ordinary shares of Legend, par value US\$0.0001 per share, in a private placement at a purchase price of US\$14.41625 per ordinary share of Legend (the "PIPE Offering"). The total proceeds from the PIPE Offering is US\$300,000,000. Pursuant to the subscription agreement, Legend also agreed to issue and sell concurrently with the PIPE offering a warrant (the "Legend Warrant") exercisable for up to an aggregate of 10,000,000 ordinary shares of Legend (such transaction together with the PIPE Offering, the "Legend Transactions"). The Legend Transactions have been completed on 21 May 2021 (the "Closing Date").

The Legend Warrant will be exercisable, in whole or in part, at an exercise price of US\$20.00 per ordinary share of Legend. The Legend Warrant is exercisable after the Closing Date and any time prior to the two-year anniversary of the Closing Date. The Legend Warrant was accounted for as a financial liability because the Legend Warrant may be net share settleable at the holder's option. The initial fair value of the Legend Warrant is assessed at US\$81,700,000 and was recognised upon closing of the transaction. As of 31 December 2021, the fair value of Legend Warrant was assessed at US\$87,900,000 and a fair value loss of US\$6,200,000 was recorded for year ended 31 December 2021 due to change in fair value.

(b) Probio Warrant

On 18 August 2021, Probio Cayman entered into an agreement with an institutional investor relating to the offer and sale of 300,000,000 series A convertible redeemable preferred shares of Probio Cayman ("Probio Series A Preferred Shares"), par value US\$0.00002 per share, at a purchase price of US\$0.50 per preferred share for an aggregate purchase consideration of US\$150,000,000. Pursuant to the agreement, the Probio Cayman also agreed to issue a warrant (the "Probio Warrant") exercisable for up to an aggregate of 189,393,939 ordinary shares of Probio Cayman (the Probio Series A Preferred Shares and Probio Warrant are collectively referred as "Probio Series A Financing"). The Probio Series A Financing was completed on 3 September 2021.

32. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(b) Probio Warrant (continued)

The Probio Warrant will be exercisable, in whole or in part, at an initial exercise price of US\$0.66 per ordinary share of Probio Cayman and is exercisable at any time prior to the two-year anniversary of the completion of the Probio Series A Financing. The Probio Warrant was recognised at a financial liability measured at fair value with changes through profit or loss and initial fair value of the Probio Warrant is assessed at US\$851,000. As at 31 December 2021, the fair value of the Probio Warrant is assessed at US\$22,438,000 and a fair value loss of US\$21,587,000 was recorded during the year ended 31 December 2021 due to change in fair value.

(c) Probio Series A Preferred Shares

During the year ended 31 December 2021, Probio Cayman issued a total of 300,000,000 Series A Preferred Shares in its Series A Financing. The key terms of the Probio Series A Preferred Shares are summarised as follows:

1) Dividends right

No dividends or other distributions shall be made or declared, whether in cash, in property, or in any shares of Probio Cayman, with respect to any class or series of shares of Probio Cayman, unless at the same time an equivalent dividend is declared or paid on all outstanding Probio Series A Preferred Shares on an as-if-converted basis.

2) Conversion right

Probio Series A Preferred Shares shall be convertible, at the option of the holder thereof, at any time after the date of issuance of Probio Series A Preferred Shares and after Probio Series A Preferred Shares has been fully paid, into such number of fully paid ordinary shares as determined by dividing the issue price by the Conversion Price (as defined below), determined as hereinafter provided, in effect at the time of the conversion. The price at which the ordinary shares shall be issuable upon conversion of Probio Series A Preferred Shares (the "Conversion Price") shall initially be the subscription price or deemed subscription price per Probio Series A Preferred Shares. Such initial Conversion Price shall be subject to adjustments for certain further events, including but not limited to dilutive issuances, share splits, share combinations and etc.

Probio Series A Preferred Shares shall automatically be converted into the ordinary shares of Probio Cayman at the then respective effective Conversion Price upon the consummation of an IPO of Probio Cayman.

3) Redemption feature

Each holder of Probio Series A Preferred shall be entitled to request Probio Cayman and the Company, jointly and severally, to redeem all or any part of such holder's Series A Preferred Shares at a price per share (the "Redemption Price") at earliest occurrence of any of the redemption events agreed in the documents of Series A Financing. The Redemption Price equals to the aggregate amount of:

- (i) 100% of the Original Purchase Price (US\$0.50 per Probio Series A Preferred Share, the "Original Purchase Price"), which shall be subject to adjustments for certain dilutive issuances, splits and combinations;

32. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(c) Probio Series A Preferred Shares (continued)

3) Redemption feature (continued)

- (ii) interest accrued based on the Original Purchase Price and calculated at an agreed rate in the documents of the Series A Financing, from the date of issuance thereof through and including the redemption date; and
- (iii) any declared but unpaid dividends thereto as of the date of redemption.

4) Liquidation Preference

The Series A Preferred Shares shall carry a preferential entitlement to distributions on a winding up of Probio Cayman. Upon any liquidation, dissolution or winding up or other liquidation events of Probio Cayman, before any distribution or payment shall be made to the holders of any Probio Shares, the holders of Series A Preferred Shares shall be entitled to, an amount per Series A Preferred Share equal to the sum of:

- (i) the Series A Issue Price,
- (ii) interest thereon at an agreed rate per annum, and
- (iii) all declared and unpaid dividends on each Series A Preferred Share.

Presentation and classification

The Group does not bifurcate the embedded conversion derivatives from the host debt liability arising from the redemption right held by the shareholders of the Probio Series A Preferred Shares and has designated the entire instruments of Series A Preferred Shares as financial liabilities at FVTPL. The change in fair value of financial liabilities at FVTPL is charged to profit or loss except for the portion attributable to own credit risk change that shall be charged to other comprehensive income.

The initial fair value of the Probio Series A Preferred Shares is US\$149,149,000 and as at 31 December 2021, the fair value was assessed at US\$260,790,000 with a fair value loss of US\$111,641,000 was recorded during the year ended 31 December 2021.

(d) Legend Series A Preference Shares

In 2020, Legend Cayman issued a total of 20,591,629 Series A convertible redeemable preferred shares (the "Legend Series A Preference Shares") to independent third parties, at the price of US\$7.792 per share for an aggregate purchase consideration of US\$160,450,000. The Legend Series A Preferred Shares were accounted as financial liabilities measured at fair value with changes through profit or loss with relevant HKFRS.

All Legend Series A Preferred Shares were automatically converted into ordinary shares of Legend Cayman and all accrued but unpaid dividends were settled in the form of ordinary shares upon the initial public offering of Legend Cayman in June 2020. A fair value loss of US\$79,984,000 was recorded during the year ended 31 December 2020.

32. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(d) Legend Series A Preference Shares (continued)

The movements of the above financial liabilities are set out below:

	US\$'000
At 1 January 2021	—
Issuance	231,700
Fair value changes (note)	139,428
At 31 December 2021	371,128
At 1 January 2020	—
Issuance	160,450
Fair value changes (note)	79,984
Conversion to the Legend's ordinary shares	(240,434)
At 31 December 2020	—

Note:

During the year ended 31 December 2021 and 2020, management considered that there was no significant change of the credit risk of the Group or corresponding subsidiaries that drives the change of the fair value of each financial liability.

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33. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation US\$'000	Fair value adjustments arising from acquisition of a subsidiary US\$'000	Unrealised loss from intercompany transactions US\$'000	Unrealised fair value of financial assets at fair value through profit or loss US\$'000	Total US\$'000
At 1 January 2021	16,952	3,003	—	198	20,153*
Deferred tax charged/(credited) to profit or loss during the year	2,984	(159)	—	(198)	2,627
Exchange realignment	459	8	—	—	467
Gross deferred tax liabilities at 31 December 2021	20,395	2,852	—	—	23,247*
At 1 January 2020	2,777	3,747	531	—	7,055
Deferred tax charged/(credited) to profit or loss during the year	13,621	(722)	(531)	201	12,569
Exchange realignment	554	(22)	—	(3)	529
Gross deferred tax liabilities at 31 December 2020	16,952	3,003	—	198	20,153*

33. DEFERRED TAX (CONTINUED)

Deferred tax assets

	Accrued expenses US\$'000	Impairment of assets US\$'000	Unrealised profit from intercompany transactions US\$'000	Government grants US\$'000	Losses available for offsetting against future taxable profits US\$'000	Unrealised fair value of financial assets at fair value through profit or loss US\$'000	Total US\$'000
At 1 January 2021	2,087	754	1,739	1,364	10,881	—	16,825*
Deferred tax credited/(charged) to profit or loss during the year	(59)	310	12	137	2,502	557	3,459
Exchange realignment	48	(1)	—	34	238	4	323
Gross deferred tax assets at 31 December 2021	2,076	1,063	1,751	1,535	13,621	561	20,607*
At 1 January 2020	1,183	1,271	1,194	963	2,554	9	7,174
Deferred tax credited/(charged) to profit or loss during the year	795	(579)	545	323	8,244	(9)	9,319
Exchange realignment	109	62	—	78	83	—	332
Gross deferred tax assets at 31 December 2020	2,087	754	1,739	1,364	10,881	—	16,825*

* Deferred tax is not recognised in respect of the Group's investments in associates where the Group is able to control the timing of remittance or other realisation and where remittance or realisation is not probable in the foreseeable future. The aggregate temporary differences relating to unrecognised deferred tax liabilities arising on investments in associates are insignificant. Deferred tax liabilities and deferred tax assets amounted to US\$15,517,000 (2020: US\$13,123,000) are net off in subsidiaries' financial statements.

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33. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 US\$'000	2020 US\$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	7,730	7,030
Net deferred tax assets recognised in the consolidated statement of financial position	5,090	3,702

Deferred tax assets have not been recognised in respect of the following item during the reporting year :

	2021 US\$'000	2020 US\$'000
Tax losses and deductible temporary differences	521,377	239,798

The Group has tax losses and deductible temporary differences arising in Hong Kong of US\$195,000 (2020: US\$614,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group has tax losses and deductible temporary differences arising in Mainland China of US\$113,881,000 (2020: US\$79,030,000) that will expire in five years. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group has tax losses and deductible temporary differences arising in the United States of US\$336,689,000 (2020: US\$113,291,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group has tax losses and deductible temporary differences arising in Ireland of US\$69,830,000 (2020: US\$46,851,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

33. DEFERRED TAX (CONTINUED)

The Group has tax losses and deductible temporary differences arising in Belgium of US\$548,000 (2020: Nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group has tax losses and deductible temporary differences arising in the Netherlands of US\$49,000 (2020: US\$12,000) that will expire in six years for offsetting against future taxable profits.

The Group has tax losses and deductible temporary differences arising in Korea of US\$185,000 (2020: Nil) that will expire in ten years for offsetting against future taxable profits.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2021, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such remaining earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was US\$185,839,000 at 31 December 2021 (2020: US\$152,168,000).

34. SHARE CAPITAL AND SHARE PREMIUM

Shares

	31 December 2021 US\$'000	31 December 2020 US\$'000
Authorised:		
Ordinary shares of US\$0.001 each	5,000	5,000
Issued and fully paid:		
Ordinary shares of US\$0.001 each	2,096	1,954

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34. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

Shares (continued)

A summary of movements in the Group's share capital and share premium is as follows:

	Notes	Number of shares in issue	Share capital US\$'000	Treasury shares US\$'000	Share premium US\$'000	Total US\$'000
At 1 January 2020		1,878,376,650	1,879	(7,774)	368,781	362,886
Acquisition of equity by non-controlling shareholders		—	—	—	372	372
Issuance of ordinary shares for initial public offering of Legend Cayman	(a)	—	—	—	690,519	690,519
Shares repurchased		—	—	(9,460)	—	(9,460)
Exercise of share options and restricted share units		74,906,530	75	522	14,506	15,103
Dividends paid to non-controlling shareholders		—	—	—	(7,631)	(7,631)
At 31 December 2020 and 1 January 2021		1,953,283,180	1,954	(16,712)	1,066,547	1,051,789
Acquisition of equity from non-controlling shareholders		—	—	—	(98)	(98)
Issuance of ordinary shares of the Company and Legend Cayman	(b)	102,981,853	103	—	264,042	264,145
Exercise of share options and restricted share units		39,421,175	39	959	21,689	22,687
At 31 December 2021		2,095,686,208	2,096	(15,753)	1,352,180	1,338,523

(a) On 5 June 2020, Legend Cayman completed its initial public offering on the NASDAQ and received net proceeds of approximately US\$450,085,000, after deducting the related issuance cost.

At the meantime, all Legend Series A Preferred Shares were automatically converted into ordinary shares of the Legend Cayman and the financial liabilities of US\$240,434,000 were reclassified to share premium. Details of Legend Series A Preferred Shares are included in Note 32 to the financial statements.

(b) On 14 May 2021, the Company entered into a subscription agreement with a third-party investor, pursuant to which the investor has agreed to subscribe 102,981,853 new shares to be issued by the Company at HK\$18.658 per share ("Subscription Shares"), representing approximately 5.00% of the issued share capital of the Company as enlarged by the Subscription Shares. As at 31 December 2021, the Subscription Shares had been issued by the Company and the Company has received the subscription price of HK\$1,921,400,000 (US\$247,900,000, equivalently) in total.

On 17 December 2021, Legend Cayman issued a total of 17,231,150 ordinary shares at a price of US\$20.00 per ordinary share in relation to a public follow-on offering ("Legend Follow-on Offering"), of which 4,500,000 ordinary shares were subscribed by the Company. The Legend Follow-on Offering was completed on 20 December 2021, and Legend received net proceeds of approximately US\$233,440,000, net of issuance cost of US\$21,200,000 and after deducting US\$90,000,000 which was subscribed and paid by the Company.

35. SHARE OPTION SCHEME

a) The Company

In 2021, under the Company's Post-IPO share option scheme, the Company granted performance-based share options to certain employees, which are generally vested over a 5-year term. The performance goals are determined by the board of directors. For those awards, evaluations are made as of each reporting period to assess the likelihood of performance criteria being met. Share-based compensation expenses are then adjusted to reflect the reversion of original estimates.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. The only condition for vesting is service condition.

	2021		2020	
	Weighted average exercise price US\$ per share	Number of options '000	Weighted average exercise price US\$ per share	Number of options '000
At 1 January	0.6739	156,619	0.4765	227,418
Granted during the year	3.4407	443	1.7365	8,605
Forfeited during the year	1.4225	(7,972)	2.0433	(4,497)
Exercised during the year	0.3692	(39,421)	0.1143	(74,907)
Expired during the year	2.4378	(225)	—	—
At 31 December	0.7372	109,444	0.6739	156,619
Exercisable at 31 December	0.4565	76,319	0.2401	92,760

The weighted average share price at the date of exercise for share options exercised during the year was HK\$32.414 (2020: HK\$14.275) per share.

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35. SHARE OPTION SCHEME (CONTINUED)

a) The Company (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the year are as follows:

31 December 2021 Number of options '000	Exercise price* US\$ per share	Exercise period
144	0.0515	2013/8/10~2025/7/31
44,762	0.0617	2014/12/31~2025/7/31
3,091	0.0772	2010/12/31~2025/7/31
272	0.1029	2013/2/10~2025/7/31
7,903	0.1552	2016/6/22~2026/6/21
4,286	0.3102	2017/9/23~2026/9/22
15,872	0.4514	2019/4/25~2027/4/25
7,888	1.0672	2019/12/31~2027/10/10
3,233	1.1969	2019/12/31~2027/11/19
4,067	1.7857	2021/4/29~2030/4/28
1,337	1.7948	2018/11/29~2023/11/28
3,041	2.3444	2020/7/19~2029/7/18
3,140	2.4444	2020/11/28~2029/11/28
7,637	3.3710	2019/1/1~2028/5/3
718	1.9355	2020/9/1~2025/8/31
1,610	1.5606	2021/11/21~2030/12/27
100	1.7857	2022/3/31~2031/3/30
343	3.9228	2022/5/31~2031/5/30
109,444		

35. SHARE OPTION SCHEME (CONTINUED)

a) The Company (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the year are as follows:
(continued)

31 December 2020 Number of options '000	Exercise price* US\$ per share	Exercise period
194	0.0515	2013/8/10~2025/7/31
68,016	0.0617	2014/12/31~2025/7/31
3,680	0.0772	2010/12/31~2025/7/31
758	0.1029	2013/2/10~2025/7/31
8,085	0.1552	2016/6/22~2026/6/21
8,939	0.3102	2017/9/23~2026/9/22
22,042	0.4514	2019/4/25~2027/4/25
9,985	1.0672	2019/12/31~2027/10/10
7,540	1.1969	2019/12/31~2027/11/19
5,225	1.7857	2021/4/29~2030/4/28
1,695	1.7948	2018/11/29~2023/11/28
3,945	2.3444	2020/7/19~2029/7/18
5,035	2.4444	2020/11/28~2029/11/28
8,400	3.3710	2019/1/1~2028/5/3
720	1.9355	2020/9/1~2025/8/31
2,360	1.5606	2021/11/21~2030/12/27
156,619		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

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35. SHARE OPTION SCHEME (CONTINUED)

a) The Company (continued)

The fair value of the share options granted during the year was US\$725,000 (US\$1.636 each) (2020: US\$7,099,000 (US\$0.825 each)). The Group recognised a share option expense of US\$5,836,000 (2020: US\$11,327,000) during the year ended 31 December 2021.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2021	2020
Dividend yield (%)	—	—
Expected volatility (%)	48–49	47–48
Risk-free interest rate (%)	1.20–1.46	0.35–0.75
Expected life of options (year)	10	5–10

The weighted average share price was HK\$26.665 (2020: HK\$13.291) used in the share option fair value valuation model during the year ended 31 December 2021.

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of comparable listed companies in the same industry.

At 31 December 2021, the Company had 109,444,000 share options outstanding under the share option scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 109,444,000 additional ordinary shares of the Company, an additional share capital of approximately US\$109,444 and a share premium of approximately US\$80,573,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 108,002,000 share options outstanding under the share option scheme, which represented approximately 5.0% of the Company's shares in issue as at that date.

35. SHARE OPTION SCHEME (CONTINUED)

b) The Legend

In 2021, under Legend's share option scheme, the Legend granted performance-and-time-based share options to certain employees, which are generally vested over a 5-year term. The performance goals are determined by the Legend's board of directors. For those awards, evaluations are made as of each reporting period to assess the likelihood of performance criteria being met. Share-based compensation expenses are then adjusted to reflect the reversion of original estimates.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding during the year:

	2021		2020	
	Weighted average exercise price US\$ per share	Number of options '000	Weighted average exercise price US\$ per share	Number of options '000
At 1 January	1.9353	14,241	0.9273	18,013
Granted during the year	15.4774	595	15.6128	679
Exercise during the year	1.3346	(4,056)	1.0131	(1,682)
Forfeited during the year	2.9987	(1,251)	0.9963	(2,769)
At 31 December	2.8970	9,529	1.9353	14,241
Exercisable at 31 December	1.4334	2,828	1.0703	4,619

The weighted average share price at the date of exercise for share options exercised during the year was US\$18.485 per share (2020: US\$14.913 per share).

Notes to Financial Statements

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35. SHARE OPTION SCHEME (CONTINUED)

b) The Legend (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the year are as follows:

31 December 2021 Number of options '000	Exercise price* US\$ per share	Exercise period
4,054	0.5	2019/12/25~2027/12/25
1,849	1.0	2019/07/01~2028/08/29
382	1.0	2019/12/31~2028/12/30
1,822	1.5	2020/07/02~2029/07/01
332	11.5	2020/11/29~2029/11/28
90	11.5	2021/6/5~2030/6/4
385	16.3	2021/9/1~2030/8/31
20	13.6	2021/11/19~2030/11/18
430	14.1	2022/3/29~2031/3/28
165	19.0	2022/8/27~2031/8/26
9,529		

31 December 2020 Number of options '000	Exercise price* US\$ per share	Exercise period
5,393	0.5	2019/12/25~2027/12/25
4,317	1.0	2019/07/01~2028/08/29
540	1.0	2019/12/31~2028/12/30
2,868	1.5	2020/07/02~2029/07/01
444	11.5	2020/11/29~2029/11/28
90	11.5	2021/6/5~2030/6/4
569	16.3	2021/9/1~2030/8/31
20	13.6	2021/11/19~2030/11/18
14,241		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital. Pursuant to certain listing rules of the Hong Kong Stock Exchange to which members of the Genscript Group are subject to, the Company adjusted the exercise price of options granted during November 29, 2019 through December 9, 2019 to \$11.50 per share. Concurrent with this adjustment, the Company agreed to pay each employee holding affected share options an amount in cash representing the difference between the adjusted exercise price over the original exercise price upon exercising the share options.

35. SHARE OPTION SCHEME (CONTINUED)

b) The Legend (continued)

The fair value of the share options granted during the year was US\$5,651,000 (US\$9.497 each) (2020: US\$6,666,000 (US\$9.817 each)). The Legend recognised a share option expense of US\$2,385,000 (2020: US\$1,905,000) during the year ended 31 December 2021.

The fair value of equity-settled share options granted during the year was estimated, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2021	2020
Dividend yield (%)	—	—
Expected volatility (%)	73.2–76.4	73.0–87.2
Risk-free interest rate (%)	0.03–1.72	0.07–0.91
Expected life of options (year)	10	10

The weighted average share price was US\$15.477 used in the share option fair value valuation model during the year ended 31 December 2021.

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of comparable listed companies in the same industry.

At the end of reporting period, the Legend had 9,529,000 share options outstanding under the scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Legend, result in the issue of 9,529,000 additional ordinary shares of the Legend, an additional share capital of approximately US\$953 and a share premium of approximately US\$27,605,000 (before issue expenses).

At the date of approval of these financial statements, the Legend had 9,529,000 share options outstanding under the share option scheme, which represented approximately 3.1% of the Legend's shares in issue as at that date.

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36. RESTRICTED STOCK SHARES

a) The Company

The Company operates a restricted stock units scheme (the "RSU Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, and employees of any member of the Group. The Scheme became effective on 22 March 2019 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The RSU Scheme has a performance vesting condition and is subject to forfeiture if the participants cannot meet certain performance target set by the board of directors.

The movement in the number of RSUs outstanding for the year ended 31 December 2021 was as follows:

	Number 2021 '000	Number 2020 '000
At 1 January	5,330	1,198
Granted during the year	8,113	4,541
Forfeited during the year	(512)	(175)
Exercised during the year	(434)	(234)
At 31 December	12,497	5,330

The weighted-average remaining contractual life for outstanding RSUs granted under the RSU Plan was 3.96 (2020: 4.70) years as of 31 December 2021.

The fair value of the awarded shares was calculated based on the market price of the Group's shares at the respective grant date.

The fair value of the RSUs granted during the year was US\$33,615,000 (US\$4.143 each) (2020: US\$7,119,000 (US\$1.568 each)), of which the Group recognised RSUs expense of US\$12,818,000 (2020: US\$1,550,000) during the year ended 31 December 2021.

At the date of approval of these financial statements, the Company had 12,497,000 RSUs outstanding under the RSU Scheme, which represented approximately 0.6% of the Company's shares in issue as at that date.

36. RESTRICTED STOCK SHARES (CONTINUED)

b) The Legend

The Legend operates a restricted stock unit plan (the “RSU Plan”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Legend’s operations. Eligible participants of the Plan include the Legend’s directors, including independent non-executive directors, and employees of any member of the Legend. The RSU Plan became effective on 26 May 2020 unless otherwise cancelled or amended.

The movement in the number of RSU outstanding for the year ended 31 December 2021 was as follows:

	Numbers 2021 ‘000	Numbers 2020 ‘000
At 1 January	1,112	—
Granted during the year	2,133	1,139
Forfeit during the year	(295)	(27)
Exercised during the year	(349)	—
At 31 December	2,601	1,112

The weighted-average remaining contractual life for outstanding RSUs granted under the RSU Plan was 8.16 (2020: 8.84) years as of 31 December 2021.

The fair value of the awarded shares was calculated based on the market price of the Legend’s shares at the respective grant date.

The fair value of the RSUs granted during the year was US\$32,016,000 (US\$15.012 each) (for the year ended 31 December 2020: US\$17,497,000 (US\$15.364 each)), of which the Legend recognised RSUs expense of US\$17,773,000 (for the year ended 31 December 2020: US\$2,855,000) during the year ended 31 December 2021.

At the date of approval of these financial statements, the Legend had 2,601,000 RSUs outstanding under the RSU Plan, which represented approximately 0.8% of the Legend’s shares in issue as at that date.

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36. RESTRICTED STOCK SHARES (CONTINUED)

c) The Probio

The Probio operates a restricted stock unit plan (the “Probio RSU Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Probio’s operations. Eligible participants of the Probio RSU Scheme include the Probio’s directors, including independent non-executive directors, and employees of any member of the Probio. The Probio RSU Scheme became effective on 2 August 2021 unless otherwise cancelled or amended.

The movement in the number of RSUs outstanding for the year ended 31 December 2021 was as follows:

	Number 2021 ‘000
At 1 January	—
Granted during the year	97,302
At 31 December	97,302

The weighted average remaining contractual life for outstanding RSUs granted under the Probio RSU Scheme was 5.03 years as of 31 December 2021.

The fair value of the awarded shares was estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates included in Note 44.

The fair value of the RSUs granted during the year was US\$51,687,000 (US\$0.531 each), of which the Probio recognised RSUs expense of US\$879,000 during the year ended 31 December 2021.

At the date of approval of these financial statements, the Probio had 97,302,000 restricted share units outstanding under the Probio RSU Scheme, which represented approximately 6.2% of the Probio’s ordinary shares in issue as at that date.

37. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting periods are presented in the consolidated statement of changes in equity on pages 186 to 187 of the financial statements.

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with a functional currency other than US\$.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

For the year ended 31 December 2021, the Group had non-cash additions to interest-bearing loans and borrowings of US\$119,700,000 (2020: Nil) which was received through the deduction of other payables to collaborator.

For the year ended 31 December 2021, the Group had non-cash fair value losses of US\$139,428,000 of financial liabilities at fair value with changes through profit or loss (2020: US\$79,984,000).

For the year ended 31 December 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of US\$29,492,000 (2020: US\$5,257,000) and US\$29,456,000 (2020: US\$5,257,000), respectively, in respect of lease arrangements for buildings and office premises.

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38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities

2021

	Financial liabilities at fair value through profit or loss US\$'000	Lease liabilities US\$'000	Interest- bearing loans and borrowings US\$'000
At 1 January 2021	—	9,101	42,957
Changes from financing cash flows	231,700	(3,719)	(45,175)
Fair value changes	139,428	—	—
New leases/additions	—	29,456	120,462
Exchange realignment	—	185	3,347
Disposal	—	(164)	—
Interest expense	—	797	—
Interest paid classified as operating cash flows	—	(797)	—
At 31 December 2021	371,128	34,859	121,591

2020

	Convertible redeemable preferred shares US\$'000	Lease liabilities US\$'000	Interest- bearing loans and borrowings US\$'000
At 1 January 2020	—	5,377	18,756
Changes from financing cash flows	160,450	(1,875)	24,201
Fair value changes	79,984	—	—
New leases/additions	—	5,257	—
Conversion to ordinary shares	(240,434)	—	—
Exchange realignment	—	342	—
Interest expense	—	352	—
Interest paid classified as operating cash flows	—	(352)	—
At 31 December 2020	—	9,101	42,957

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 US\$'000	2020 US\$'000
Within operating activities	4,806	1,565
Within financing activities	3,719	1,875
At 31 December	8,525	3,440

39. PLEDGE OF ASSETS

Details of the Group's restricted cash are included in Note 25 to the financial statements.

Details of the Group's land, buildings and investment properties pledged for the Group's loans and borrowings are included in Note 13, 14 and 29 to the financial statements.

40. COMMITMENTS

(a) The Group had the following capital commitments at the end of the year:

	2021 US\$'000	2020 US\$'000
Contracted, but not provided for: Property, plant and equipment	97,700	39,224

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2021. The future lease payments for these non-cancellable lease contracts are US\$231,000 due within one year.

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41. RELATED PARTY TRANSACTIONS

Details of the Group's principal related parties are as follows:

Company	Relationship
GenScript Corporation ("GS Corp")	The ultimate holding company
Hunan Gomeet Biotechnology Co., Ltd. ("Gomeet")	Associate
Maple Bio ("Maple Bio")	Associate
Maple Bio (Nanjing) Co., Ltd. ("Maple Bio Nanjing")	Associate
Maple Bio HK Limited ("Maple Bio HK")	Associate
Gourd Therapeutics, Inc. ("Gourd")	Associate

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2021 US\$'000	2020 US\$'000
Purchase of property and equipment from Maple Bio Nanjing	(i)	1,658	—
Sales of products to Gomeet	(ii)	474	280
Sales of products and service to Maple Bio Nanjing	(ii)	339	222
Sales of products to Gourd	(ii)	19	—
Purchase of products from Gomeet	(ii)	50	69
Loans to Maple Bio Nanjing	(iii)	—	2,222
Loans to Maple Bio HK	(iii)	—	200
Purchase of convertible bond issued by Maple Bio	(iv)	—	1,200
Repayment from Maple Bio Nanjing	(iii)	319	—
Purchase of service from Maple Bio Nanjing	(ii)	440	—

Notes:

- (i) The property and equipment were purchased by GS China from Maple Nanjing and the price is mutually agreed after taking into account of the net book value of the property and equipment.
- (ii) The prices are mutually agreed after taking into account the prevailing market prices.

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

Notes: (continued)

- (iii) The loans to Maple Bio Nanjing and Maple Bio HK were unsecured and repayable within one year with interest rates of 0% to 5.15%. The Group recognised interest income of US\$101,000 (2020: US\$101,000) during the year ended 31 December 2021.
- (iv) The convertible bond was issued by Maple Bio ("Maple CB") in the aggregate principal amount of US\$1,200,000 for a purchase price of US\$1,200,000 in cash and was interest free. For the year ended 31 December 2021, a fair value loss of US\$1,069,000 was recognised through profit or loss. (2020: US\$131,000).

(b) Outstanding balances with related parties:

The Group had the following significant balances with its related parties during the year:

(i) Due from related parties

	2021 US\$'000	2020 US\$'000
Maple Bio Nanjing*	4,261	2,564
Maple Bio HK*	201	201
Gomeet	147	136
Maple Bio	89	89
GS Corp	—	2
	4,698	2,992

Except for the balances amounting to US\$1,947,000 (2020: US\$2,222,000) with Maple Bio Nanjing and US\$200,000 (2020: US\$200,000) with Maple Bio HK which were interest-bearing and repayable within one year, the other balances are unsecured, interest-free and have no fixed terms of repayment.

* Further details of the impairment of loans to associates are included in Note 18 to the financial statements.

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41. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties: (continued)

(ii) Due to related parties

	2021 US\$'000	2020 US\$'000
Gomeet	36	14
Maple Bio Nanjing	1,256	—
	1,292	14

(c) Compensation of key management personnel of the Group:

	2021 US\$'000	2020 US\$'000
Short-term employee benefits	3,900	3,734
Pension scheme contributions	23	9
Equity-settled share-based compensation expense	3,798	1,114
Total compensation paid to key management personnel	7,721	4,857

Further details of directors' emoluments are included in Note 8 to the financial statements.

The related party transactions in respect of items in Note (a) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

42. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that have material non-controlling interests are set out below:

	2021	2020
Percentage of equity interest held by non-controlling interests:		
Legend	43.43%	36.09%
	2021 US\$'000	2020 US\$'000
Loss for the year allocated to non-controlling interests:		
Legend	153,194	75,930
Accumulated balances of non-controlling interests at the reporting date:		
Legend	204,311	100,652

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42. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2021 US\$'000	2020 US\$'000
Revenue	89,792	75,676
Total expenses	(476,001)	(379,153)
Loss for the year	(386,209)	(303,477)
Total comprehensive loss for the year	(375,589)	(305,619)
Current assets	948,752	592,858
Non-current assets	169,615	128,149
Current liabilities	280,266	161,167
Non-current liabilities	366,895	279,585
Net cash flows used in operating activities	(198,465)	(223,005)
Net cash flows used in investing activities	(194,983)	(24,169)
Net cash flows from financing activities	626,663	618,879
Net increase in cash and cash equivalents	233,215	371,705

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

	Financial assets at fair value through profit or loss designated as such upon initial recognition US\$'000	Financial assets at amortised cost US\$'000	Total US\$'000
Financial assets at fair value through profit or loss	12,652	—	12,652
Other non-current assets	—	1,103	1,103
Time deposits	—	194,793	194,793
Trade and notes receivables	—	142,345	142,345
Financial assets included in prepayments, other receivables and other assets	—	6,132	6,132
Financial assets measured at amortised cost	—	29,937	29,937
Loans to associates	—	1,680	1,680
Restricted cash	—	1,444	1,444
Cash and cash equivalents	—	1,180,971	1,180,971
	12,652	1,558,405	1,571,057

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43. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2021

Financial liabilities

	Financial liabilities at fair value through profit or loss designated as such upon initial recognition US\$'000	Financial liabilities at amortised cost US\$'000	Total US\$'000
Financial liabilities at fair value through profit or loss	371,128	—	371,128
Trade and bills payables	—	30,176	30,176
Financial liabilities included in other payables and accruals	—	51,846	51,846
Interest-bearing loans and borrowings	—	121,591	121,591
Lease liabilities	—	34,859	34,859
	371,128	238,472	609,600

43. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2020

Financial assets

	Financial assets at fair value through profit or loss designated as such upon initial recognition US\$'000	Financial assets at amortised cost US\$'000	Total US\$'000
Trade and notes receivables	—	141,748	141,748
Financial assets included in prepayments, other receivables and other assets	—	4,348	4,348
Financial assets at fair value through profit or loss	16,421	—	16,421
Loans to associates	—	2,422	2,422
Time deposits	—	136,245	136,245
Restricted cash	—	7,471	7,471
Cash and cash equivalents	—	629,058	629,058
	16,421	921,292	937,713

Financial liabilities

	Financial liabilities at amortised US\$'000
Trade and bills payables	23,376
Financial liabilities included in other payables and accruals	122,583
Interest-bearing bank borrowings	45,902
Lease liabilities	9,101
	200,962

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44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Financial assets				
Financial assets at fair value through profit or loss	12,652	16,421	12,652	16,421
Financial liabilities				
Financial liabilities at fair value through profit or loss	371,128	—	371,128	—

Management has assessed that the fair values of time deposits, trade and notes receivables, financial assets included in prepayments, other receivables and other assets, financial assets measured at amortised cost, loans to associates, restricted cash, cash and cash equivalents, trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the finance manager. At each reporting date, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation was reviewed and approved by the finance manager. The valuation process and results are discussed with the directors twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of time deposits, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2021 were assessed to be insignificant.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			Total US\$'000
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
	(Level 1)	(Level 2)	(Level 3)	
	US\$'000	US\$'000	US\$'000	
Financial assets at fair value through profit or loss	—	12,652	—	12,652

As at 31 December 2020

	Fair value measurement using			Total US\$'000
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
	(Level 1)	(Level 2)	(Level 3)	
	US\$'000	US\$'000	US\$'000	
Financial assets at fair value through profit or loss	—	15,352	1,069	16,421

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44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 31 December 2021

	Fair value measurement using			Total US\$'000
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
	(Level 1)	(Level 2)	(Level 3)	
	US\$'000	US\$'000	US\$'000	
Financial liabilities at fair value through profit or loss	—	87,900	283,228	371,128

As at 31 December 2020

	Fair value measurement using			Total US\$'000
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
	(Level 1)	(Level 2)	(Level 3)	
	US\$'000	US\$'000	US\$'000	
Financial liabilities at fair value through profit or loss	—	—	—	—

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2021 US\$'000
Financial assets at fair value through profit or loss	
At 1 January	1,069
Purchases	—
Impairment	(1,069)
At 31 December	—

During the year end 31 December 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

Valuation techniques and significant inputs used to determine fair values:

(a) Level 2 financial instruments:

Financial assets:

The valuation technique used to value the Group's investment in limited partnerships in level 2 is the net asset value, calculating based on the valuation of each underlying investment held by the limited partnerships.

The valuation technique used to value the Group's bank financial products in level 2 is the present value of future cash flows based on the expected return which could be observed in the active market.

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44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

(a) Level 2 financial instruments: (continued)

Financial liabilities:

The following table lists the inputs to the binomial model used for the fair value valuation of warrant liability (Legend Warrant):

	2021
Underlying stock price (per ordinary share of Legend Cayman)	US\$23.31
Volatility	70.50%
Risk free rate	0.58%
Dividend	0%

(b) Level 3 financial instruments

As at 31 December 2021, the Group measured the Probio Series A Preferred Shares and Probio Warrant at fair value. The fair value of Probio Series A Preferred Shares is determined by using the valuation techniques, including the discounted cash flow method and the back-solve method. The fair value of Probio Warrant is determined by using the Black-Scholes model.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis:

As at 31 December 2021:

	Probio Series A Preferred Shares
Fair value of ordinary shares of Probio Cayman	US\$0.54
Risk-free interest rate (Note i)	1.21%
DLOM (Note ii)	16.00%–27.00%
Volatility (Note iii)	56.03%–56.39%

Notes:

- 0.25% increase/decrease in the risk-free interest rate with all other variables held constant would decrease/increase the fair value of Probio Series A Preferred Shares by US\$1,009,000 and US\$1,019,000 as at 31 December 2021, respectively.
- 5% increase/decrease in DLOM with all other variables held constant would decrease/increase the fair value of Probio Series A Preferred Shares by US\$15,872,000 and US\$15,872,000 as at 31 December 2021, respectively.
- 5% increase/decrease in volatility with all other variables held constant would decrease/increase the fair value of Probio Series A Preferred Shares by US\$7,044,000 and US\$6,572,000 as at 31 December 2021, respectively.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

(b) Level 3 financial instruments (continued)

The Group estimated the risk-free interest rate based on the yield of the United States Government Bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on the annualised standard deviation of the daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

Probio Warrant	
Fair value of ordinary shares of Probio Cayman	US\$0.54
Risk-free interest rate (Note i)	0.62%
Volatility (Note ii)	57.06%

The Group estimated the risk-free interest rate based on the yield of the United States Government Bond with maturity close to the expected exit timing as of the valuation date. Volatility was estimated based on the annualised standard deviation of the daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

Notes:

- i. 0.25% increase/decrease in the risk-free interest rate with all other variables held constant would increase/decrease the fair value of Probio Warrant by US\$197,000 and US\$197,000 as at 31 December 2021, respectively.
- ii. 5% increase/decrease in volatility with all other variables held constant would increase/decrease the fair value of Probio Warrant by US\$1,716,000 and US\$1,635,000 as at 31 December 2021, respectively.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, time deposits and restricted cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

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45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

As at 31 December 2021, the Group's exposure to the risk of changes in interest rates was primarily relates to the Group's interest-bearing loans and borrowings as disclosed in Note 29 to the consolidated financial statements. As at 31 December 2021, management considered that any reasonable changes in the interest rate would not have significant impact on the interest expense of these interest-bearing loans and borrowings, and the exposure is insignificant. Accordingly, no sensitivity analysis for interest rate risk is presented.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 4% (2020: 4%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sales, whilst approximately 1% (2020: 1%) of costs were denominated in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in the rate of foreign currency %	Increase/ (decrease) in loss before tax US\$'000
Year ended 31 December 2021		
If US\$ strengthens against RMB	5	(3,168)
If US\$ weakens against RMB	(5)	3,168
Year ended 31 December 2020		
If US\$ strengthens against RMB	5	(12,137)
If US\$ weakens against RMB	(5)	12,137

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			Total US\$'000
	Stage 1 US\$'000	Stage 2 US\$'000	Stage 3 US\$'000	Simplified approach US\$'000	
Other non-current assets	1,103	—	—	—	1,103
Trade and notes receivables*	—	—	—	142,345	142,345
Financial assets included in prepayments, other receivables and other assets					
— Normal**	6,132	—	—	—	6,132
— Doubtful**	—	—	—	—	—
Financial assets measured at amortised cost	29,937	—	—	—	29,937
Loans to associates	1,680	—	—	—	1,680
Restricted cash	1,444	—	—	—	1,444
Time deposits					
— not yet past due	194,793	—	—	—	194,793
Cash and cash equivalents					
— not yet past due	1,180,971	—	—	—	1,180,971
	1,416,060	—	—	142,344	1,558,405

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45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2020

	12-month ECLs		Lifetime ECLs		Total US\$'000
	Stage 1 US\$'000	Stage 2 US\$'000	Stage 3 US\$'000	Simplified approach US\$'000	
Trade and notes receivables*	—	—	—	144,974	144,974
Financial assets included in prepayments, other receivables and other assets					
— Normal**	4,348	—	—	—	4,348
— Doubtful**	—	—	—	—	—
Time deposits					
— not yet past due	136,245	—	—	—	136,245
Restricted cash	7,471	—	—	—	7,471
Cash and cash equivalents					
— not yet past due	629,058	—	—	—	629,058
	777,122	—	—	144,974	922,096

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in Note 22 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in Notes 22 and 23 to the financial statements, respectively.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

Year ended 31 December 2021

	On demand US\$'000	Less than 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
Interest-bearing bank borrowings	120,462	131	394	610	—	121,597
Trade and bills payables	—	30,176	—	—	—	30,176
Other payables and accruals	—	51,846	—	—	—	51,846
Lease liabilities	—	1,799	5,328	18,426	14,185	39,738
	120,462	83,952	5,722	19,036	14,185	243,357

Year ended 31 December 2020

	On demand US\$'000	Less than 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
Interest-bearing bank borrowings	—	24,589	20,535	1,264	—	46,388
Trade and bills payables	—	23,376	—	—	—	23,376
Other payables and accruals	—	122,583	—	—	—	122,583
Lease liabilities	—	468	2,120	5,078	2,060	9,726
	—	171,016	22,655	6,342	2,060	202,073

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45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate benchmark reform

As at 31 December 2021, the Group had certain interest-bearing bank borrowings denominated in US\$ and Japanese yen. The interest rates of these instruments are based on the LIBOR and TIBOR, which will cease to be published after 30 June 2023. Replacement of the benchmark rates of these instruments from LIBOR and TIBOR to an RFR has yet to commence but it is expected that there will be renegotiations of terms in the future. During the transition, the Group is exposed to the following risks:

- Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract
- Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group)
- The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

The information about financial instruments based on an interbank offered rate that has yet to transition to an alternative benchmark rate is as follows:

As at 31 December 2021

	Non-derivative financial liabilities — carrying value US\$'000
Interest-bearing bank borrowings	
— US\$ LIBOR	120,462
— Japanese yen TIBOR	1,129
	121,591

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using a gearing ratio, which is total liabilities divided by total assets. The gearing ratios as at the end of the years were as follows:

	2021 US\$'000	2020 US\$'000
Total liabilities	1,139,815	631,815
Total assets	2,232,770	1,447,406
Gearing ratio	51.0%	43.7%

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46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 US\$'000	2020 US\$'000
NON-CURRENT ASSETS		
Loans to subsidiaries	125,552	200
Investments in subsidiaries	222,942	113,444
Financial assets at fair value through profit or loss	80,050	—
Total non-current assets	428,544	113,644
CURRENT ASSETS		
Financial assets at fair value through profit or loss	—	5,075
Due from subsidiaries	161,099	241,335
Prepayments, other receivables and other assets	188	825
Time deposits	—	20,612
Cash and cash equivalents	75,616	27,796
Total current assets	236,903	295,643
CURRENT LIABILITIES		
Due to subsidiaries	2,742	21,507
Trade and bills payables	9	26
Other payables and accruals	73	10
Total current liabilities	2,824	21,543
NET CURRENT ASSETS	234,079	274,100
TOTAL ASSETS LESS CURRENT LIABILITIES	662,623	387,744
Net assets	662,623	387,744
EQUITY		
Share capital	2,096	1,954
Treasury shares	(15,753)	(16,712)
Reserves (Note)	676,280	402,502
Total equity	662,623	387,744

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium* US\$'000	Share option reserve* US\$'000	Retained profits/ (accumulated losses)* US\$'000	Total US\$'000
At 1 January 2020	371,402	25,673	(2,811)	394,264
Total comprehensive income for the year	—	—	2,778	2,778
Exercise of share options	12,625	(4,660)	—	7,965
Equity-settled share-based compensation arrangements	—	12,374	—	12,374
Dividends paid to non-controlling shareholders	—	(14,879)	—	(14,879)
At 31 December 2020 and 1 January 2021	384,027	18,508	(33)	402,502
Total comprehensive income for the year	—	—	9,279	9,279
Issuance of shares of the Company	247,436	—	—	247,436
Exercise of share options	20,445	(6,881)	—	13,564
Equity-settled share-based compensation Arrangements	—	3,499	—	3,499
At 31 December 2021	651,908	15,126	9,246	676,280

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in Note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised or be transferred to retained profits should the related options expire or be forfeited.

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47. CONTINGENT LIABILITY

On 17 September 2020, the Authority of the PRC inspected the Group's places of business in Nanjing and Zhenjiang, China. The inspections were in connection with what the Company understands to be an investigation ("Investigation") relating to suspected violations of import and export regulations under the laws of the PRC. In connection with the Investigation, certain employees and Dr. Zhang, the then chairman of the board, have been arrested for the suspected offence of smuggling goods prohibited by the import and export regulations under the laws of the PRC. Dr. Zhang resigned from the positions of chairman of the Board, non-executive director, member and chairman of the nomination committee of the Company, and the member and chairman of the sanctions risk control committee of the Company on 22 November 2020. On 9 February 2021, Dr. Zhang was released on bail by the Authority. To the best of the Company's knowledge, no formal charges have been made or filed against any entity within the Group or individual yet and there have been no other details released by the Authority.

As there are no formal charges made against any entity within the Group or any individual yet and there have been no other details released by the Authority, the Company is not able to make a sufficiently reliable estimate of the amount of the obligation and no accrual was made in the consolidated financial statements in connection with the Investigation as at 31 December 2021. The Company will continue to monitor the developments of the Investigation and assess the impact to the consolidated financial statements. Despite the Investigation, the Group's business operations remain normal.

48. SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Group after 31 December 2021.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2022.

