邁博藥業
MABPHARM LIMITED
迈博药业有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2181

2020 ANNUAL REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Wang Hao *(Chief Executive Officer)*
Mr. Li Yunfeng
Dr. Li Jing
Mr. Tao Jing

Non-executive Directors

Mr. Jiao Shuge *(Chairman)*
Mr. Guo Jianjun

Independent Non-executive Directors

Mr. Guo Liangzhong
Dr. Zhang Yanyun
Dr. Liu Linqing

AUDIT COMMITTEE

Dr. Liu Linqing *(Chairman)*
Mr. Jiao Shuge
Mr. Guo Liangzhong

REMUNERATION COMMITTEE

Dr. Zhang Yanyun *(Chairman)*
Dr. Wang Hao
Mr. Guo Liangzhong

NOMINATION COMMITTEE

Mr. Guo Liangzhong *(Chairman)*
Mr. Tao Jing
Dr. Zhang Yanyun

JOINT COMPANY SECRETARIES

Mr. Li Yunfeng
Mr. Tsang Ho Yin

AUTHORIZED REPRESENTATIVES

Mr. Li Yunfeng
Mr. Tsang Ho Yin

REGISTERED OFFICE IN CAYMAN ISLANDS

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

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Lujia Road East
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China Medical City Taizhou
PRC
225300

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
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Hong Kong

LEGAL ADVISORS

As to Hong Kong law

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Hong Kong

As to PRC law

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Excellence Century Centre,
Fu Hua 3rd Road
Futian District Shenzhen
PRC

COMPLIANCE ADVISOR

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Hong Kong

HONG KONG SHARE REGISTRAR

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

PRINCIPAL BANK

Shanghai Pudong Development Bank
(Medical High-Tech Zone Branch)
1/F, Data Building, Taizhou Avenue
Medical High-Tech Zone
Taizhou, Jiangsu
PRC

STOCK CODE

2181

COMPANY WEBSITE

www.mabpharm.cn

Financial Highlights

	For the year ended December 31,		
	2020	2019	Change
	RMB'000	*RMB'000*	*(%)*
	(audited)	(audited)	
Other income	**32,237**	17,999	79.1
Other expenses	**–**	(4,127)	(100.0)
Other gains and losses	**(26,714)**	15,962	(267.4)
Research and development expenses	**(120,418)**	(134,189)	(10.3)
Administrative expenses	**(65,795)**	(62,952)	4.5
Finance costs	**(3,942)**	(7,695)	(48.8)
Listing expenses	**–**	(27,527)	(100.0)
Loss before tax	**(184,632)**	(202,529)	(8.8)
Income tax expense	**–**	–	–
Loss and total comprehensive expense for the year	**(184,632)**	(202,529)	(8.8)
Attributable to:			
Owners of the Company	**(184,632)**	(202,529)	(8.8)
	RMB	*RMB*	
Loss per share attributable to ordinary equity holders of the Company			
– Basic and diluted	**(0.04)**	(0.05)	(20.0)

	At December 31, 2020	At December 31, 2019	Change
	RMB'000	*RMB'000*	*(%)*
	(audited)	(audited)	
Non-current assets	**593,911**	441,338	34.6
Current assets	**569,126**	955,139	(40.4)
Current liabilities	**202,627**	270,334	(25.0)
Net current assets	**366,499**	684,805	(46.5)
Non-current liabilities	**78,925**	72,432	9.0
Net assets	**881,485**	1,053,711	(16.3)

Chairman Statement

Dear Shareholders:

We are grateful to your continued support extended to Mabpharm Limited ("Mabpharm"). Your support has provided strong momentum for the growth of Mabpharm. With expectations from the Shareholders and the whole society, Mabpharm is pressing ahead in great strides! As a leading biopharmaceutical company in China, over the years, Mabpharm has been committed to the research, development and commercialization of new biologics for the treatment of allergic diseases, autoimmune diseases and cancers. In 2020, despite the havoc wrecked by COVID-19 pandemic globally, we strived to secure steady and remarkable performances in our business development.

Mabpharm particularly focuses on products treating allergic diseases, autoimmune diseases and tumors. Our existing product pipeline comprises nine new monoclonal antibody drugs and one new strong antibody drug. CMAB008 (infliximab), our first new antibody drug, will soon be approved for commercialization in the PRC. As the first infliximab product produced by a PRC company, it targets at indications including Crohn's disease, ulcerative colitis, rheumatoid arthritis, ankylosing spondylitis and psoriasis, and enjoys broad market prospects. CMAB007 (omalizumab) has completed clinical trials and will apply for new drug marketing in the middle of 2021 with indications covering allergic asthma, urticarial, allergic rhinitis and food allergy and has huge unmet market demands. CMAB009 (cetuximab) will soon complete enrollment for phase III clinical trials and CMAB819 (nivolumab) is undergoing phase I clinical trials. Besides, we have successfully developed the CMAB022 (usnumab) for the treatment of digestive system diseases and are in the process of acquiring CMAB807 (denosumab) which targets at osteoporosis and tumor bone metastasis. In future, we will further focus on new antibody drugs with an advantage in allergic diseases, autoimmune diseases and tumors, forge a more specialized and concentrated product pipeline and foster continuous innovation capacity and solid competitiveness leveraging our strong research and development system.

Throughout the years, Mabpharm has been making on-going efforts in research, development and innovation of the biopharmaceutical industry and capitalizes on the key technology underlying mass commercialization of new antibody drugs it acquired to establish a top-notch comprehensive platform for research, development, innovation and industrialization. In 2020, we have substantially completed construction of three 3×1,500L antibody drug production lines and antibody drug industrialization plants, raising our total scale of cell reactor to 18,000L and further to 40,000L in 2022, which consolidated our solid equipment, technology and quality foundations in the field of antibody drug preparation and will bless us with superior competitive strength in future negotiations over central procurement under the medical insurance.

Chairman Statement

With the implementation of the new medical insurance policy in recent years, the pharmaceutical market in China is undergoing significant market restructuring and the overall market penetration will increase significantly. Companies with more competitive advantages in terms of innovation, quality and pricing will benefit greatly. Such trend will drive the development of the pharmaceutical market in China for a long time in the future. Riding on the trend of the overall pharmaceutical policy reform, we are building a sales team in China with high efficiency and academic promotion as its core strategy, focusing on niche markets, such as gastroenterology, respiratory diseases, allergic diseases, autoimmune diseases and tumors, with an aim to promote our products and cultivate the practice of high-end antibody drugs application. We will actively participate in policy reform, especially focusing on capturing the huge potentials brought by the negotiations of medical insurance. Relying on the significant advantages of our drugs in terms of quality and cost, we will capture the opportunities presented in the policy reform and overall increase in market penetration, satisfy the unmet market demand in China in respect of biological agents with high quality products and ultimately benefit patients.

There is also a huge unmet global market demand for antibody drugs, especially for those with PIC/s as the core. The economies of scale resulting from policy reform in China will greatly enhance the global competitiveness of Chinese antibody drugs. In view of the above, we will work closely with our overseas market partners to initiate new drug registration and research and development in different countries and regions in a comprehensive and flexible manner with multiple products, with an aim to promote our products' global presence and accelerate their growth in the global market.

China's biopharmaceutical market is ushering in an explosive stage of development. As China's pharmaceutical industry reform policy has been established, tremendous potential needs that were untapped upon in the past are transforming into real market demands. Our highly competitive biologics are expected to be marketed in succession; our innovation and industrialization team will continue to provide stable and efficient pipeline output; and the sales team we established will further bring into play their professional competence. I firmly believe that Mabpharm will lead the current cycle of development of China's biopharmaceutical industry and achieve innovation and steady progress with our quality-prioritized strategy!

Mabpharm Limited
Jiao Shuge
Chairman of the Board

March 26, 2021

Corporate Profile

We are a leading biopharmaceutical company in China, focusing on the research, development and production of new drugs and biosimilar for allergic diseases, cancers and autoimmune diseases. We strive to bring to market high quality and affordable innovative biologics through our efficient research and development ("**R&D**") system and low-cost pharmaceutical production capability, and develop differentiated therapeutic products by fully utilizing our extensive R&D experience. Our pipeline of drug candidates currently consists of 9 monoclonal antibody drugs and one strong antibody drug, three of which are our core products:

- ✓ **CMAB008 (infliximab):** completed clinical trial and is currently under on-site examination by the PRC regulators for the new drug marketing application. It is expected to be approved for commercialization in the second quarter of 2021. CMAB008 has the most reliable curative effect in the field of inflammatory bowel disease treatment, and its application regimen is more suitable for Chinese patients. The completed research shows that CMAB008 has an outstanding safety profile which will allow the drug to have excellent market competitiveness. CMAB008 is expected to be directly admitted to the markets for treating, among others, (i) rheumatoid arthritis, (ii) adult and pediatric patients with Crohn's disease, (iii) patients with fistulizing Crohn's disease, (iv) ankylosing spondylitis, (v) psoriasis and (vi) adult patients with ulcerative colitis;

- ✓ **CMAB007 (omalizumab):** currently under phase III clinical trials and in the process of clinical data analysis and new drug application data collation. A new drug listing application for CMAB007 is expected to be submitted to the NMPA in the third quarter of 2021. Given that similar drugs have been approved overseas for urticaria and allergic rhinitis indications and are developing to address food allergy indications, we will expedite the clinical and registration work of CMAB007 for these indications to capture the huge allergic disease market demand in China.

- ✓ **CMAB009 (cetuximab):** currently under phase III clinical trials.

Among our other drug candidates, our newly developed "strong antibody" drug CMAB017 has completed the pilot scale up and commenced animal experiments. The completed research results show that CMAB017 has promising efficacy and safety. In addition, we have commenced clinical trials for CMAB819 (nivolumab) and are currently acquiring a license to the global rights of CMAB807. CMAB807 is a type of denosumab which is undergoing phase III clinical trials for osteoporosis indications in China, and will apply for clinical trials for Tumor bone metastasis indications in different countries and/or regions including China in 2021. We have also developed CMAB022 (usnumab), a biosimilar drug, which has a good market prospect in the fields of psoriasis, ankylosing spondylitis and Crohn's disease.

Corporate Profile

We have strong in-house capabilities in pharmaceutical research, pre-clinical and clinical development, and manufacturing, and are building our sales and marketing team to prepare for the commercialization of our product candidates. We focus on the R&D of monoclonal antibodies. Our core R&D team members have more than 17 years of experience in this area, and have led three major projects under the "863" Program, among other national-level scientific research projects. In addition, one of our core R&D team members is also a member of the 11th Session of the Chinese Pharmacopoeia Commission.

We have substantially completed the construction of three new production lines in Taizhou in 2020, increasing our total cell reactor scale to 18,000 liters. The construction of plants in our new R&D and industrial base in Taizhou has also been substantially completed and it is expected that our total cell reactor scale will be further increased to above 40,000 liters in 2022. The solid equipment, technology and quality foundation we have in the field of antibody drug preparation will enable us to possess an excellent competitive advantage in future medical insurance and centralized procurement negotiations.

We believe that we are well positioned to seize China's substantial market opportunities, in particular those resulting from China's recent healthcare regulatory reforms, including new medical insurance measures. The primary focus of our R&D – monoclonal antibody drugs targeting allergic diseases, cancers and autoimmune diseases – has substantial untapped clinical demand in China.

Further, during the rapid growth of the pharmaceutical market in China, the central procurement under the medical insurance that may be extended to cover biological drugs in the future and the increased effort in national negotiations on medical insurance will restructure the pharmaceutical market in China to a large extent. We will actively participate in the national medical reform with our advantages in terms of advanced technology, quality and cost and capture the opportunities presented during the policy reform so as to capture the huge unmet market demand in China. At the same time, we have also initiated our global market expansion and accelerated the registration and launching of our drugs in the international market.

BUSINESS REVIEW

Research and development of our drug candidates

Set out below is an overview of our drug candidates and their R&D status as of December 31, 2020[1]:

Field	Target	Indication	Drug candidate code	Classification	Pre-clinical	Phase I	Phase II or Phase II/III	Phase III	Expected time to reach the next regulatory milestone	Anticipated completion of regulatory review	Commercial rights	Competitive marketed drugs
Autoimmune Disease	TNF α	Rheumatoid Arthritis	CMAB008 (INN name: Infliximab)	New Drug/ Core Product					New drug application submitted in Quarter 4, 2019	Quarter 2, 2021	PRC and overseas (excluding Japan, North America and Europe)	Remicade®, Humira®, Enbrel®, Simponi®, Yisaipu®, Anbainuo®
Respiratory Disease	IgE	Asthma	CMAB007 (INN name: Omalizumab)	New Drug/ Core Product					Pending listing application submission (Quarter 3, 2021)	Quarter 2, 2022	PRC and overseas (excluding Japan, North America and Europe)	Xolair®
Cancer	EGFR	Colorectal Cancer	CMAB009 (INN name: Cetuximab)	New Drug/ Core Product					Pending new drug application submission (Quarter 3, 2022)	Quarter 3, 2023	PRC and overseas (excluding Japan, North America and Europe)	Erbitux®
Cancer	PD1	Non-small cell lung cancer, hepatocellular carcinoma and squamous cell carcinoma of the head and neck	CMAB819 (INN name: Nivolumab)	New Drug					Phase III (Quarter 3, 2021)	Quarter 2, 2026	Global	Opdivo®, Keytruda®, Tyvyt®, JS001
Cancer	HER2	Breast Cancer	CMAB810 (INN name: Pertuzumab)	Biosimilar					Phase III (Quarter 1, 2024)	Quarter 1, 2028	Global	Perjeta®

Field	Target	Indication	Drug candidate code	Classification	Pre-clinical	Phase I	Phase II or Phase II/III	Phase III	Expected time to reach the next regulatory milestone	Anticipated completion of regulatory review	Commercial rights	Competitive marketed drugs
Cancer/ Autoimmune Disease	IL-1 β	Periodic Fever Syndromes/ Systemic Juvenile Idiopathic Arthritis/Lung cancer	CMAB816 (INN name: canakinumab)	Biosimilar					Phase III (Quarter 2, 2024)	Quarter 2, 2026	Global	ILaris®
Cancer	EGFR	KRAS wild-type colorectal cancer	CMAB017	Innovative drug					Phase III (Quarter 4, 2024)	Quarter 4, 2027	Global	Vectibix®
Autoimmune Disease	IL-17A	Plaque psoriasis, psoriatic arthritis and ankylosing spondylitis	CMAB015 (INN name: Secukinumab)	Biosimilar					Phase III (Quarter 4, 2022)	Quarter 4, 2025	Global	Cosenty®
Allergy, Inflammatory Disease	IL-5	Asthma and eosinophilic granulomatous polyangitis	CMAB018 (INN name: Mepolizumab)	Biosimilar					Phase III (Quarter 2, 2023)	Quarter 4, 2025	Global	Nucala®
New drug candidate developed after December 31, 2020												
Inflammatory Diseases	IL-12 & IL-23	Moderate to severe plaque psoriasis, psoriatic arthritis, active ankylosing spondylitis, active non-radiographic axial spondyloarthritis	CMAB022 (INN name: Ustekinumab)	Biosimilar					Phase III (Quarter 1, 2024)	Quarter 1, 2027	Global	Stelara®

Note:

1. The Company has announced that it plans to acquire CMAB807 as one of its drug candidates by way of licensing. CMAB807 is currently in the initial stage of phase III clinical trials for the indication of osteoporosis in China. If the acquisition is approved by the shareholders of the Company and is successfully completed, it is expected that we can apply for the listing and commercialization of the drug in the fourth quarter of 2022 which is expected to be approved in the fourth quarter of 2023.

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: We may not be able to ultimately develop and market our drug candidates (including Core Products) successfully.

Core Product Candidates

CMAB008 (infliximab)

CMAB008 (infliximab), a recombinant anti-TNF-alpha chimeric monoclonal antibody, is our new drug candidate based on infliximab for moderate to severe active rheumatoid arthritis and is potentially one of the best in class of chimeric anti-TNF-alpha antibody in China. CMAB008 was the first NMPA approved chimeric anti-TNF-alpha antibody for clinical trial developed in China by a local Chinese company. CMAB008 uses the CHO expression system which reduces immunogenicity, according to our clinical results compared to published results of the currently marketed infliximab products. The safety and efficacy of CMAB008 have been confirmed by the results of completed clinical trials, which were the largest clinical trials of infliximab in China. Based on our clinical results compared to published clinical results of currently marketed infliximab products, we believe that CMAB008 is safer than, and as effective as, the marketed infliximab products for treatment of moderate to severe active rheumatoid arthritis as of December 31, 2020. The completed phase III head-to-head tests also show that CMAB008 and marketed infliximab products have similar safety and effectiveness.

Currently, we expect that CMAB008 may be approved by the NMPA for marketing at around the end of second quarter of 2021. During the Reporting Period, we have completed a head-to-head study versus the currently marketed infliximab product to confirm similar pharmacokinetic profile and immunogenicity of CMAB008 ("phase I comparative study CTR20200314 of CMAB008 and Infliximab for injection in healthy male volunteers featuring randomized, double-blind, parallel control, single-dose pharmacokinetics, safety and immunogenicity"). We expect CMAB008 will be granted admission to target multiple indications, (including (i) rheumatoid arthritis, (ii) adult and pediatric patients with Crohn's disease, (iii) patients with fistulizing Crohn's disease, (iv) ankylosing spondylitis, (v) psoriasis and (vi) adult patients with ulcerative colitis) and be included in the medical insurance drug list. Currently, we expect that CMAB008 may be approved by the NMPA for marketing at around the end of second quarter of 2021.

CMAB007 (omalizumab)

CMAB007 (omalizumab), a recombinant humanized anti-IgE monoclonal antibody, is our new drug candidate for treatment of asthma patients who remain inadequately controlled despite med/high dose of ICS plus LABA. As of December 31, 2020, CMAB007 was the only mAb asthma therapy developed in China by a local Chinese company that had reached phase III clinical trial, and we believe that, once approved by the National Medical Products Administration (the "**NMPA**"), it will be the first mAb asthma therapy developed by a local Chinese company marketed in China. CMAB007 combines with free IgE to form an anti-IgE complex that inhibits the high affinity IgE receptor and thereby prevents the allergic response. The safety and efficacy of CMAB007 have been confirmed by the results of two completed clinical trials of a total of 665 subjects, which were the largest clinical trials of mAb treating asthma in China. Based on our clinical trial results, CMAB007 can improve asthma patients' conditions with lower-dose inhaled corticosteroids and reduce the incidence of acute asthma attacks.

During the Reporting Period, CMAB007 was under phase III clinical trials for allergic asthma. As of December 31, 2020, we are at the closing stage of the clinic trials. The outbreak of pneumonia caused by SARS-CoV-2, being a respiratory disease, and the recent rebound of pandemic in Beijing and northeastern region of China had certain impact on our research and development in 2020. Based on the new regulations and technical guidelines introduced by the NMPA on new biological drugs, we are initiating a head-to-head phase I comparative study versus the currently marketed omalizumab products to confirm the similar pharmacokinetic profile and immunogenicity of CMAB007. It is expected that CMAB007 will expand its indications to chronic idiopathic urticaria and seasonal allergic rhintis in the future. We expect to file the drug marketing application with the NMPA in the third quarter of 2021 upon completion of clinical observation and data analysis of all cases. Currently, we expect that CMAB007 may be approved by the NMPA for marketing in the second quarter of 2022.

CMAB009 (cetuximab)

CMAB009 (cetuximab), a recombinant anti-EGFR chimeric monoclonal antibody, is our new drug candidate based on cetuximab for first-line treatment of metastatic colorectal cancer ("**mCRC**") in combination with FOLFIRI. CMAB009 is the first NMPA approved chimeric anti-EGFR antibody for clinical trial developed in China by a local Chinese company. CMAB009 uses the Chinese hamster ovary cell ("**CHO**") expression system, which is different from the mouse myeloma cell SP2/0 expression system used in marketed cetuximab product. The safety and efficacy of CMAB009 have been confirmed from the results of two completed clinical trials of a total of 530 subjects, which were the largest clinical trials of anti-EGFR mAb developed in China by a local Chinese company. Based on our clinical trial results compared to published clinical trial results for the currently marketed cetuximab products, CMAB009 significantly reduces immunogenicity and decreases the incidence of adverse reactions, such as severe hypersensitivity. We believe that CMAB009 is safer than, and as effective as, the currently marketed cetuximab drugs for treatment of mCRC.

During the Reporting Period, CMAB009 was under phase III clinical trials for colorectal cancer. The outbreak of SARS-CoV-2, being a respiratory disease, and the recent rebound of pandemic in Beijing and northeastern region of China had certain impact on our research and development in 2020. We expect to file the new drug marketing application with the NMPA in the third quarter of 2022 upon completion of clinical observation and data analysis of all cases. We are also preparing for clinical trials of other indications of CMAB009. Currently, we expect that CMAB009 may be approved by the NMPA for marketing in the third quarter of 2023.

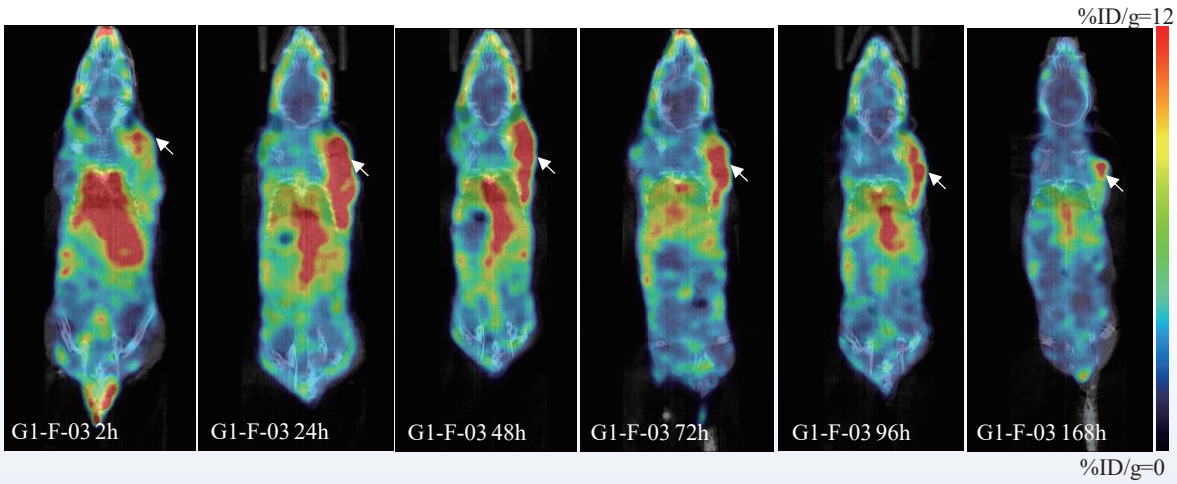
Other Product Candidates

CMAB819 (nivolumab) is our new drug candidate currently undergoing phase I clinical trial. CMAB819 was approved by the NMPA for clinical trial in September 2017. As of December 31, 2020, we have commenced the phase I clinical trial. We expect that CMAB819 may be approved by the NMPA for marketing in the second quarter of 2026. CMAB819 is indicated for the treatment of metastatic non-small cell lung cancer, hepatocellular carcinoma and head and neck squamous cell carcinomas (HNSCC).

CMAB810 (pertuzumab) is our pre-clinical trial biosimilar drug candidate. The related screening processes, the establishment of a cell bank, and a lab-scale process for CMAB810 have been completed. We are carrying out preclinical animal experiments for CMAB810 and expect to apply for clinical trials in the fourth quarter of 2022. We expect that CMAB810 may be approved by the NMPA for marketing in the first quarter of 2028. CMAB810 is indicated for the treatment of breast cancer.

CMAB816 (canakinumab) is our pre-clinical trial biosimilar drug candidate. The related screening processes and the establishment of cell bank have been completed. It is expected to apply for clinical trials in the third quarter of 2022. We expect that CMAB816 may be approved by the NMPA for marketing in the second quarter of 2026. CMAB816 is indicated for the treatment of periodic fever syndrome and systemic juvenile idiopathic arthritis. Further, according to the latest research results, canakinumab can potentially reduce the incidence of lung cancer and lung cancer-related mortality rate.

CMAB017 is an innovative candidate in preclinical research stage and an innovative strong antibody drug. At present, the screening of high expression engineering cells and the establishment of engineering cell bank have been completed. The research on production process and formulation selection has been concluded. Results of the completed experimental study on tissue distribution of tumor-bearing mice show that CMAB017 concentrates locally in tumor 24-72 hours after administration. We expect to commence phase III clinical trial in the fourth quarter of 2024. We expect that CMAB017 may be approved by the NMPA for marketing in the fourth quarter of 2027. Regarding CMAB017, the design of blocking peptide is expected to significantly reduce adverse reactions of skin, gastrointestinal mucosa, etc. The selection of IgG1 constant region can enhance the effect mediated by Fc fragment of antibody and thus improve the curative effect. Based on the advantages of safety and curative effect, the cost of case medication is far lower than CMAB009, and it is expected that more new strong antibody drugs will be developed leveraging the research and development platform of CMAB017. CMAB017 is indicated for the treatment of KRAS wild-type colorectal cancer.



CMAB015 is a biosimilar candidate for secukinumab, which is under preclinical study. At present, the screening of high expression engineering cells and the establishment of engineering cell bank have been completed. The research on production process is in progress and it is expected that we will apply for clinical trial in the first quarter of 2022. We expect that CMAB015 may be approved by the NMPA for marketing in the fourth quarter of 2025. CMAB015 targets interleukin 17A (IL-17A) for treating plaque psoriasis, psoriatic arthritis and ankylosing spondylitis.

CMAB018 is a biosimilar candidate for mepolizumab, which is under preclinical study. At present, the screening of high expression engineering cells and the establishment of engineering cell bank have been completed, the research on production process is in progress and it is expected that we will apply for clinical trial in the second quarter of 2022. We expect that CMAB018 may be approved by the NMPA for marketing in the fourth quarter of 2025. CMAB018 targets interleukin 5 (IL-5) for treating severe asthma and eosinophilic granulomatous polyangiitis.

New Product Candidate developed/to be acquired after the Reporting Period

CMAB022 is a candidate biosimilar product of stelara® (ustekinumab). Ustekinumab is a monoclonal antibody targeting interleukin-12 (IL-12) and interleukin-23 (IL-23). It inhibits these two proinflammatory cytokines by binding to the P40 subunit shared by IL-12 and IL-23 and preventing them from binding to the cell surface IL-12 receptor β1. IL-12 and IL-23 are two natural proteins, which play a key role in immune-mediated inflammatory diseases, including plaque psoriasis, psoriatic arthritis and Crohn's disease,indications include: moderate to severe plaque psoriasis in adult patients who are candidates for systemic therapy or phototherapy; adults with active psoriatic arthritis (PsA); adults with active ankylosing spondylitis (AS); adults with active non-radiographic axial spondyloarthritis (nr-axSpA) with objective signs of inflammation. The pilot processes are developing. We expect to apply for clinical trials in the fourth quarter of 2022 and CMAB022 may be approved by the NMPA for marketing in the first quarter of 2027.

CMAB807 is a Denosumab, a human IgG2 monoclonal antibody with affinity and specificity for human RANKL (receptor activator of nuclear factor kappa-B ligand), which is a transmembrane or soluble protein essential for the formation, function, and survival of osteoclasts, the cells responsible for bone resorption. CMAB807 prevents RANKL from activating its receptor, RANK, on the surface of osteoclasts and their precursors. Prevention of the RANKL/RANK interaction inhibits osteoclast formation, function, and survival, thereby decreasing bone resorption and increasing bone mass and strength in both cortical and trabecular bone. The Company is in the course of acquiring a global perpetual license for CMAB807 which is subject to the approval from the shareholders of the Company. For further details regarding the acquisition of CMAB807, please refer to the announcement of the Company dated March 1, 2021, and the circular dated April 13, 2021 published on the websites of the Stock Exchange and the Company.

Research and development of new drug candidates

We have launched a series of follow-up R&D of new antibody drugs for the treatment of allergic diseases, autoimmune diseases and/or tumor diseases. We expect to successfully complete the screening of several new antibody drugs, cell banking and even start pre-clinical animal experiments, thus further expand our product line and provide sufficient drug candidate pipeline expansion for our long-term development.

Taking into account China's antibody drug market environment and the Company's having made substantial research and development progress in new-generation drugs with better efficacy and more promising results, the Company has licensed all rights of CMAB809 to a third party and suspended the research and development of CMAB813. At the same time, in view of the implementation of large-scale COVID-19 vaccination programmes world-wide and China's effective control of the pandemic, we have also suspended the CMAB020 project due to economic considerations in December 2020.

Research and development system

We have developed efficient R&D capabilities, broad and advanced preparation technologies, and low-cost drug production capabilities that will allow us to offer high quality and affordable innovative biopharmaceutical products to patients in China and other emerging markets. Within our product pipeline, we currently have three Core Products, CMAB008 will soon be listed and commercialized, CMAB007 is close to completing the clinical trial and will apply to be listed soon while CMAB009 is under phase III clinical development. Further, one drug product is under phase III clinical trial and another one will commence phase three clinical trials soon. We also own a number of patents for our core technologies, including antibody engineering and humanization technologies, efficient expression vector construction technologies, efficient clone screening technologies, as well as a proprietary R&D animal model. Our R&D activities are carried out by three core teams: basic R&D, clinical trials, and industrialized good manufacturing practices ("**GMP**"). The operations, design, and construction needs of these three core teams are supported by an assisting engineering team. Our R&D teams consist of professionals who have extensive industry experience in biologics R&D and have gained valuable work experience at global pharmaceutical companies. Employees in our R&D teams possess strong academic background from leading institutions in immunology, molecular biology, oncology or monoclonal antibody development.

DRUG CANDIDATES COMMERCIALIZATION AND PRODUCTION FACILITIES CONSTRUCTION

Existing production facilities

Our production site in Taizhou has two buildings of 30,000 square meters in total and houses our mAb production facilities. The two buildings are equipped with production facilities currently in operation, including (i) four 3×1,500L antibody bioreactor systems and related purification lines (three of which were constructed and commenced operation in 2020), (ii) an injection vial filling line capable of manufacturing four million units per annum and (iii) a pre-filled syringes production line capable of manufacturing one million units per annum. We have not commenced commercial manufacturing at our production facilities.

Construction of new production facilities

We constructed new production facilities on the parcel of industrial land of approximately 100,746 square meters in Taizhou Hi-tech Zone. Our expansion plan includes the construction of (i) large-scale monoclonal antibody drug substance production lines with scale of each cell reactor reaching 7,500L and 18,000L, respectively, and (ii) two drug product filling lines which have commenced construction and completed the construction of the plant, design and purchase of key equipment and is expected to be put into trial operation in the middle of 2022.

Marketing and distribution

Further, during the rapid growth of the pharmaceutical market in China, the central procurement under the medical insurance that may be extended to cover biological drugs in the future and the increased effort in national negotiations on medical insurance will restructure the pharmaceutical market in China to a large extent. We will actively participate in the national medical reform with our advantages in terms of advanced technology, quality and cost and capture the opportunities presented during the policy reform so as to capture the huge unmet market demand in China. At the same time, we have also initiated our global market expansion and accelerated the registration and launching of our drugs in the international market.

We are in the process of building our sales and marketing strategy. Our marketing strategies to focus on precision marketing through academic promotion and center around increasing knowledge and awareness of the clinical benefits of our pharmaceuticals among medical professionals. We intend to focus on hospitals with potential clinical demand for our products as our primary customer base. We intend to continue to communicate frequently with major hospitals in China to understand the hospitals and their doctors' academic views on antibody drugs and patient demands. We also intend to continue to meet industry experts regularly to understand industry trends. We will continue to participate in academic conferences, seminars and symposia, which include large-scale national and provincial conferences organized by the Chinese Medical Association or its local chapters, as well as smaller events tailored to specific cities and hospital departments to promote our brand awareness.

Half of our current core sales team members have over a decade of experience in sales and management of antibody drugs, including the first antibody drug produced by a local Chinese company marketed in China. Our sales team has maintained direct relationships with hospitals through its participation in and support of our clinical trials. In anticipation of the launch of our products, we have been expanding our sales and marketing force. In line with our sales and marketing strategy, we will focus on the recruitment of sales and marketing personnel who has notable academic profile in medicine and pharmacy, and who has over three years' clinical experience in therapeutic areas of allergic diseases, cancers and autoimmune diseases. We expect to implement certain procedures to ensure that our academic promotion and general marketing efforts are in compliance with applicable laws and regulations.

We expect to sell our products to (i) distributors that sell our products to hospitals and (ii) direct-to-patient pharmacies and others. We plan to build our network of distributors when our products are approved by the NMPA for commercialization. We anticipate that our distribution model will be consistent with customary industry practice and serves to ensure efficient coverage of our sales network while controlling our cost of distribution and account receivables. We intend to select our distributors based on their qualifications, reputation, market coverage and sales experience. To distribute our products in the future, a distributor must maintain its business license and other requisite licenses and permits. A distributor must also maintain extensive hospital coverage in the designated region. A distributor must be capable of delivering our products to covered hospitals in a safe and timely manner. We plan to actively monitor the inventory levels of our distributors to increase the efficiency of our distribution network.

Quality assurance

We believe that an effective quality management system for our raw materials, equipment and finished products is critical to ensure the quality of our services and maintain our reputation and success. To ensure that our products and services consistently meet high industry standards and requirements, we have also established a company-level quality assurance department to inspect the quality of our products and services. It is also responsible for the approval, organization and coordination of quality control and quality assurance procedures within each subsidiary. Facilities and equipment are subject to inspection measures such as united registrar systems, factory acceptance testing, site acceptance testing, installation qualification, operator qualification, performance qualification, and regular maintenance throughout their entire life cycles. Our manufacturing business lines are inspected in accordance with the PRC national laboratory quality control standard and the GMP management requirements; our research and development business lines are also inspected in accordance with the GMP management requirements.

FUTURE AND OUTLOOK

We leverage on our efficient sales system with a focus on niche market to capture the opportunities presented in the pharmaceutical reform in China.

Under the implementation of the new medical insurance policy in recent years, the pharmaceutical market in China is undergoing significant market restructuring. Companies with more competitive advantage in terms of quality and pricing have benefited greatly from the negotiations on medical insurance price between the National Healthcare Security Administration and regional healthcare security administrative bodies at all levels and negotiations in relation to central procurement for drugs covered under the medical insurance. As a result, the overall market penetration has increased significantly during the reformation. This trend will drive the development of the pharmaceutical market in China for a long time in the future. Riding on the trend of the overall pharmaceutical policy reform, we will build a sales team in China with high efficiency and academic promotion as its core strategy, focusing on niche markets, such as gastroenterology, respiratory, rheumatology and oncology, with an aim to promote our products and cultivate the practice of antibody drugs application. We will actively monitor, and participate in, the negotiations of medical insurance, especially focusing on capturing the huge potentials brought by the negotiations of central procurement for biological products under the medical insurance. Relying on the significant advantages of our drugs in terms of quality and cost, we will capture the opportunity presented in the significant increase in market penetration caused by the policy reform, effectively satisfy the unmet market demand in China in respect of biological agents with high quality products and ultimately benefiting patients.

The antibody drugs development in overseas markets has shown a rapid increase resulting in a huge unmet global market demand for antibody drugs especially for those with PIC/s as the core. In light of the policy reform in China, the economies of scale of antibody drugs will greatly enhance the global competitiveness of Chinese antibody drugs. In view of this, we will work closely with our overseas market expansion partners to initiate new drug registration and launching new drugs in different countries and regions in a comprehensive and flexible manner with multiple products, with an aim to promote our products' global presence and accelerate their growth in the global market.

Continue to advance the clinical research and commercialization of our drug candidates

Over the short-term, we intend to focus on completing clinical trials and the eventual commercialization of our current pipeline of drug candidates, particularly our Core Products, CMAB007, CMAB009 and CMAB008. To bring our Core Products to market, we aim to reinforce our R&D teams, particularly the clinical medicine team, through the provision of regular professional training and pushing ahead with the clinical trials for CMAB007, CMAB009 and CMAB008. We are also in the process of establishing a sales team consisting of staff with strong academic promotion experience and capabilities. Our goal is to generate stable revenue and profits in the future by creating our own sales team in China and strengthening our commercialization capabilities by further building our sales team.

Continue to maintain investments in advanced technologies and product development

We believe R&D is the key element to support our future growth and our ability to maintain our competitiveness in a global biopharmaceutical market. We plan to upgrade the development of our integrated technological platforms from molecular design to commercialized production, and focus on the R&D of biologics with huge clinical demand and the potential for sustained and rapid growth in China. In order to capture new opportunities in the biopharmaceutical market, we plan to continue increasing our investment into innovative technologies for the development of drugs with improved curative effects and less toxic side effects in order to maintain our industry leading position. We also expect to invest in talent to expand and enhance our R&D team.

Continue to attract and nurture high quality talent to support our rapid growth

Recruiting and retaining high quality scientific and technological talent as well as other leaders in R&D technology will be key to our success. We plan to leverage our close cooperation with elite universities in China and internationally to recruit and develop outstanding R&D personnel. We also plan to provide systematic and sophisticated training and development programs to our research teams in order to enhance and optimize their scientific and technical abilities to benefit our Company. Part of this strategy involves the creation of an incentive scheme to retain and motivate high-performing team members.

Establish global brand awareness and foster deeper and more extensive cooperative relationship with domestic and overseas renowned pharmaceutical companies

To build our brand internationally and to support our sustainable growth, we plan to in-license products from global pharmaceutical companies for sales in China and/or to transfer or out-license overseas product rights of certain of our drug candidates to other pharmaceutical companies. We may also consider developing collaborative partnerships with global pharmaceutical companies in order to enter and expand our market share in markets outside of China and to further broaden the geographic coverage of our business. As part of this strategy, we may take advantage of strategic opportunities for merger and acquisition internationally to expand our pipeline of products for R&D development and sales in overseas markets.

FINANCIAL INFORMATION

The financial information set out below in this annual report represents an extract from the audited consolidated financial information for the year ended December 31, 2020 with comparative figures for the corresponding period in the previous year, which is audited has been reviewed by the audit committee of the Company ("**Audit Committee**").

FINANCIAL REVIEW

The following table summarizes our results of operations for the year ended December 31, 2020 and 2019:

	For the year ended December 31,			
	2020	2019	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*(%)*
Other income	**32,237**	17,999	14,238	79.1
Other expenses	**–**	(4,127)	4,127	(100.0)
Other gains and losses	**(26,714)**	15,962	(42,676)	(267.4)
Research and development expenses	**(120,418)**	(134,189)	13,771	(10.3)
Administrative expenses	**(65,795)**	(62,952)	(2,843)	4.5
Finance costs	**(3,942)**	(7,695)	3,753	(48.8)
Listing expenses	**–**	(27,527)	27,527	(100.0)
Loss before tax	**(184,632)**	(202,529)	17,897	(8.8)
Income tax expense	**–**	–	–	–
Loss and total comprehensive expense for the year	**(184,632)**	(202,529)	17,897	(8.8)
Attributable to:				
Owners of the Company	**(184,632)**	(202,529)	17,897	(8.8)
	RMB	*RMB*	*RMB*	
Loss per share attributable to ordinary equity holders of the Company				
– Basic and diluted	**(0.04)**	(0.05)	0.01	(20.0)

OTHER INCOME

Other income of the Group increased by 79.1% from approximately RMB18.0 million for the year ended December 31, 2019 to approximately RMB32.2 million for the year ended December 31, 2020, which was primarily due to the significant increase in subsidies received from the government and bank interest income during the Reporting Period.

Set out below are the components of other income for the periods indicated:

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Bank interest income	**9,458**	3,925
Government grants and subsidies related to income	**22,779**	9,013
Income from sale of raw materials	**–**	5,061
	32,237	17,999

OTHER EXPENSES

Other expenses of the Group decreased by 100% from approximately RMB4.1 million for the year ended December 31, 2019 to nil for the year ended December 31, 2020, as we have not sold any raw materials to external parties during the Reporting Period, hence, no corresponding costs were incurred.

OTHER GAINS AND LOSSES

Other gains and losses of the Group decreased by 267.4% from approximately RMB16.0 million gains for the year ended December 31, 2019 to approximately RMB26.7 million losses for the year ended December 31, 2020, which was primarily due to the foreign exchange losses resulted from the depreciation of U.S. dollars and Hong Kong dollars against RMB.

Set out below are the components of other gains and losses for the periods indicated:

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Net foreign exchange (losses)/gains	**(31,902)**	15,962
Others	**5,188**	–
	(26,714)	15,962

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of pipelines of the Group decreased by 10.3% from approximately RMB134.2 million for the year ended December 31, 2019 to approximately RMB120.4 million for the year ended December 31, 2020. The decrease was mainly because we have completed the clinical trail for CMAB008 and almost completed case recruitment for CMAB007 by the end of 2019, which resulted in the decrease in contracting costs and raw materials.

The Group's research and development expenses mainly include contracting costs, raw materials and consumables, staff costs and depreciation and amortization.

Set out below are the components of research and development expenses for the periods indicated:

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Contracting costs	**46,797**	55,361
Raw materials and consumables	**20,724**	25,092
Staff Cost	**35,899**	34,241
Depreciation and amortization	**8,799**	7,824
Others	**8,199**	11,671
Total	**120,418**	134,189

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group slightly increased by 4.5% from approximately RMB63.0 million for the year ended December 31, 2019 to approximately RMB65.8 million for the year ended December 31, 2020. All major administrative expenses incurred during the Reporting Period remained relatively stable.

Administrative expenses of the Group primarily comprise of staff salary and benefit costs of our non-R&D personnel, utilities, rental and general office expenses, depreciation and agency and consulting fees.

Set out below are the components of administrative expenses for the periods indicated:

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Staff Cost	**32,237**	34,418
Building rental fees	**104**	22
Depreciation	**14,998**	14,373
Others	**18,456**	14,139
Total	**65,795**	62,952

FINANCE COSTS

Finance costs of the Group decreased by 48.8% from approximately RMB7.7 million for the year ended December 31, 2019 to approximately RMB3.9 million for the year ended December 31, 2020, which was primarily due to the repayment of all bank loans by the Group and there is no loan granted from related parties during the Reporting Period.

The Group's finance costs mainly include interests on bank loans and lease liabilities.

LIQUIDITY AND CAPITAL RESOURCES

Our cash and bank balances decreased by 17.6% from approximately RMB588.7 million at December 31, 2019 to approximately RMB484.8 million at December 31, 2020 as the Group has invested the funds into the operation and development of the Group as planned.

Current pledged bank deposits decreased by 98.5% from approximately RMB130.0 million as at December 31, 2019 to RMB2.0 million as at December 31, 2020, which was primarily attributable to the timely repayment of borrowed loans by the Group in accordance with the relevant agreement, leading to the release of the pledged bank deposits.

Set out below is an analysis of the liquidity and capital resources at the dates indicated:

	At December 31,		
	2020	2019	Change
	RMB'000	*RMB'000*	*(%)*
Current Assets			
Prepayments and other receivables	**31,673**	21,904	44.6
Inventories	**33,427**	22,224	50.4
Contract costs	**16,769**	13,240	26.7
Pledged bank deposits	**2,000**	129,891	(98.5)
Time deposit	**–**	179,160	(100.0)
Rental deposit to a related party	**411**	–	–
Cash and bank balances	**484,846**	588,720	(17.6)
Total	**569,126**	955,139	(40.4)

INDEBTEDNESS

Borrowings

As of December 31, 2020, we had insignificant amount of non-trade amount due to a related party and had lease liabilities of approximately RMB40.3 million. As of the same date, none of our existing indebtedness included any material covenants or covenants that could potentially limit our ability to incur new indebtedness.

Set out below is a breakdown of our outstanding borrowings, non-trade amount due to a related party and lease liabilities at the dates indicated:

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
Unsecured and unguaranteed amount due to Biomabs	**21**	2,431
Lease liabilities	**40,348**	42,418
Secured borrowings from the bank	**–**	63,205

As at December 31, 2020, we, as a lessee, had outstanding lease liabilities for the remaining terms of relevant lease agreements (excluding our contingent rental agreements) in an aggregate amount of approximately RMB40.3 million.

As at December 31, 2020, we have repaid in cash all principal and corresponding interests to the bank.

CONTINGENT LIABILITIES, CHARGE OF ASSETS AND GUARANTEES

As at December 31, 2020, the Group had current pledged bank deposits of RMB2 million, which were pledged to a bank as collateral for the issue of a payment guarantee for a construction contract.

Save as disclosed, the Group did not have any other outstanding debt securities, charges, mortgages, or other similar indebtedness, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are guaranteed, unguaranteed, secured or unsecured, any guarantees or other material contingent liabilities.

CAPITAL STRUCTURE

There were no changes in the capital structure of the Group during the Reporting Period. The share capital of the Group only comprises ordinary shares. As at December 31, 2020, the total issued share capital of the Company was US$412,408 divided into 4,124,080,000 shares.

The capital structure of the Group was 24.2% debt and 75.8% equity as at December 31, 2020, compared with 24.5% debt and 75.5% equity as at December 31, 2019.

FOREIGN EXCHANGE

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which our Group conducts business may affect our financial condition and results of operation. The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars and the U.S. dollars. The conversion of foreign currencies into RMB, including Hong Kong dollars and the U.S. dollars, has been based on rates set by the People's Bank of China. The Group primarily limits our exposure to foreign currency risk by closely monitoring the foreign exchange market. During the Reporting Period, the Group did not enter into any currency hedging transactions.

GEARING RATIO

Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. As at December 31, 2020, the gearing ratio of the Group was 24.2% (as at December 31, 2019: 24.5%).

The following table sets forth our other key financial ratios as of the dates indicated.

	At December 31,	
	2020	2019
Current ratio [(1)]	**2.8**	3.5
Quick ratio [(2)]	**2.6**	3.5

Notes:

(1) Current ratio represents current assets divided by current liabilities as of the same date.

(2) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.

Our current ratio decreased from 3.5 as of December 31, 2019 to 2.8 as of December 31, 2020, and our quick ratio decreased from 3.5 as of December 31, 2019 to 2.6 as of December 31, 2020, primarily due to a significant portion of the Company's funds being used for operation and development of the Group according to the respective intended purposes.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

As at December 31, 2020, there were no significant investments held by the Group or future plans regarding significant investment or capital assets. For the year ended December 31, 2020, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

EMPLOYEE AND REMUNERATION POLICY

As of December 31, 2020, we had a total of 336 employees, of which 100 are located in Shanghai and 236 are located in Taizhou. The table below sets forth a breakdown of our employees by function:

Function	Number of Employees
Business units	47
R&D personnel [(1)]	202
Sales and marketing [(2)]	17
Administration	27
Management	43
Total	336

Notes:

(1) The number of R&D personnel here excludes 23 R&D team members who have been included in our management.

(2) The number of sales and marketing personnel here excludes our five core sales and marketing team members, who have been included in our management.

Our success depends on our ability to attract, recruit and retain qualified employees. We provide our employees with opportunities to work on cutting-edge biologics projects with world-class scientists. We aim to attract qualified employees with overseas educational backgrounds and relevant experience gained from global pharmaceutical or biotechnology companies. As of the date of this annual report, Dr. Li Jing and Dr. Wang Hao of our scientists held a Ph.D. degree or equivalent in fields that are highly relevant to our business. In addition, as of the same date, 142 out of our 225 R&D personnel (including those who are our management) held a bachelor's degree or above.

Our employment agreements typically cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees generally includes salary and bonus elements. In general, we determine the remuneration package based on the qualifications, position and performance of our employees. We also make contributions to the social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund.

We have established a labor union at Taizhou that represents employees with respect to the promulgation of bylaws and internal protocols. As of December 31, 2020, all of our employees at Taizhou were members of the labor union. We believe that we maintain a good working relationship with our employees. We had not experienced any material labor disputes or any material difficulty in recruiting employees for our operations during the Reporting Period and up to the date of this annual report.

The Company has also adopted the Pre-IPO Share Option Scheme to provide incentives for the Group's employees. Please refer to the section headed "Pre-IPO Share Option Scheme" in this report for further details.

The total remuneration cost incurred by the Group for the year ended December 31, 2020 was RMB71.4 million, as compared to RMB66.9 million for the year ended December 31, 2019.

Environmental, Social and Governance Report

ABOUT THE REPORT

The Environmental, Social and Governance ("**ESG**") Report (hereinafter referred to as the "Report" or the "**ESG Report**") describes the performance of Mabpharm Limited (hereinafter referred to as "Mabpharm", "we", "us" or the "**Company**") in fulfilling environmental and social responsibilities during the period from January 1, 2020 to December 31, 2020.

The report has been prepared with reference to the Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "**HKEX**") in December 2015. The Company has complied with the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide. The information and data of the Report are derived from Mabpharm's documents and statistical reports as well as the summaries and statistics of our subsidiaries. The Reporting Period for all data and information used in the Report is from January 1, 2020 to December 31, 2020.

ABOUT MABPHARM

Mabpharm is a leading biopharmaceutical company in China, focusing on research, development and production of new drugs as well as biosimilar for allergic diseases, cancers and autoimmune diseases. The Company strives to bring high quality and affordable innovative biologics to market through efficient R&D system and low-cost pharmaceutical production capacity, and develop differentiated therapeutic products by fully utilizing extensive R&D experience.

Mabpharm's pipeline of candidate drugs currently consists of 9 monoclonal antibody drugs, 1 strong antibody drug,three of which are our core products: CMAB007 (omalizumab), CMAB009 (cetuximab) and CMAB008 (infliximab).

Mabpharm follows the International Accounting Standards to consolidate annual report data. As of the end of the Reporting Period, the Company had 336 employees (contractors were excluded), including 147 male employees and 189 female employees, with female accounting for approximately 56% of the workforce.

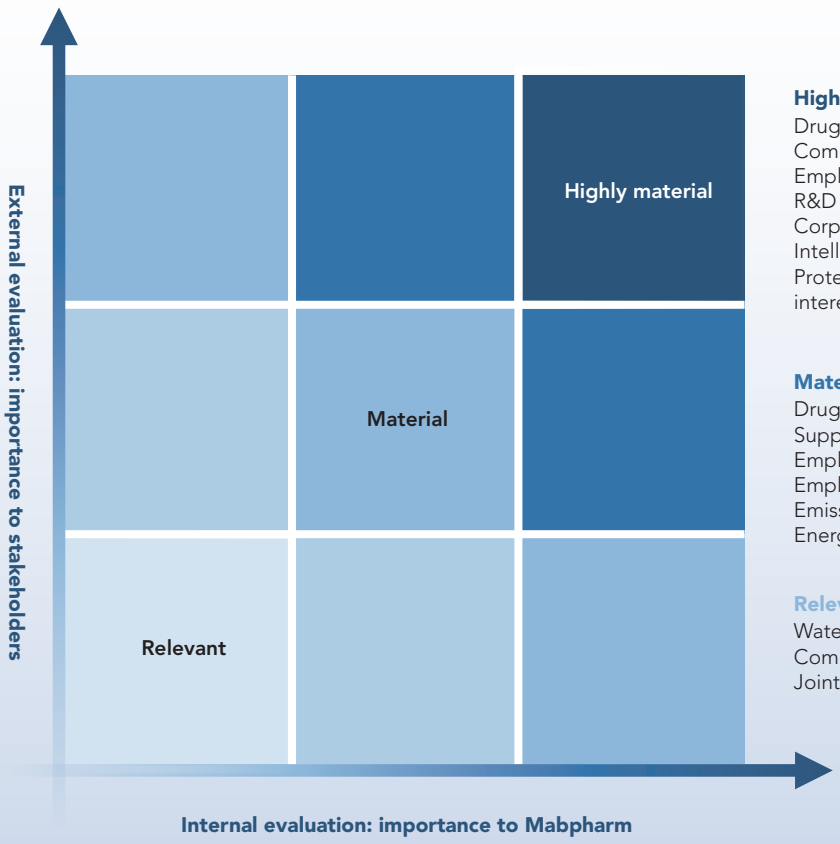
ANALYSIS OF ISSUES OF MATERIALITY

Stakeholders and Issues of Materiality

To fully understand the expectations of stakeholders for Mabpharm, the Company, following HKEX's Guide and combining the internal and external communication and discussions, has identified among the extensive sustainable development issues, the ones that substantially impact Mabpharm and our stakeholders, and incorporated them into the Report. These issues help to formulate company-wide risk management intervention measures and ensure that the Company effectively addresses major concerns of stakeholders.

The Company adopts the materiality principle to rate the issues identified, taking into account the Company's management and ESG team's understanding of the stakeholders' feedback on the priorities, as well as the opinions of the internal and external stakeholders related to the operating units. Please refer to the table below for details of the stakeholders.

The material issues the Company set forth were rated in the materiality matrix, which had been approved by the management, with the results as follows.



Highly material
Drug quality & safety
Compliance & business ethics
Employee health and safety
R&D and innovation
Corporate governance
Intellectual property rights protection
Protection of rights and interests of subjects

Material
Drug affordability
Supplier management
Employee training and development
Employee benefits and care
Emissions management
Energy management

Relevant
Water resources management
Community welfare
Joint fight against COVID-19

Communication with stakeholders

According to our business and operation characteristics, based on the industrial experience and practices worldwide, the Company's major stakeholders have been identified to include shareholders, patients, the government, employees, community as well as partners. The Company has established various communication channels for the stakeholders, and maintained normal and close communication to ensure that the material issues stakeholders care about are effectively addressed.

	Stakeholders	Major expectations for the Company	Means of communication
	Shareholders	• Compliance & business ethics • Perfect corporate governance • R&D and innovation	• Shareholders meeting • Information disclosure
	Patients	• R&D and innovation • Drug quality & safety • Drug affordability • Protection of rights and interests of subjects	• Adverse drug event feedback • Customer hotline • Subject rights protection mechanism
	Government	• Compliance & business ethics • Drug quality & safety • R&D and innovation • Drug affordability	• Regulation & inspection • Policy implementation • Information disclosure • Government project cooperation

	Stakeholders	Major expectations for the Company	Means of communication
	Employees	• Employee training and development • Employee health and safety • Employee welfare & care	• Staff training • Staff meeting • Team building activities
	Community	• Community welfare • Joint fight against COVID-19 • Environmental protection	• Welfare activities • Anti-COVID-19 measures • Energy management • Water resource management • Emissions management
	Partners	• Sustainable supply chain • R&D and innovation • Intellectual property protection	• Supplier management • Industrial exchanges activities • Intellectual property protection mechanism

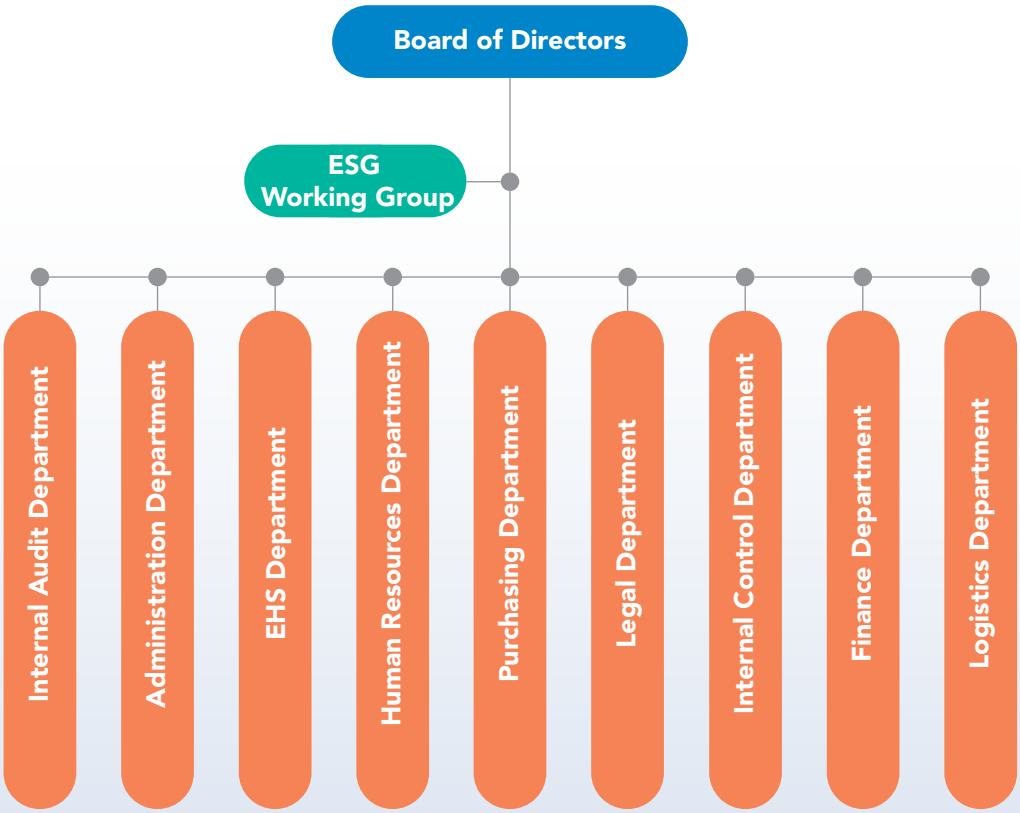
CORPORATE GOVERNANCE

ESG Governance

In 2020, we strived to align our economic development with resources and the environment in corporate governance, remained committed to upgrading the governance measures for sustainable development, guaranteed the establishment of professional governance and business teams, formulated specific business execution and supervision procedures and conducted regular audit and inspection, in a bid to fulfil the responsibilities of Mabpharm to its shareholders and society.

The Company has established an ESG working group designated to ensure the sustainable development of the Company. The ESG working group is comprised of the internal audit department, administration department, environment and health safety department, human resources department, purchasing department, legal department, internal control department, finance department, logistics department and covers aspects including human resources, environment, health and safety (hereinafter referred to as the "**EHS**"), system management and compliance. The ESG working group has taken the lead in designing sustainable development strategies, measures and work plans, provided instructions and implemented relevant matters, then reviewed major environmental and social risks, and eventually reported the same to the Board.

The ESG structure of the Company is set out below:



Compliance Operation

To protect the fair operating environment and maintain sound business order, Mabpharm considers compliance operation to be the basis of development. The Company is dedicated to the "compliance foremost" guideline in internal governance and continues to popularize the anti-corruption education among all our employees.

Anti-corruption has been a common concern for all walks of life, including customers, suppliers and other stakeholders. The Company adopts the "zero tolerance" attitude towards any bribery and corrupt acts and is committed to anti-corruption during routine operations. Mabpharm sticks to a high standard of business ethics, undertakes to operate in compliance and with integrity, and observes relevant local laws and regulations where it operates, including the Criminal Law of the People's Republic of China and the Law against Unfair Competition.

The Company has formulated the Anti-fraud Management System and the internal control management department, as the permanent organization responsible for the anti-fraud tasks of the Company, conducted internal supervision and inspection over various sensitive matters within the Company in line with such system. Meanwhile, the Company has set up an anti-fraud whist-blowing hotline and mail-box, through which employees at different levels and other parties with direct or indirect economic relations with the Company may report actual or suspected fraud cases. In addition, the service contracts of the Company generally contain anti-fraud provisions, requiring the Company to comply with Foreign Corrupt Practices Act and other anti-fraud laws.

During 2020, we did not identify any corruption, bribery, extortion, fraud and money-laundering, nor was there any litigation in this regard.

FUELLING BUSINESS GROWTH WITH RESEARCH AND DEVELOPMENT

Innovation is the foundation underpinning the development of biopharmaceutical enterprises. As China's leading biopharmaceutical enterprise, Mabpharm has driven its growth with innovation and R&D and continued to develop innovative biopharmaceutical products leveraging continuous enhancement of its R&D capacities. During the R&D and trial processes, the Company respects, constantly reviews and improves the long-standing bio-ethical standards. Additionally, the Company has attached great importance to intellectual property rights protection and continued to upgrade and improve intellectual property rights management system to protect the existing R&D results and technology patents.

On-going Innovation and R&D

Mabpharm has established an efficient R&D system and continued to increase R&D investment to enhance its own technological advantages. In 2020, R&D expenditure of the Company reached RMB120 million, representing a year-on-year increase of approximately 10%.

- ***R&D standardization***

  The Company has established systemic R&D management regulations and standard operation manuals in accordance with relevant national requirements and industry standards to specify the routine management of R&D personnel, basic procedures for project development, laboratory management and other fundamental processes. In 2020, the National Medical Products Administration issued the revised Good Clinical Practice for Drug Trials. Accordingly, the Company streamlined internal management processes, adjusted relevant systems and procedures relating to clinical trial management through adding three new systems and adjusting and upgrading 10 systems, which were taken as the guideline for clinical trial researches.

- ***R&D investment***

The Company continuously enhances transformation and upgrading of R&D equipment. In 2020, the Company introduced the laboratory-grade protein purification chromatography system and pilot-scale protein purification chromatography system for the separation and purification of protein. Such equipment upgrading will facilitate the Company to establish more stable, standard and automatic purification process, boost R&D efficiency and strengthen the accuracy of experimental results.

We believe that the establishment of a R&D team with extensive professional knowledge, rich practical experience and rational structure is crucial to achieving the R&D targets. The Company currently has 225 R&D employees, 161 of whom held a bachelor's degree or above. Our core R&D team members have more than 17 years of experience in R&D of monoclonal antibodies, and have led three major projects under the "863" Program, among other national-level scientific research projects and received the titles of "Entrepreneurship and Innovation Team of Jiangsu" and "Entrepreneurship and Innovation Talents of Jiangsu" in 2020. In addition, one of our core R&D team members is also a member of the 11th Session of the Chinese Pharmacopoeia Commission.

- ***R&D results***

Following the policies of the State and driven by market demand, we have accelerated R&D progress and promote marketing of products. At present, the pipeline candidates of Mabpharm consist of 9 monoclonal antibodies and 1 strong antibody drug. In particular, CMAB008 (infliximab), CMAB007 (omalizumab) and CMAB009 (cetuximab) are our core products. In addition, our other candidate product CMAB819 (nivolumab) have started clinical trials for Phase I.

Case: submitting new drug marketing application
The Company has submitted the new drug marketing application of CMAB008 to National Medical Products Administration. CMAB008 is a new drug candidate based on infliximab for moderate to severe active rheumatoid arthritis. The Company believes that it is safer and less immunogenic compared to the mouse myeloma cell SP2/0 used by the currently marketed infliximab drugs. CMAB008 uses CHO expression system and the immunogenicity is reduced significantly. The marketing submission marks the initial results achieved by the Company in guaranteeing benefits and reducing toxic and side effects of clinical drugs, which also laid the foundation for boosting drug availability for domestic patients.

- ***R&D work amid the COVID-19 pandemic***

  The COVID-19 pandemic struck the globe at the beginning of 2020. Despite the obstacles imposed on the R&D tasks of the Company, the Company observed the pandemic prevention, control requirements and strived to minimize the effect on the clinical trials. We prepared relevant guiding documents to specify project requirements during the pandemic, thus guaranteeing the smooth progress of various projects and avoiding significant delay. Meanwhile, as certain subjects were unable to take medicines from the hospital in person during the pandemic, the Company has adopted mailing and other methods to ensure uninterrupted supply of medicines to protect the rights and interests, safety and health of subjects.

Protection of Rights and Interests of Subjects

Mabpharm strictly abides by the bioethical standards during clinical research and tests, and steadfastly complies with the medical ethics principles such as the Declaration of Helsinki, as well as China's Good Clinical Practice for Drug Trials.

The Company has set up an organizational structure of pharmacovigilance, as well as a dedicated team and relevant workflow and specifications. The Company buys insurance for all subjects, and actively deals with all kinds of adverse drug effects during the clinical trials and timely communicates to the relevant parties. In addition, we make compensation both economically and socially to protect the rights and interests of patients.

The full process of clinical trials involves significant amount of information of subjects. Therefore, protection of the privacy of subjects is crucial. To avoid information leakage, the Company follows relevant procedures and measures, including but not limited to, 1) specifying the protection of key links and data of subjects when formulating the programs and destroying the data immediately after utilization; 2) inspection by the Ethics Committee on the privacy and privacy protection measures of subjects in the clinical trials and the clinical trials can only be commenced after approval is obtained from the Ethics Committee; 3) entering into the privacy protection agreements between the Company, hospitals and researchers and stipulating relevant provisions in the contracts with suppliers.

Intellectual Property Rights Protection

Mabpharm has attached great importance to enterprise intellectual property management, since we understand that intellectual property is the core competitiveness of enterprises. The Company has formulated the Intellectual Property Management Manual in conformity with the Standards for the Administrative Practice on Enterprise Intellectual Property of the People's Republic of China, forming a sound management system to protect intellectual property from being infringed upon.

The Company has established a dedicated intellectual property management department. All intellectual property management personnel must receive relevant training of local government and pass all examinations. In 2020, two employees participated in the patent practitioner training in Shanghai and obtained the qualification certificates.

The Company values intellectual property training and education. In 2020, the Company conducted four intellectual property training activities. In addition, the Company has designated intellectual property advocates in all departments to regularly communicate intellectual property knowledge and concepts in departmental meetings, strengthening the awareness of intellectual property protection and technological confidentiality.

The Company has signed confidentiality agreements with people who participate in experiments and production and have access to key technologies to ensure that the professionals can properly protect the Company's intellectual property.

To ensure smooth progress of the intellectual property rights protection, the Company has furnished supporting infrastructure resources, including intellectual property rights management software, database and confidentiality equipment. In 2020, the Company supplemented, improved the patent literature database, and kept abreast of the latest trends of patents related to the Company by means of retrieval analysis, risk early warning and automatic reminding, so as to safeguard the legitimate rights and interests of the Company. In addition, the Company organizes intellectual property management review at least once a year to evaluate the appropriateness and effectiveness of intellectual property rights to ensure the normal operation of the intellectual property management system.

As of December 31, 2020, the Company obtained 17 patents, 20 patents under application and 13 newly registered trademarks.

QUALIFY GUARANTEE AND PRODUCT SAFETY

Mabpharm has considered product safety to be the basic principle of the operation and development of an enterprise. In the attitude of accountability to the patients, we strictly control drug quality from supply chain to production and actively fulfil industrial responsibilities.

Outstanding Quality Management

"Quality first, with a high standard of quality system, to provide our customers and patients with safe and effective products" is the core values of Mabpharm. We continue to improve quality management system and organize quality trainings to guarantee product quality and safety.

- ***Quality management system***

  We believe that an effective quality management system for our raw materials, equipment and finished products is critical to ensuring the quality of our services and maintaining our reputation and success. Taizhou Pharmaceutical, one of our subsidiaries, has set up an efficient quality guarantee department which is responsible for the approval, organization and coordination of quality control and quality assurance procedures among all subsidiaries. Facilities and equipment are subject to inspection measures such as united registration systems, factory acceptance testing, site acceptance testing, installation qualification, operation qualification, performance qualification, and regular maintenance throughout their entire life cycles.

  To ensure that our products and services consistently meet high industry standards and requirements, we have also established a company-level quality assurance department to inspect the quality of our products and services. Our manufacturing business lines are inspected in accordance with the PRC national laboratory quality control standards and the GMP management requirements; and our R&D business lines are also inspected in accordance with GMP management requirements.

- ***Quality trainings***

  We believe that product quality improvement is integral to our work and requires attention and participation of all employees. Therefore, the Company organizes quality-related trainings from time to time to effectively strengthen the quality awareness of all the employees and guarantee drug quality. The Company also incorporates relevant legal and regulatory requirements into trainings and document certain contents for standardized management.

  In 2020, the Company carried out a total of 16 quality-related trainings. In addition to GMP management trainings covering all employees, the Company also provided them trainings including those on risk management, process water monitoring management, chromatographic medium management, deviation handling and change control. In addition, according to the newly promulgated Drug Administration Law of the People's Republic of China, Measures for the Supervision and Administration of Drug Production and Measures for the Administration of Drug Registration, the Company also provided trainings to relevant employees, interpreted policies and sorted out relevant core knowledge points, so as to further improve the level of compliance operation of the Company.

- ***Product recall***

  To ensure drug safety for patients, the Company has formulated Administrative Procedures of Recalls to standardize product recalls. Currently, the Company has no marketed products and therefore there is no product recall due to safety and health reasons. The only recorded product recall is because of expiry of control group medicines used for clinical trials.

- ***Compliant management***

  The Company has also formulated administrative procedures for customer complaints, which include provisions on information acceptance and registration, complaint verification and investigation, corrective measures and precautions, and replies to customers. The Company has not received any complaints since our products are not yet sold on the market.

Responsible Supply Chain

The Company has established the Procurement Management Regulations, followed the standardized and regulated procurement procedures during procurement, and resolutely avoided any acts in violation of business ethics and market rules to protect the interests of suppliers.

In addition, we have implemented the Standard Management Procedures for Material Suppliers. Mabpharm has carried out evaluation and inspection before engagement of suppliers to confirm whether they meet the quality policy and obtain the corresponding system certification, and comprehensively consider their initiatives in social responsibility and environmental management. Those with major defects will be vetoed, so as to urge suppliers to make more efforts in social responsibility and environmental governance. In addition to strict control over access of suppliers, the Company also strengthens the evaluation and supervision of suppliers, in a bid to promote the overall improvement of the management level of suppliers.

Access for Suppliers

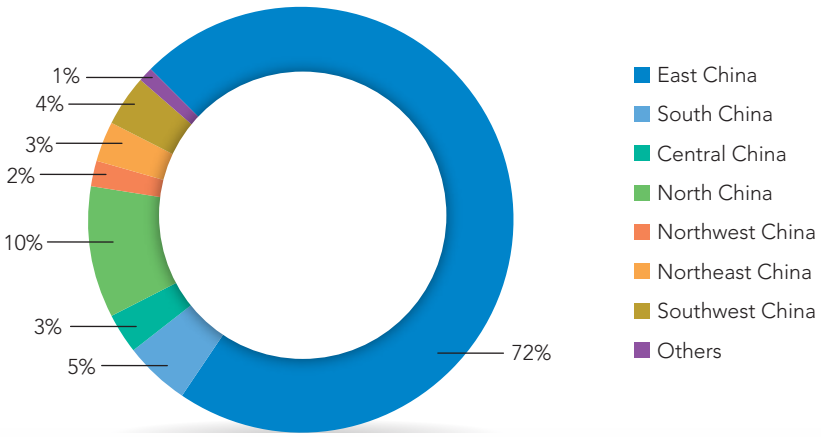
- Evaluate new suppliers, including verification of supplier's qualification, sample quality confirmation, use testing, and site audit of suppliers;
- Sign the quality assurance agreement with key/major material suppliers.

Supervision for Suppliers

- Annually evaluate the supply of products, quality inspection, use of products, quality complaints, improvements and so on;
- Conduct an on-site quality audit for key material suppliers every two years;
- Conduct paper audits for major material suppliers.

In 2020, the Company conducted on-site audits on five key material suppliers and issued audit opinions. For the proposed improvements, the Company communicated with suppliers in time and tracked the rectification results.

As of December 31, 2020, the number of suppliers by region is as follows:



Scientific and efficient production

The Company is committed to improving production efficiency and providing affordable biopharmaceuticals for patients from multiple production aspects without quality compromise.

1. Advanced production facilities: our existing production facilities comprise (1) four 3*1,500L monoclonal antibody bioreactor systems and related purification production lines (three of which were completed and put into production in 2020); (2) An injection filling production line constructed with an annual production capacity of 4 million units; and (3) A Pre-filled injection production line constructed with an annual production capacity of 1 million units. In 2020, our "Phase I Project of Antibody Drug Industrialization" under construction received a subsidy of RMB10 million from the central government for the construction of emergency material guarantee system. Upon completion of the project, a 3*7,500L substance production line will be constructed with an annual production capacity of 8 million units, thereby benefiting more patients.

2. Independent R&D of key raw materials: the Company joined hands with suppliers to develop key production raw materials of antibody drugs such as animal-free cell culture medium S and new alkali-resistant recombinant protein A affinity chromatography purification medium. These two raw materials together account for approximately one-third of the production cost of antibody drugs. Through independent R&D, the Company aims to break the foreign monopoly of key raw materials, improve the localization of raw materials for antibody drugs production, and reduce production costs.

3. Control the material consumption in the production process: the Company formulates the Standard Management Procedure for Material Balance, so as to more accurately grasp the use of materials in the production process and the changes in the output of intermediate products and finished products, reduce material consumption, improve the pass rate, and prevent errors and drug mixing. In addition, the Company makes a scientific picking plan based on the production plan, and implements strict approval procedures during picking to strictly control the material cost.

Case: Stainless steel bioreactor system

The Company uses stainless steel bioreactor, which adjusts the feedback according to the cell culture in real time, and controls the temperature, DO, pH value, tank pressure and stirring speed during the culture process to meet various conditions of cell growth. Meanwhile, the system can realize online cleaning and sterilization, which reduces the use of disposable consumables compared with disposable bioreactors (bags), reduces the cost and mitigates the impact on the environment.

Facilitating Industry Development

Mabpharm actively participates in the formulation of industry standards and promotes industry exchanges to facilitate the overall development of the biopharmaceutical industry.

The Pharmacopoeia of the People's Republic of China, the Chinese code to guarantee the quality of drugs, is of great importance in addressing drug quality and safety issues and improving quality control while maintaining our scientific, progressive, normative and authoritative nature. Dr. Li Jing, a core member of the Company's R&D team, was a member of the 11th China Pharmacopoeia Committee and took part in the formulation and revision of China's national drug standards, as well as the compiling of the Pharmacopoeia of the People's Republic of China.

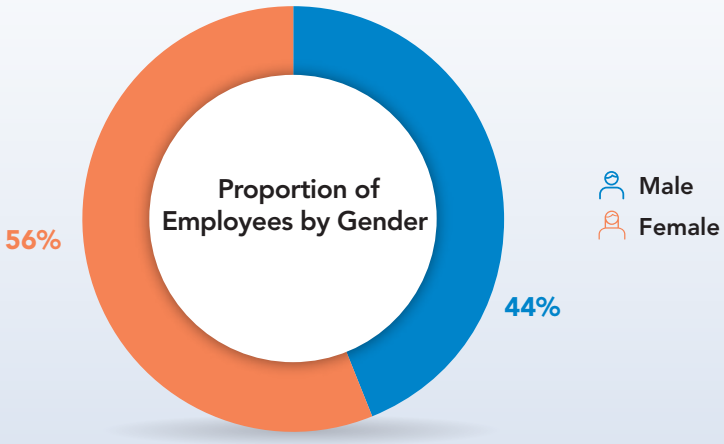
PEOPLE-ORIENTED MANAGEMENT

Employment and Diversity

Mabpharm believes that talents are the cornerstone of the Company's development. Therefore, during its rapid development, the Company is committed to providing development opportunities for more outstanding talents, so as to help them enhance their self-value. We always adhere to the "diversified and open" talent concept, and build a talent management mechanism of "co-creation and win-win for both the Company and talents".

Mabpharm actively promotes its diversified operation and development, and strives to maintain equal employment opportunities. We are always committed to attracting, pooling, stimulating and engaging diversified talents to build a harmonious and efficient staff team. In accordance with the Labor Law of the People's Republic of China, the Company continuously appeals to outstanding talents through campus recruitment, online recruitment and social recruitment in a fair and transparent manner, and undertakes to provide equal employment opportunities and prohibit any form of discrimination or unfair treatment in recruitment, career development, promotion, training and rewards, regardless of skin color, nationality, race, age, gender, religious belief or physical handicap.

In 2020, there were 336 employees in total, among whom female accounted for approximately 56%, and employees under the age of 30 accounted for approximately 40%, presenting a youthful trend. In addition, there were 347 contractors.



Employee Training and Development

The competitiveness and development of enterprises ultimately depends on talents. Therefore, Mabpharm attaches great importance to the improvement of staff quality and personal development, establishes an efficient training system, and formulates reasonable training plans and programs according to business requirements. Our trainings cover corporate systems, culture, professional skills, business knowledge popularization and so on. In 2020, the Company carried out rich learning and training classes with total training hours of 9,919, average training hours per employee of 29.5, and training coverage ratio of 89.58%.

Case: New employee induction trainings

Our employees are required to receive relevant trainings on human resources systems, GMP basic knowledge, EHS knowledge and operation procedures before taking up their posts. The production operators with special requirements and relevant quality inspection personnel must have corresponding professional technical knowledge and practical operation skills. As of the end of the Reporting Period, we completed 30 induction trainings for new employees in 2020.

Case: Training for all staff on basic knowledge of microbiology

In order to deepen employees' understanding of the basic knowledge of microbiology, understand the importance of microbiology in the pharmaceutical industry, and improve the safety awareness of all employees, Mabpharm organized a training for all employees on the basic knowledge of microbiology in 2020, with a total of 182 participants.

Safeguarding the Occupational Health and Safety of Employees

Mabpharm always prioritizes the occupational health and safety of its employees. In 2020, the Company improved the safety production management system, such as the EHS Management Manual, Safety Training Management System and Fire and Explosion Prevention Management System, etc., and optimized the safety production work structure, and specified the work responsibilities of relevant functional organizations. In addition, the Company has formulated a series of safety precautions, including operation safety, fire prevention and explosion prevention, fire control management, hazardous chemicals management, etc., to standardize the daily work of employees.

- ***Safety inspection***

  In 2020, the Company continued to intensify its safety inspection, conducted two inspections on a daily basis and a comprehensive inspection once a week according to the requirements of the EHS Inspection Management System, timely notified potential safety hazards in the enterprise WeChat official account and mailbox to urge rectification, and carried out re-examination based on time slots to realize closed-loop management.

  In addition, the Company continuously conducts multi-dimensional and all-round safety inspections throughout the year, including daily safety inspection of production sites and internal safety audit of the Company. After the safety inspection is conducted, the inspectors shall issue a notice of hidden dangers rectification and corrective measures, and track the results of hidden dangers rectification to ensure that hidden dangers identified in the safety inspection can be solved in time.

- ***Precluding the accidents.***

  Accident prevention is integral to the Company's safety production management system. The safety prevention management of Mabpharm covers production equipment, dangerous chemicals, fire safety, special operations and other aspects, and the Company regularly maintains the production equipment to minimize possibility of safety accidents.

Case: Fire drill

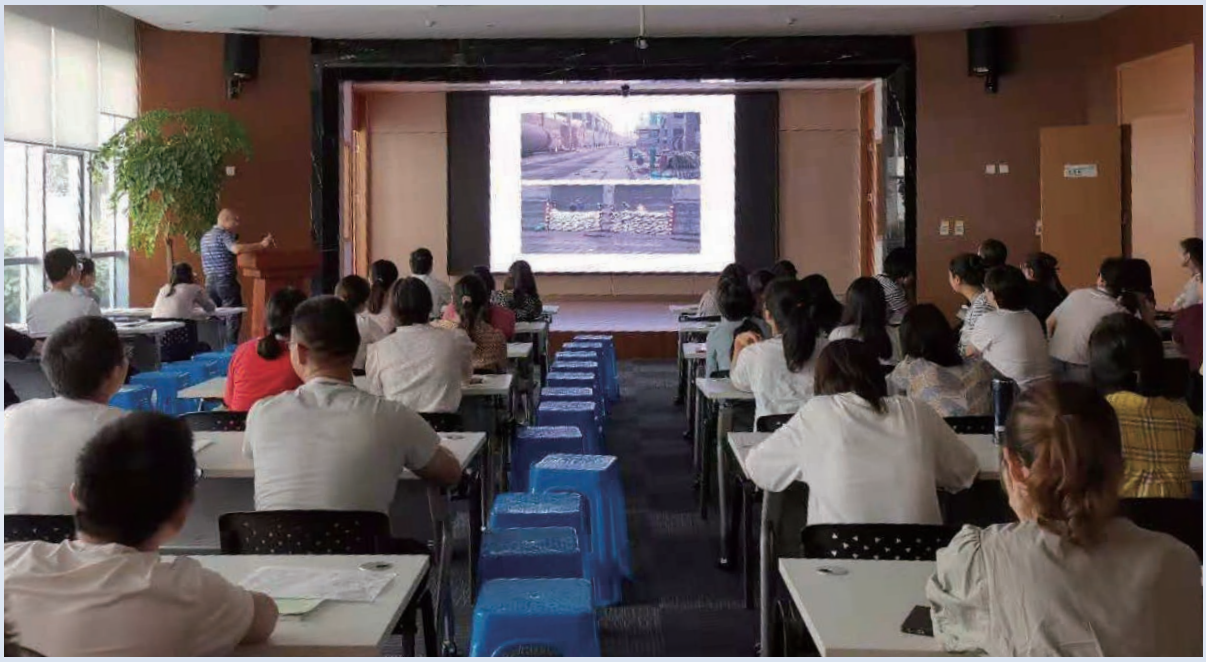
In order to enhance employees' awareness of fire safety and their capability to cope with emergencies, on September 28, 2020, Taizhou Factory of Mabpharm organized a fire drill with a total of 93 participants. The fire drill facilitated the employees to get familiar with the self-rescue and emergency measures in case of fire, enhanced the fire awareness of all staff, and tested the response and rescue capacity of the emergency rescue team by initially confirming fire, putting out fire with fire extinguishers, fire hydrants and other equipment at the initial stage, and organizing staff to take shelter from fire.

- ***Safety education***

  In order to popularize safety awareness among employees' daily work and life, Mabpharm formulates a safety training plan each year, and regularly conducts safety knowledge training and assessment, including safety education for new employees, special operations education and other safety education. In addition, the Company regularly arranges employees to learn advanced safety management concepts and methods, and devotes itself to fully integrating business practice with safety theory, so as to ensure that the unit leaders, occupational health and safety managers and operators discharge their responsibilities safely.

Case: Safety production training

In order to strengthen safety publicity and enhance safety awareness, in 2020, the Company actively carried out trainings and education on safety basic knowledge, technical skills, safety laws and regulations, etc. The employees focused on studying laws and regulations such as Safety Production Law, Safety Production Regulations and Fire Prevention Law, and the Company conducted trainings in three aspects: safety, fire control and occupational hygiene, with a total of 582 participants during the Reporting Period.



- ***Labor protection***

  Based on the actual requirements of various departments, the Company distributes corresponding labor protection articles for employees free of charge, such as insulating gloves, breathing masks and noise-proof earmuffs, and arranges special personnel to take charge of the daily management of labor protection articles to ensure that the labor protection articles required by employees meet the national standards.

Noise-proof earmuffs

Breathing mask

Insulating gloves, insulating shoes

Safeguarding Employees' Rights and Interests

Mabpharm abides by national laws and regulations such as Labor Law, Labor Contract Law, Provisions on Prohibition of Child Labor, Law on Protection of Women's Rights and Interests, Trade Union Law, etc., and incorporates human rights principles and requirements related to anti-discrimination, prohibition of child labor, and opposition to compulsory and forced labor into the Company's management requirements. We actively protect employees' various legal rights. In case that the rights and interests of employees are prejudiced, we are willing to actively communicate and negotiate with employees to effectively safeguard their legitimate interests.

- ***Prohibiting child labor and forced labor***

  Mabpharm explicitly prohibits the use of child labor and forced labor. We have formulated relevant policies and perfect preventive measures in important processes such as staff recruitment and employment, so as to put an end to child labor and forced labor.

- ***Safeguarding employees' rights and welfare***

  In terms of salary, the Company actively keeps itself informed of the overall salary level and development trend in the same industry, and provides employees with competitive salary and welfare. We strictly abide by the minimum wage management regulations of local governments, and ensure that the basic wages of employees of all categories are not lower than the requirements of laws and regulations. In terms of corporate welfare, the Company purchases additional commercial insurance for employees to protect their health and safety. In addition, the Company arranges for a physical examination for employees at least once a year, and provides diversified health care services for employees. Employees can choose different services independently according to their own requirements.

Employee Care

Mabpharm is committed to creating an excellent people-oriented working environment, advocates work-life balance, and expects employees to enjoy their work. Therefore, the Company actively organizes various activities to enrich the cultural life of employees, strives to create a sound working atmosphere for employees and jointly promotes the construction of corporate culture.

Case: Employee birthday party activities

In order to demonstrate our humanized management and care towards employees, and to enhance employees' recognition and sense of belongings to the Company to grow and develop together with the Company, the Company routinely organizes a birthday party for employees every two months. In 2020, we organized a total of 6 birthday parties for employees, covering all the employees of the Company.

Case: Mid-Autumn tea party and Qinhu travelling activities for fresh graduates

In 2020, the Company convened the Mid-Autumn Festival tea party and Qinhu travelling activities for fresh graduates, aiming to welcome new employees on board leveraging the Mid-Autumn Festival party; and mobilize and strengthen the morale of new employees, stimulate their passion, and adapt them to their work through the Qinhu travelling.

Protecting Office Health

During the COVID-19 pandemic, the Company paid great attention to the health and safety of employees and adopted scientific and standardized pandemic prevention measures. We set up a pandemic control team, organized employees to sign letters of commitment regarding work and production resumption, and conducted a thorough disinfection in the plants several times a day. In addition, the pandemic control team arranged for work resumption through health tracking, work from home, holiday arrangement, peak shift work, ordering lunch, etc., so as to ensure sufficient masks, disinfectants and other materials in the office premises, safeguard the health and safety of all employees, and carry out the work and production resumption in an orderly manner.

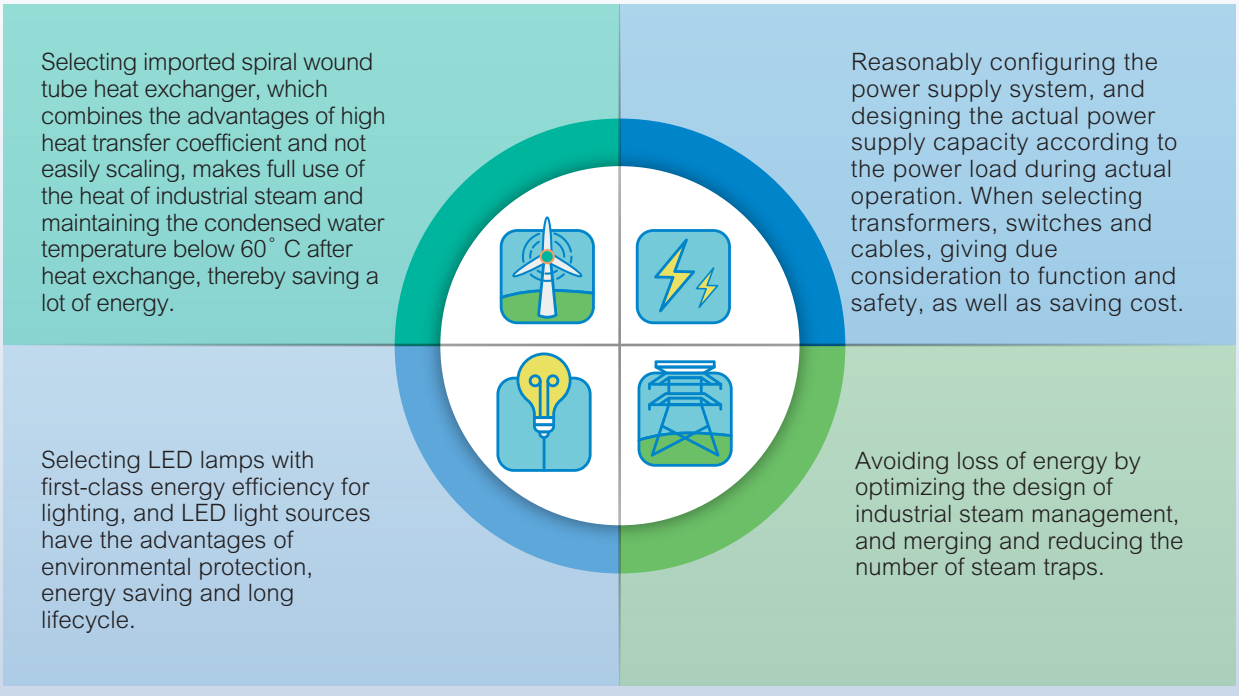
STRIVING FOR GREEN PRODUCTION

Cut Down on Energy Consumption

Mabpharm mainly consumes natural gas, electricity, and a small amount of diesel and gasoline in its operations. The Company adheres to the principle of recyclable development, advocates improving energy efficiency, and takes advantage of practical opportunities in daily office and production process to effectively use and manage resources, mitigate resource depletion and reduce the negative impact on the environment.

In accordance with the Energy Conservation Law of the People's Republic of China, we formulated the Public System Energy Management Administration according to the requirements of the EHS Management Manual of the Company, established the responsibility system for energy conservation, conducted regular assessment and analysis, and strictly managed the energy and resource consumption in the production and operation process to reduce the carbon footprint and waste of resources. In addition, the person in charge of the Company's public utilities department signs the Commitment Letter of the Responsible Party of Energy Saving and Consumption Reduction each year, undertaking to strictly perform the duties and obligations of energy saving and consumption reduction in daily work, ensure effective prevention of energy waste and irrational use without compromising the production environment, and continuously improve the overall economic benefits and reduce production costs.

In order to reduce energy consumption, in 2020, Mabpharm also implemented a series of energy-saving measures:



Case: Adopting variable frequency air compressor to adjust operating frequency

We choose variable frequency air compressor to automatically adjust the running frequency of air compressor according to the actual load of production, so as to avoid the high frequency during low load period. In addition, the pumps and motors of cooling tower in our cooling system are controlled by frequency conversion, which forms a complete automatic control system together with chillers to automatically adjust the number of switches of chillers, the starting and stopping frequency of pumps and motors of cooling tower according to the production air conditioning load, outdoor temperature and humidity and the inlet and return water temperature of cooling tower, thus greatly reducing the power consumption.

In 2020, the Company consumed a total of 8,878.69 MWh of energy, including 8,840.88 MWh of electricity and steam, and 37.81 MWh of diesel and gasoline.

Water Resources Management

Mabpharm mainly consumes industrial water, which is purchased municipal water. In 2020, we purchased 75,897.80 tons of municipal water.

- ***Wastewater treatment***

  The Company mainly generates production wastewater and domestic wastewater. We strictly abide by the Law of the People's Republic of China on the Prevention and Control of Water Pollution, Regulations on Urban Drainage and Sewage Treatment and other laws and regulations, establish independent sewage treatment equipment, and pre-treat the wastewater produced in the production process to ensure that the quality and quantity of the treated wastewater are acceptable to the sewage treatment plant. The Company formulates the Operation Regulations of Sewage Treatment, which regulates the procedures of sewage treatment and ensures that the on-site personnel can operate correctly.

Case: Establishing new sewage treatment station to collect and treat wastewater

In 2020, the Company established a new sewage treatment station with a treatment capacity of 30 tons per day, covering process wastewater, CIP wastewater, SIP wastewater, spray tower wastewater and so on. By the end of the Reporting Period, the newly built sewage treatment station had collected and treated approximately 1,800 tons of wastewater.

The newly-built sewage treatment station can also monitor the sewage in real time, mainly over the chemical oxygen demand, ammonia, nitrogen and total phosphorus, the three major pollutants, and is connected with Taizhou Ecological Environment Bureau through the data acquisition instrument to upload the monitoring data in real time, so as to ensure the effective management of sewage.

- ***Water conservation***

  In order to save water resources, the Company makes use of the wastewater generated during RO reverse osmosis purification in production, and the recycled wastewater is mainly used for equipment and unit water supply and domestic water. In addition, we collect the concentrated water produced by purified water machine, industrial steam condensate and air conditioner surface cooler condensate, and deliver to the cooling tower through the lift pump as replenishment for evaporation consumption of the cooling tower, thus achieving the purpose of saving water resources. In 2020, the Company recycled 5,300 tons of water resources.

Emissions Management

- ***Exhaust gas management***

  Mabpharm carefully identifies the emission sources of various pollutants, effectively manages the waste gas during R&D and production with reference to China's Environmental Protection Law, Air Pollution Prevention Law of the People's Republic of China and other laws and regulations, and reduces the waste gas emission and the damage and impact of waste gas on the ecological environment by continuously improving the environmental management system and promoting technological transformation.

  The waste gas generated in the operation of the existing projects of the Company mainly includes cell culture breath gas, quality inspection waste gas from QC quality inspection room and stench from sewage treatment station. In particular, the respiratory gas of cell culture only contains non-toxic and non-irritating substances such as CO_2 and O_2, which are filtered by hydrophobic microporous membrane and then discharged into the atmosphere, the quality inspection waste gas of QC quality inspection room is discharged to the roof through the 20-meter-high exhaust pipe of environmental protection fume hood; and the impact of stench (in terms of ammonia and hydrogen sulfide) generated during the operation of the sewage treatment station is reduced by strengthening ventilation. As of the end of the Reporting Period, there was no incident of excessive emission.

Case: Treatment of waste gas with primary water spray and primary alkali spray device

In 2020, we adopted the primary water spray and primary alkali spray device to treat the hydrogen chloride produced by liquid preparation and the organic waste gas and hydrogen chloride produced by QC quality inspection, which was discharged through a 20-meter-high exhaust pipe to ensure that the emission concentration of waste gas can meet the national, industrial and local emission pollution standards.

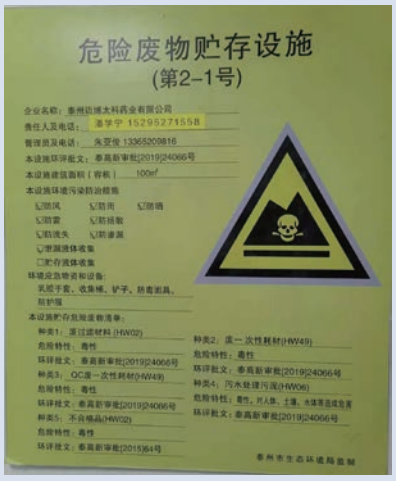
- ***Waste management***

The wastes generated from the Company's production activities can be categorized into hazardous wastes and non-hazardous wastes. We have formulated Waste Management Regulations to standardize the management of waste generated from the Company's business activities, effectively store and dispose of waste, and improve environmental hygiene to avoid accidents caused by improper waste management.

In 2020, the Company produced 4.79 tons of hazardous wastes, mainly consumables containing active substances, unqualified products and sludge. For hazardous wastes, we classify, identify and treat them by category in strict accordance with the National Hazardous Waste List of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes. We have set up a certain number of temporary storage facilities for solid hazardous wastes and liquid hazardous wastes in relevant working places, which are labelled and stored separately. For hazardous wastes, such as consumables and test articles containing active substances, we will discard or transfer them to the waste temporary storage room after cleaning and inactivating, and entrust a qualified processing unit to handle. For the removal and disposal of wastes, we strictly follow the Administrative Measures for Hazardous Wastes Transfer Manifests (Order of the State Environmental Protection Administration No. 5), fill out the Hazardous Wastes Transfer Manifests of the Environmental Protection Bureau, and file with the Environmental Protection Bureau.

Case: Setting up temporary storage room to properly store hazardous wastes

The Company has set up an 80-square-meter and two 20-square-meter hazardous waste temporary storage rooms to temporarily store solid hazardous waste and liquid hazardous waste respectively, and implement measures to prevent wind, rain, sun and leakage. Management personnel shall establish relevant in/out management accounts of hazardous wastes, and transfer to qualified units for disposal on a regular basis.



In 2020, the Company produced 8,784.91 tons of non-hazardous waste, including 8,700 tons of muck. For construction waste, we handed over to a qualified solid waste disposal unit for treatment. For domestic garbage, such as office waste paper, cleaning supplies garbage, etc., the sanitation department regularly removed and handled it.

- ***Noise control***

  Mabpharm takes effective noise reduction measures according to different noise sources such as purchasing low-noise equipment, adopting sound insulation and absorption materials in air-conditioning rooms, and adopting shock-absorbing cushions for fans, etc. Upon testing, noise around our plants meets the requirements of Class III standards in Emission Standards for Environmental Noise at Boundary of Industrial Enterprises (GB12348-2008).

PUBLIC WELFARE CONTRIBUTES TO A BETTER FUTURE

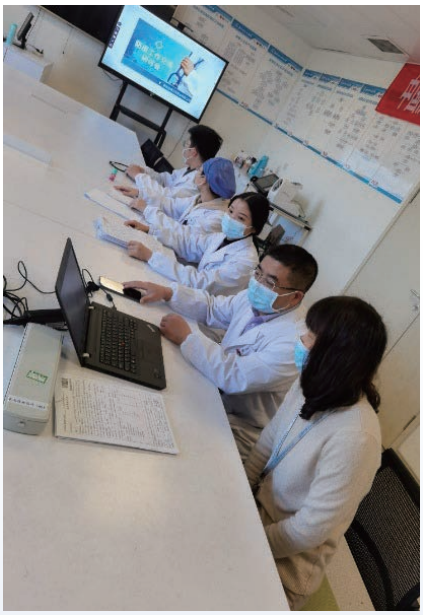
The Company parallels its own operation and development with fulfilment of social responsibilities and giving back to society. Leveraging our own resources and advantages, we have conducted various charitable activities and contributed to the healthy and harmonious social environment.

Giving Back to Society

We have been keeping track of the demands of different parties and offered assistance to all walks of life within our capacities. To guarantee the basic requirements of front-line construction units, we donated various daily necessities, such as drinks during summer and quilts in winter.

Joint Fight against the COVID-19 Pandemic

Following outbreak of the COVID-19 pandemic, hospitals fighting at the front line suffered from shortage of materials. The Company took the initiative to fulfil its social responsibilities, urgently organized personnel to purchase materials used for pandemic prevention and control, including facial masks and disinfectant alcohol, and provided donations and support for Taizhou People's Hospital. In addition, the Company tapped into its professional advantages as a biopharmaceutical enterprise, and conducted exchanges and discussions with specialists from the hospital regarding pandemic control, so as to learn from each other and join hands to fight the pandemic.



APPENDIX I – ESG DATA

Indicator	2020	2019
Total greenhouse gas emissions (Scope 1 & Scope 2) *(ton)*	**5,005.37**	4,067.67
Direct greenhouse gas (Scope 1)	**9.66**	11.10
Indirect greenhouse gas (Scope 2)	**4,995.71**	4,056.57
Total greenhouse gas emissions per employee (excluding contractors) *(ton/person)*	**14.87**	13.17
Total emissions *(ton)*	**0.02**	0.023
VOCs	**0.00**	0.001
H2S	**0.00**	0.020
Ammonia	**0.02**	0.002
Total hazardous wastes releases (ton)	**4.79**	4.64
Hazardous wastes releases per employee (excluding contractors) *(tons/person)*	**0.01**	0.02
Total non-hazardous wastes releases *(ton)*	**8,784.9**[1]	16,726.00
Total non-hazardous wastes releases per employee (excluding contractors) *(ton/person)*	**26.15**	54.31
Total non-hazardous wastes releases per employee (including contractors) *(ton/person)*	**12.86**	30.92
Water consumption *(m^3)*	**81,197.80**[2]	43,461.00
Fresh water	**75,897.80**	42,161.00
Recycling water	**5,300.00**	1,300.00
Total water consumption per employee (excluding contractors) *(m^3/person)*	**241.66**	141.11
Total water consumption per employee (including contractors) *(m^3/person)*	**118.88**	80.33
Total energy consumption *(1,000 KWh)*	**8,878.69**	7,376.17
Diesel and gasoline	**37.81**	43.63
Electricity	**4,860.88**	3,749.21
Steam	**3,980.00**	3,583.33
Total energy consumption per employee (excluding contractors) *(1,000 KWh/person)*	**26.42**	23.95

Indicator	2020	2019
Total packaging materials consumed *(ton)*	**2.45**	2.80
Intensity of packaging materials consumed	**Not applicable**	Not applicable
Total contractors	**347**	233
Total employees (excluding contractors)	**336**	308
By gender		
Female	**189**	137
Male	**147**	171
By employment type		
Full-time	**336**	308
Part-time	**0**	0
By age group		
Aged under 30	**135**	137
Aged 30-50	**193**	164
Aged over 50	**8**	7
By region		
China	**336**	308
By employee category		
Senior Management	**5**	6
Middle Management	**38**	34
General staff	**293**	268
Employee turnover rate	**25.89%**	17%
By gender		
Female	**22.75%**	16%
Male	**29.93%**	18%
By age group		
Aged under 30	**37.04%**	22%
Aged 30-50	**19.17%**	12%
Aged over 50	**0.00%**	14%
By region		
China	**25.89%**	17%
Work-related fatalities	**0**	0
Fatality rate	**0**	0
Lost days due to work injury	**0**	0
Average lost days due to work injury	**0**	0

Indicator	2020	2019
Percentage of trained employees	**89.58%**	93%
By gender		
Female	**90.48%**	94%
Male	**88.44%**	93%
By employee category		
Senior management	**40.00%**	83%
Middle management	**81.58%**	97%
General staff	**93.86%**	97%
Average training hours completed per employee	**29.5**	23
By gender		
Female	**32**	23
Male	**26**	23
By employee category		
Senior management	**3**	10
Middle management	**17**	20
General staff	**40**	23
Number of suppliers by geographical region	**603**	529
China	**599**	525
Others	**4**	4
Percentage of total products sold or shipped subject to recalls for safety and health reasons	**Not applicable**	Not applicable
Number of products and service related complaints received	**Not applicable**	Not applicable
Number of concluded legal cases regarding corrupt practices brought against the Company or our employees	**0**	0

1 The largest proportion of non-hazardous wastes is muck produced in construction projects. In 2020, a total of 8,700 tons of muck was produced by one project, and in 2019, a total of 16,600 tons of muck was produced by two projects, twice as much as in 2020. Therefore, there is a big difference in the comparison of the amount of non-hazardous waste produced in two years.

2 Water is mainly consumed in office and engineering projects. Office water consumption: 45,173 tons in 2020 and 31,431 tons in 2019. The increase in the number of employees leads to an increase in water consumption. Water consumption of engineering projects: in 2020, due to the increase of construction personnel, pipeline flushing, water storage test and other reasons, the water consumption was 36,025 tons, which was 12,030 tons more than that in 2019. The sum of the two results in a significant increase in water consumption in 2020.

APPENDIX II – INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Aspect	Description	Location/Remark
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 nonhazardous waste.	Emissions Management
A1.1	The types of emissions and respective emissions data.	Emissions Management
A1.2	Greenhouse gas emissions in total (ton) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions Management; ESG Data
A1.3	Total hazardous waste produced (ton) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions Management; ESG Data
A1.4	Total non-hazardous waste produced (ton) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions Management; ESG Data
A1.5	Description of measures to mitigate emissions and results achieved.	Emissions Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions Management

Aspect	Description	Location/Remark
Aspect A2: Use of Resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Cut Down on Energy Consumption; Water Resources Management
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (1,000 kWH) and intensity (e.g. per unit of production volume, per facility).	Cut Down on Energy Consumption; ESG Data
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Resources Management; ESG Data
A2.3	Description of energy use efficiency initiatives and results achieved.	Cut Down on Energy Consumption
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Resources Management
A2.5	Total packaging material used for finished products (ton) and, if applicable, with reference to per unit produced.	Not applicable
Aspect A3: The Environment and Natural Resources		
General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Striving for Green Production
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Striving for Green Production

Aspect	Description	Location/Remark
B. Social		
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.	People-oriented Management
B1.1	Total work force by gender, employment type, age group and geographical region.	Employment and Diversity; ESG Data
B1.2	Employee turnover rate by gender, age group and geographical region.	ESG Data
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.	Health and Safety
B2.1	Number and rate of work related fatalities.	Health and Safety; ESG Data
B2.2	Lost days due to work injury.	Health and Safety; ESG Data
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety

Aspect	Description	Location/Remark
Aspect B3: Development and Training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee Training and Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	ESG Data
B3.2	The average training hours completed per employee by gender and employee category.	ESG Data
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 labor.	Safeguarding Employees' Rights and Interests
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Safeguarding Employees' Rights and Interests
B4.2	Description of steps taken to eliminate such practices when discovered.	Safeguarding Employees' Rights and Interests
Aspect B5: Supply Chain Management		
General disclosure	Policies on managing environmental and social risks of the supply chain.	Responsible Supply Chain
B5.1	Number of suppliers by geographical region.	Responsible Supply Chain
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Responsible Supply Chain

Aspect	Description	Location/Remark
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.	Outstanding Quality Management
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Outstanding Quality Management
B6.2	Number of products and service related complaints received and how they are dealt with.	Outstanding Quality Management
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights Protection
B6.4	Description of quality assurance process and recall procedures.	Outstanding Quality Management
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Not applicable
Aspect B7: Anti-corruption		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Compliance Operation
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.	Compliance Operation
B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Compliance Operation

Aspect	Description	Location/Remark
Aspect B8: Community		
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities taking into consideration the communities' interests.	Public Welfare Contributes to a Better Future
B8.1	Focus area of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Public Welfare Contributes to a Better Future
B8.2	Resources contributed (e.g. money or time) to the focus area.	Public Welfare Contributes to a Better Future

Report of Directors

The Board of the Company is pleased to present this report of Directors together with the Consolidated Financial Statements of the Group for the year ended December 31, 2020.

PRINCIPAL ACTIVITIES

We are a leading biopharmaceutical company in China, focusing on the research, development and production of new drugs and biosimilar for allergic diseases, cancers and autoimmune diseases. We strive to bring to market high quality and affordable innovative biologics through our efficient R&D system and low-cost pharmaceutical production capability, and develop differentiated therapeutic products by fully utilizing our extensive R&D experience.

There was no significant change in the nature of the Group's principal activities during the Reporting Period and up to the date of this annual report.

Particulars of the Company's principal subsidiaries as at December 31, 2020 are set out in Note 1 "CORPORATE AND GROUP INFORMATION" to the Consolidated Financial Statements.

BUSINESS REVIEW

A fair review of the business of the Group, the outlook of future development of the business of the Group as well as a discussion and analysis of the Group's performance during the Reporting Period and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Companies Ordinance can be found in the section headed "Management Discussion and Analysis" of this annual report.

The financial risk management objectives and policies of the Group are set out in Note 33 "FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES" to the Consolidated Financial Statements.

Further details relating to the Group's relationships with its key stakeholders, the Group's environmental policies and performance, as well as the compliance with the relevant laws and regulations that have a significant impact on the Group can be found in the Environmental, Social and Governance Report on pages 31 to 66. The "Management Discussion and Analysis" and the "Environmental, Social and Governance Report" form part of this report of Directors.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the financial position of the Group for the last four years is set out on page 201 of this annual report.

RESULTS

Details of the consolidated loss of the Group for the Reporting Period and the Group's financial position as at December 31, 2020 are set out in the Consolidated Financial Statements on pages 125 to 127.

FINAL DIVIDENDS

The Board does not recommend payment of a final dividend for the year ended December 31, 2020.

ENVIRONMENTAL POLICIES AND PERFORMANCE

We are committed in promoting a sustainable and environmental friendly environment. We endeavour to comply with the relevant laws and regulations regarding environmental protection and implement effective measures to achieve efficient use of resources, waste reduction and energy saving. For instance, we utilize the waste water generated in RO reverse purification process, and the recycled waste water is mainly used for supplementing water to equipment units and as domestic water, etc. We also review our environmental policies on a regular basis.

In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 of the Listing Rules, the Company's Environmental, Social and Governance Report can be found on pages 31 to 66.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that may cause our financial conditions or results materially different from the expected or historical results can be summarized as follows, some of which are beyond our control:

1. risks related to financial prospects and funding

    - ability to raise additional capital to fund our operations in a timely manner on acceptable terms

    - risk of obsolescence for our inventory, which may adversely impact our financial conditions and results of operation

2. risks related to product development and commercialization

    - ability to develop, obtain approval for or commercialize any of our drug candidates or incur significant delays in doing so

3. risks related to governmental regulation

    - changes in government regulations or in practices relating to the pharmaceutical and biotechnology industries, including healthcare reform in the PRC

4. risks related to intellectual property

    - be successful in protecting our own intellectual property

5. other risks related to our industry and business

    - competition in the biopharmaceuticals market, in particular for therapeutic antibody drugs

6. risks related to doing business in the PRC

    - adverse changes in political, economic and other policies of the Chinese government could have a material adverse effect on the overall economic growth of China

    - government control of currency conversion of and regulations on loans to, and direct investment in, PRC entities by offshore holding companies may delay or prevent us from making loans or additional contributions to our PRC subsidiaries

7. risks related to Novel Coronavirus

    - delay advancement of R&D (including clinical trials, obtaining regulatory approvals and developing of new drug candidate) and construction of production facilities

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

BOARD COMMITTEES

Please refer to pages 100 to 119 of the Corporate Governance Report for further details in relation to (1) Remuneration Committee, (2) Audit Committee, and (3) Nomination Committee as established by the Board.

DIRECTORS

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

Executive Directors
Dr. Qian Weizhu
(Resigned on October 28, 2020)
Dr. Wang Hao
Mr. Li Yunfeng
Dr. Li Jing
Mr. Tao Jing
(Appointed on October 28, 2020)

Non-executive Directors
Mr. Jiao Shuge *(Chairman)*
Mr. Guo Jianjun

Independent Non-executive Directors
Mr. Guo Liangzhong
Dr. Zhang Yanyun
Dr. Liu Linqing

In accordance with article 108 of the Articles of Association, Mr. Li Yunfeng, Dr. Li Jing and Mr. Tao Jing, will retire from office by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management" of this annual report.

CHANGES IN INFORMATION OF DIRECTORS

So far as the Directors are aware and save as disclosed in this report, there has been no other change of information of Directors during the Reporting Period.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the Independent Non-executive Directors an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that, as at the date of this annual report, all of the Independent Non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with us under which they agreed to act as Executive Directors for an initial term of three years, which may be terminated by not less than three months' notice in writing served by either the Executive Director or us.

Each of the Non-executive Directors and the Independent Non-executive Directors has signed an appointment letter with us for a term of three years and two years, respectively, with effect from the Listing Date (subject to renewal). Under their respective appointment letters, each of the Independent Non-executive Directors is entitled to a fixed Director's fee while the Non-executive Directors are not entitled to any remuneration.

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

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

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

Such permitted indemnity provision has been in force for the year ended December 31, 2020. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Related Party Transactions" below and Note 31 "RELATED PARTY TRANSACTIONS" to the Consolidated Financial Statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the Reporting Period.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed under the section headed "Related Party Transactions" below and Note 31 "RELATED PARTY TRANSACTIONS" to the Consolidated Financial Statements, no contracts of significance (as defined in Appendix 16 to the Listing Rules) in relation to our business to which the Company, its holding company or any of its subsidiaries was a party and in which a controlling shareholder of the Company had a material interest, whether directly or indirectly, during or at the end of the Reporting Period.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

Since we are a pre-revenue biotech Company, we do not have any customer for the Reporting Period.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 46% and 15%, respectively, of the Group's total purchases for the Reporting Period. The Group values long standing relationships with its suppliers. The Group is aiming to develop mutual trust and enhance communication and commitment with its suppliers with a view to deliver high quality products to its potential customers and maintain sustainable growth.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had a material interest in the Group's five largest suppliers during the Reporting Period.

During the Reporting Period, the Group did not experience any significant disputes with its suppliers.

REMUNERATION OF DIRECTORS

The Directors' fees and other emoluments are supervised by the Remuneration Committee and determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the Directors' remuneration are set out in Note 10 "DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION" to the Consolidated Financial Statements.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Apart from our businesses, Mr. Guo Jianjun, our Non-executive Director and ultimate Controlling Shareholder, has interest in Sinomab Group which is principally engaged in the CRO business in the PRC ("**Businesses of Sinomab Group**"). The Directors consider that the businesses of our Group and the Businesses of Sinomab Group are clearly delineated and do not directly compete with each other because the business nature and the target customers of the Group and Sinomab Group are entirely different. For further details of Businesses of Sinomab Group, please refer to the section headed "Relationship with Controlling Shareholders – Excluded Business" of the Prospectus.

The Directors confirm that during the Reporting Period they did not have any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

Each of the Controlling Shareholders and Sinomab (each a "**Covenantor**" and collectively the "**Covenantors**") has entered into the deed of non-competition with the Company on April 16, 2019 ("**Deed of Non-Competition**"). Pursuant to the Deed of Non-competition, each of the Covenantor has irrevocably and unconditionally undertaken to the Company that, with the exception of the Excluded Business, he/it shall not, and shall procure his/its close associates (other than any members of the Group) shall not, whether directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement) or as principal or agent, and whether on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of the Group), carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with the business of any member of the Group, in particular any research, development, manufacturing and commercialization of drug products having the same chemical target as those biologic products of the Group. For further details of the Deed of Non-competition, please refer to the section headed "Relationship with Controlling Shareholders – Deed of Non-competition" of the Prospectus.

The Independent Non-executive Directors have reviewed the compliance of the Deed of Non-competition by the Covenantors, and considered that the non-competition undertakings have been complied with during the Reporting Period. The Covenantors have provided the Company with the confirmation in writing of compliance of the non-competition undertakings.

FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last four financial years is set out on page 201 of this annual report. This summary does not form part of the audited Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the Reporting Period are set out in Note 15 "PLANT AND EQUIPMENT" to the Consolidated Financial Statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the Reporting Period are set out in Note 26 "SHARE CAPITAL" to the Consolidated Financial Statements.

DONATION

During the Reporting Period, the Group did not make any donation.

DEBENTURE ISSUED

The Group did not issue any debenture during the Reporting Period.

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Scheme as set out in this annual report, no equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year ended December 31, 2020 are set out on page 128 to the Consolidated Financial Statements. The distributable reserves of the Company as at December 31, 2020 were RMB1,345.7 million (2019: RMB1,366.3 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2020 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 24 "BANK BORROWINGS" to the Consolidated Financial Statements.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2020, the interests or short positions of our Directors and chief executives 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 (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) to be entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest[1]
Mr. Guo Jianjun (郭建軍)	Interest in controlled corporation (L)[2]	2,227,000,000	54.00%
Dr. Wang Hao (王皓)	Beneficial owner (L)[3]	3,236,234	0.60%
Mr. Li Yunfeng (李雲峰)	Beneficial owner (L)[3]	3,236,234	0.08%
Dr. Li Jing (李晶)	Beneficial owner (L)[3]	3,236,234	0.08%
Tao Jing (陶靜)	Beneficial owner (L)[3]	3,236,234	0.08%
	Interest of Spouse (L)[3]	75,192	0.002%

Notes:

(1) As at December 31, 2020, the total number of issued shares of the Company was 4,124,080,000 Shares.

(2) The Company is held as to 49.95% and 4.05% by Asia Mabtech and United Circuit, respectively. United Circuit is held as to 68.89% by Asia Mabtech, which is wholly-owned by Asia Pacific Immunotech Venture which is in turn wholly-owned by the Guo Family Trust, of which Mr. Guo Jianjun is the settlor. As such, Mr. Guo Jianjun is deemed or is taken to be interested in 167,025,000 Shares beneficially owned by United Circuit and 2,059,975,000 Shares beneficially owned by Asia Mabtech for the purpose of Part XV of the SFO.

(3) These interests represented the share options granted under the Pre-IPO Share Option Scheme. For details, please refer to Note 27 "SHARE-BASED PAYMENT TRANSACTIONS" to the Consolidated Financial Statements.

Save as disclosed above, so far as the Directors and the chief executive of the Company are aware, none of the Directors or the chief executive of the Company had registered an interest or short position in any Shares or underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified under Division 7 and 8 of Part XV of the SFO or recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at December 31, 2020, the interests of relevant persons (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or the underlying shares, as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding interest
Asia Mabtech[1]	Beneficial owner (L); Interest in controlled corporation (L)	2,227,000,000	54.00%
United Circuit[1]	Beneficial owner (L)	167,025,000	4.05%
Guo Family Trustee[1]	Interest in controlled corporation (L)	2,227,000,000	54.00%
Asia Pacific Immunotech Venture Limited[1]	Interest in controlled corporation (L)	2,227,000,000	54.00%
Mr. Guo Jianjun[1]	Interest in controlled corporation (L)	2,227,000,000	54.00%
CDH PE[2]	Beneficial owner (L)	742,348,180	18.00%
CDH Fund V, L.P. ("**CDH Fund**")[2]	Interest in controlled corporation (L)	742,348,180	18.00%
CDH V Holdings Company Limited ("**CDH V**")[2]	Interest in controlled corporation (L)	742,348,180	18.00%
China Diamond Holdings V Limited ("**CDH Diamond V**")[2]	Interest in controlled corporation (L)	742,348,180	18.00%
China Diamond Holdings Company Limited ("**China Diamond**")[2]	Interest in controlled corporation (L)	742,348,180	18.00%
FH Investment[3]	Beneficial owner (L)	213,435,680	5.18%
Link Best Capital Limited[3]	Interest in controlled corporation (L)	213,435,680	5.18%

Notes:

(1) The Company is held as to 49.95% and 4.05% by Asia Mabtech and United Circuit, respectively. United Circuit is held as to 68.89% by Asia Mabtech, which is wholly-owned by Asia Pacific Immunotech Venture which is in turn wholly-owned by the Guo Family Trust, of which Mr. Guo Jianjun is the settlor and Guo Family Trustee is the trustee. As such, Mr. Guo Jianjun is deemed or is taken to be interested in 167,025,000 Shares beneficially owned by United Circuit and 2,059,975,000 Shares beneficially owned by Asia Mabtech for the purpose of Part XV of the SFO.

(2) The Company is held as to 18.00% by CDH PE. CDH PE is wholly-owned by CDH Fund. Pursuant to the SFO, CDH Fund is therefore deemed to be interested in the shares held by CDH PE. CDH Fund is controlled by CDH V, which in turn held as to 80% by China Diamond V. China Diamond V is held as to 100% by China Diamond.

(3) FH Investment is a direct wholly-owned subsidiary of Link Best Capital Limited, which is held by independent third parties.

Saved as disclosed above, so far as the Directors are aware, no other persons had registered an interest or short position in any Shares or underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO, or as otherwise notified.

PRE-IPO SHARE OPTION SCHEME

On August 10, 2018, the Company adopted the Pre-IPO Share Option Scheme. For the details of the Pre-IPO Share Option Scheme, please refer to the disclosure in the Prospectus.

Below is a summary of the principal terms of the Pre-IPO Share Option Scheme:

Purpose

The purpose of the Pre-IPO Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group.

Duration of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme commenced on August 10, 2018 and ended on the day immediately before the Listing date.

Participants

Eligible participants include directors and employees of the Company or any of its subsidiaries who, in the sole opinion of the Board, have contributed to the Company and/or any of the subsidiaries.

Maximum number of shares that can be awarded

The maximum number of Shares in respect of which options may be granted shall be equivalent to 2.5% of the issued share capital of the Company immediately after capitalization prior to the Global Offering.

Exercise Period

The date of expiry of the option is determined by the Board which shall not be later than the last day of the option period, which must expire not more than 10 years from the date of grant. 20% of the share options granted will be exercisable commencing from the fourth, fifth, sixth, seventh and eighth anniversary of the Listing Date, respectively.

Exercise Price

The exercise price of the options shall be the final offer price per share at which the Shares are acquired by the investors pursuant to the Global Offering which amounted to HK$1.50 per Share.

Outstanding Share Options

On August 18, 2018, the Company granted an aggregate of 83,512,500 share options to 62 Grantees, representing rights to subscribe for 83,512,500 Shares (taking into account the Capitalization Issue). Subsequent to the granting of the share options, a total of eleven of the grantees resigned from their respective positions within our Group. As such, the share options granted to these eleven grantees were lapsed and no longer exercisable. As of December 31, 2020, the number of Shares underlying the outstanding and unexercised share options granted under the Pre-IPO Share Option Scheme amounts to 80,046,901 Shares and 1.94% of the issued share capital of the Company as at the date of this annual report. None of the share options granted under the scheme has been exercised by any grantee.

Details of the movements of the options granted under the Pre-IPO Share Option Scheme during the Reporting Period are as follows:

Category	Grant Date	Outstanding at January 1, 2020	Number of Share Options During the Reporting Period			Outstanding at December 31, 2020
			Granted	Exercised	Forfeited	
Category 1: Directors						
Dr. Wang Hao	August 18, 2018	24,827,006	–	–	–	24,827,006
Mr. Li Yunfeng	August 18, 2018	3,236,234	–	–	–	3,236,234
Dr. Li Jing	August 18, 2018	3,236,234	–	–	–	3,236,234
Mr. Tao Jing	August 18, 2018	3,236,234	–	–	–	3,236,234
	Sub-total	34,535,708	–	–	–	34,535,708
Category 2: Employees	August 18, 2018	46,880,798	–	–	(1,369,605)	45,511,193
	Total	81,416,506	–	–	(1,369,605)	80,046,901

For further details, please refer to Note 27 "SHARE-BASED PAYMENT TRANSACTIONS" to the Consolidated Financial Statements.

Save as disclosed above and in Note 27 "SHARE-BASED PAYMENT TRANSACTIONS" to the Consolidated Financial Statements, the Company does not have any other share option schemes.

RELATED PARTY TRANSACTIONS

Details of the related party transactions were set out in Note 31 "RELATED PARTY TRANSACTIONS" to the Consolidated Financial Statements. Details of any related party transaction which constitute continuing connected transaction not exempted under Chapter 14A of the Listing Rules are disclosed below.

Continuing Connected Transactions

During the Reporting Period, the Group has renewed the clinical trial agreement for CMAB007 with Biomabs which constituted continuing connected transactions (as defined in the Listing Rules) of the Company which are not exempted from annual reporting requirement under Chapter 14A of the Listing Rules. Details of the transaction are set out below:

Connected Persons

Mr. Guo Jianjun, our Non-executive Director and one of our Controlling Shareholders and Ms. Guo Hua (an associate of Mr. Guo Jianjun), indirectly controls 5% and 61.67% of the voting rights in Sinomab, respectively, and Biomabs is a wholly-owned subsidiary of Sinomab. Therefore, Biomabs is a connected person of the Group pursuant to the Listing Rules.

Clinical Trials Agreement

Pursuant to the clinical trials agreement entered into between Taizhou Pharmaceutical and Biomabs on August 13, 2018 (the "**Clinical Trials Agreement**"), Taizhou Pharmaceutical entrusted Biomabs to commence and complete the phase III clinical trials of CMAB007 and CMAB008 in the PRC. The term of the clinical trials agreement is the earlier date of the completion of the phase III clinical trials or December 31, 2020. During the term of the Clinical Trials Agreement, Biomabs shall engage third party service providers including but not limited to Site Management Organization (SMO), hospitals and analysis laboratories, etc. to be responsible for the arrangement of Clinical Research Coordinators (CRC) and the clinical trial sites for making non-medical judgments to ensure the smooth operation of the clinical trial. In addition, Taizhou Pharmaceutical has the right and interests in any data and research achievements generated in the course of phase III clinical trials of CMAB007 and CMAB008 conducted by Biomabs.

On or before the 10th calendar day of each calendar month, Taizhou Pharmaceutical shall (i) confirm with Biomabs all expenses and reimbursements incurred in relation to such clinical trial which have been paid by Biomabs on behalf of Taizhou Pharmaceutical (the "**agreed reimbursements**") for the previous calendar month; and (ii) pay such agreed reimbursements.

The annual cap for the aggregate agreed reimbursements payable by Taizhou Pharmaceutical under the Clinical Trials Agreement for the year ending December 31, 2020 was RMB19,404,000.

The total amount incurred by Taizhou Pharmaceutical under the Clinical Trials Agreement for the year ended December 31, 2020 was approximately RMB2,675,000.

As the Clinical Trials Agreement expired on December 31, 2020 and the phase III clinical trials of CMAB007 are expected to complete in the first half of 2021, Biomabs and Taizhou Pharmaceutical have on December 2, 2020 entered into the a supplemental clinical trials agreement to renew the terms of such continuing connected transaction with a term from January 1, 2021 to December 31, 2021 with an annual cap of RMB6,000,000 for the aggregate agreed reimbursements. Please refer to the announcement of the Company dated December 2, 2020 published on the websites of the Stock Exchange and the Company for details.

Tenancy Agreement

Pursuant to the tenancy agreement entered into between Shengheng Biotech and Biomabs dated September 1, 2018 (the "**Tenancy Agreement**"), Biomabs as landlord has agreed to lease an office located at No. 301 Libing Road, Zhangjiang Hi-Tech Park, Shanghai (上海市張江高科技園區李冰路301號) with a gross area of approximately 3,218m^2 to Shengheng Biotech as tenant.

The original term of Tenancy Agreement is for a term ending on December 31, 2020 for an annual rent of RMB4,933,000. On February 28, 2019, Biomabs and Shengheng Biotech entered into a supplemental agreement to extend the term to December 31, 2021.

The annual rent was agreed after arm's length negotiations between the parties with regards to (i) area leased, geographic location and profile of surrounding area; and (ii) prevailing market rate in respect of the similar properties in the vicinity provided by the real estate agents.

The annual cap for the aggregate rent payable by Shengheng Biotech to Biomabs for the year ending December 31, 2020 was RMB4,934,000.

The total amount incurred by Shengheng Biotech under the Tenancy Agreement for the year ended December 31, 2020 was approximately RMB4,903,000.

Confirmation by the Independent Non-executive Directors

The Independent Non-executive Directors have reviewed the above continuing connected transactions and has confirmed that such transactions are:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better terms; and

(iii) in accordance with the agreements related to such transactions, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation by the auditors

Based on the work performed, the auditor of the Company confirmed to the Board that nothing has come to their attention that causes them to believe that the aforesaid continuing connected transactions:

(1) have not been approved by the Board;

(2) were not, in all material respects, in accordance with the pricing policies of the Group

(3) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) have exceeded the annual cap as set by the Company.

Save as disclosed above, the related party transactions referred in Note 31 to the Consolidated Financial Statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Save as disclosed in this annual report, and except the continuing connected transactions that were granted full exemptions on the requirements under Chapter 14A of the Listing Rules by the Stock Exchange, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company during the Reporting Period in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Reporting Period.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period.

USE OF NET PROCEEDS FROM LISTING

With the Shares of the Company listed on the Stock Exchange on May 31, 2019 (the "**Listing Date**"), the net proceeds from the Global Offering were approximately HK$1,144.5 million. As at the date of this annual report, the Company used a total of approximately RMB480.6 million of the proceeds, including approximately RMB154.0 million for research and development of our Core Products, approximately RMB244.6 million for production scale-up and construction of new production facilities in Taizhou, PRC, approximately RMB39.6 million for research and development of our other candidate products and approximately RMB42.4 million for working capital and general purpose. Save as disclosed below, the Company intends to apply such net proceeds in accordance with the purposes as set out in the prospectus of the Company dated May 20, 2019.

The table below sets out the planned applications of the net proceeds of the Global Offering and actual usage up to December 31, 2020:

Use of proceeds [1]	Original Allocation of the Net Proceeds *(RMB million)*	Utilized amount up to December 31, 2020 *(RMB million)*	Unutilized amount up to December 31, 2020 *(RMB million)*	Expected timeline for fully utilizing the unutilized amount [2]
For R&D of our Core Products	180.9	154.0	26.9	By June 30, 2022
For production scale-up and construction of new production facilities in Taizhou, PRC	497.2	244.6	252.6	By December 31, 2022
For R&D of our other product candidates	194.5	39.6	154.9	By June 30, 2022
For working capital and other general corporate purposes	94.8	42.4	52.4 [3]	By December 31, 2021
Total	967.4	480.6	486.8	

Note:

(1) The net proceeds of the Global Offering were received in Hong Kong dollar and translated to Renminbi for application planning.

(2) The expected timeline for utilization of the unutilized proceeds disclosed above is based on the best estimation from the Board with latest information as at the date of this annual report.

(3) On March 1, 2021, the Board resolved to allocate approximately RMB20 million of the Net Proceeds originally allocated for working capital and other general corporate purposes to finance part of the consideration payable for the acquisition of CMAB807. For further details regarding the acquisition of CMAB807 and the change in use of proceeds, please refer to the section headed "IMPORTANT EVENTS AFTER THE REPORTING DATE" of this report and the announcement and circular of the Company dated March 1, 2021 and April 13, 2021, respectively, published on the websites of the Stock Exchange and the Company.

PUBLIC FLOAT

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

REVIEW BY AUDIT COMMITTEE

The Audit Committee currently comprises three members, including two Independent Non-executive Directors, namely, Mr. Guo Liangzhong and Dr. Liu Linqing and one non-executive Director, namely, Mr. Jiao Shuge. The Audit Committee has reviewed, with the management of the Company, the audited Consolidated Financial Statements for the Reporting Period.

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu ("**Deloitte**") retired as auditor of the Company with effect from the conclusion of the 2019 annual general meeting of the Company held on June 23, 2020 (the "**2019 AGM**") and did not seek reappointment. The Company put forward an ordinary resolution for shareholders' approval to propose the appointment of Ernst & Young as the auditor of the Company in place of the retiring auditor, Deloitte. Deloitte also confirmed with the Board that there were no matters in relation to the proposed change of auditor that need to be brought to the attention of the shareholders of the Company.

After the consideration and approval in the 2019 AGM, the Company appointed Ernst & Young as the auditor of the Company for a proposed term of office commencing on the date of approval until the conclusion of the next annual general meeting of the Company. For details, please refer to the announcements of the Company dated May 20, 2020 and June 23, 2020 and the circular of the Company dated May 25, 2020 published on the website of the Stock Exchange and the website of the Company.

The Consolidated Financial Statements for the Reporting Period have been audited by Ernst & Young, auditor of the Company, who shall retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming AGM.

A resolution for the re-appointment of Ernst & Young as auditors of the Company is to be proposed at the forthcoming AGM.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this annual report, as at the date of this annual report, there were no significant investments held by the Group or future plans regarding significant investment or capital assets. For the year ended December 31, 2020, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

IMPORTANT EVENTS AFTER THE REPORTING DATE

On March 1, 2021, Shanghai Biomabs Pharmaceuticals Co., Ltd. (上海百邁博製藥有限公司) ("**Biomabs**"), as licensor, and Taizhou Mabtech Pharmaceutical Limited* (泰州邁博太科藥業有限公司) ("**Taizhou Pharmaceutical**"), a wholly-owned subsidiary of company, as licensee, entered into a license agreement pursuant to which Taizhou Pharmaceutical agrees to acquire, and Biomabs agrees to irrevocably grant, a worldwide, exclusive and perpetual license for the rights to use all patents, products and technologies in connection with CMAB807 (denosumab, biosimilar for treating osteoporosis in postmenopausal women with high fracture risk) for further research and development, manufacturing and commercialization of CMAB807 ("**CMAB807 License**"), for a total consideration of RMB70 million (the "**License Agreement**"). The License Agreement shall become effective subject to, among other things, approval by the independent shareholders' of the Company.

In addition, Taizhou Pharmaceutical entered into a clinical trials agreement and a CDMO agreement with Biomabs on March 1, 2021, pursuant to which Taizhou Pharmaceutical shall (i) engage Biomabs to continue and complete phase III clinical trials of CMAB807; and (ii) engage Biomabs to develop and manufacture CMAB807 in the PRC on its behalf (together with CMAB807 License, the "**Transactions**"). Both of the clinical trials agreement and CDMO agreement shall become effective subject to, among ofter things, approval by the independent shareholders of the Company.

As Mr. Guo Jianjun, one of the non-executive directors and controlling shareholders of the Company, and Ms. Guo Hua (an associate of Mr. Guo Jianjun), indirectly controls 5% and 61.67% of the voting rights of Sinomab respectively, and Biomabs is the direct wholly-owned subsidiary of Sinomab, Biomabs is a connected person of the Company under the Listing Rules.

As the highest applicable percentage ratio, in respect of the Transactions exceeds 5% but less than 25%, the Transactions are either connected transaction or continuing connected transactions subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Accordingly, the Transactions shall be effective subject to, among other things, approval by the independent shareholders' of the Company at the Extraordinary General Meeting. For further details regarding the Transactions, please refer to the announcement of the Company dated March 1, 2021 and the circular dated April 13, 2021, published on the websites of the Stock Exchange and the Company.

Save as disclosed above, no important event affecting the Company occurred since December 31, 2020 and up to the date of this annual report.

Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Qian Weizhu (錢衛珠), aged 45, is the chief executive officer of our Company and was appointed as an Executive Director on July 20, 2018. Dr. Qian is primarily responsible for overseeing operation and management of our Group. Dr. Qian joined our Group and served as a deputy general manager of Taizhou Pharmaceutical since February 2015 and was promoted as a general manager since January 2016. Dr. Qian also served as a manager of Taizhou Biotech since October 2016.

Dr. Qian has more than 25 years of experience in the oncology and biology. Prior to joining our Group, Dr. Qian worked at the Cancer Institute of the People's Liberation Army Navy Medical University (中國人民解放軍海軍軍醫大學腫瘤研究所) from 1994 to 2013, primarily responsible for Biotechnology research and development. Dr. Qian consecutively served as a deputy general manager and general manager of Zhangjiang Biotech from January 2014 to July 2017. Dr. Qian also worked as a general manager in Biomabs from October 2015 to August 2018 and MTJA from February 2016 to August 2018. Dr. Qian has been a legal representative (法定代表人) of Shanghai Guojian Biotechnology Research Institute (上海國健生物技術研究院) from February 2015 to September 2018.

Dr. Qian obtained a Ph.D. in oncology from the Second Military Medical University (第二軍醫大學) (currently known as the People's Liberation Army Navy Medical University (中國人民解放軍海軍軍醫大學)) in June 2011 following a master degree in biochemistry and molecular biology in June 2003.

Dr. Qian resigned as an executive director and chief executive officer of the Company on October 28, 2020.

Dr. Wang Hao (王皓), aged 52, is the chief scientist of our Company and was appointed as an Executive Director on July 20, 2018, and is primarily responsible for overseeing R&D activities and construction of R&D facilities of our Group. Dr. Wang was further appointed as the chief executive officer of our Company on October 28, 2020. Dr. Wang joined our Group and served as a deputy general manager of Taizhou Biotech and Taizhou Pharmaceutical since January 2017 and resigned in March 2017. Dr. Wang was appointed as general manager of Taizhou Biotech in August 2018.

Dr. Wang has over 21 years of experience in the medical and pharmaceutical technology industry, which in the Directors' view, enables him to competently carry out responsibilities in our Group. From 1998 to 2016, Dr. Wang consecutively served as an assistant researcher, associate researcher and researcher at the Cancer Institute of the People's Liberation Army Navy Medical University (中國人民解放軍海軍軍醫大學腫瘤研究所). Dr. Wang also served as a member of the Second Immuno-Oncology Committee of Shanghai Immunology Association (上海市免疫學會第二屆腫瘤免疫專業委員會) since June 2015. He also worked as a deputy general manager of Zhangjiang Biotech from March 2017 to May 2018. Dr. Wang was also a manager of Jiangsu Maitai Shouchuang Biotechnology Co., Ltd. (江蘇邁太首創生物技術有限公司) from September 2017 to June 2018.

Dr. Wang obtained a bachelor degree in medicine in July 1991 and a master degree in medicine in July 1994 from the Second Military Medical University (第二軍醫大學) (currently known as the People's Liberation Army Navy Medical University (中國人民解放軍海軍軍醫大學)). Following which, he received a Ph.D. in medicine in June 1997 from the same institution.

Dr. Wang was awarded twice with the National Award for Science and Technology Progress (國家技術發明獎) in December 2011 and December 2007, respectively, the Shanghai Oriental Scholar Professorship in June 2008 (上海高校特聘教授 (東方學者)), and the Shanghai Award for Science and Technology Progress (上海市科學技術進步獎) in December 2003.

Mr. Li Yunfeng (李雲峰), aged 44, is the chief financial officer of our Company and was appointed as an Executive Director on July 20, 2018. He is primarily responsible for overseeing the management of finance, investment and legal work of our Group. Mr. Li joined our Group and served as a deputy general manager of Taizhou Pharmaceutical and Taizhou Biotech respectively since March 2016.

Mr. Li has over 17 years of experience in the biotechnology industry, which in the Directors' view, enables him to competently carry out responsibilities in our Group. From January 2002 to June 2009, and from July 2010 to November 2012, Mr. Li was employed by Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) (currently known as Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業 (上海)股份有限公司)) as a deputy general manager. Mr. Li worked as a deputy general manager at Shanghai National Engineering Research Center of Antibody Medicine Co., Ltd. (上海抗體藥物國家工程研究中心有限公司) from July 2009 to June 2010 and a general manager of Shanghai Lansheng Guojian Pharmaceutical Co., Ltd. (上海蘭生國健藥業有限公司) (currently known as Shanghai Xingsheng Pharmaceutical Co., Ltd. (上海興生藥業有限公司)) from December 2012 to March 2016. Mr. Li served as a deputy general manager of Zhangjiang Biotech from March 2016 to July 2017. He also worked as a deputy general manager of Biomabs and MTJA respectively from March 2016 to August 2018.

Dr. Li Jing (李晶), aged 54, is a vice president of our Company and was appointed as an Executive Director on July 20, 2018. Dr. Li is primarily responsible for supervising clinical trials, and registration affairs of our Group. Dr. Li joined our Group and served as a deputy general manager of Taizhou Pharmaceutical and Taizhou Biotech since February 2015 and November 2016 respectively.

Dr. Li has more than 17 years of experience in the biotechnology industry. Prior to joining our Company, Dr. Li was a medical director at Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) (currently known as Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業 (上海)股份有限公司)) from March 2002 to August 2004. Dr. Li was a deputy general manager at Shanghai Lansheng Guojian Pharmaceutical Co., Ltd. (上海蘭生國健藥業有限公司) (currently known as Shanghai Xingsheng Pharmaceutical Co., Ltd. (上海興生藥業有限公司)) from September 2004 to February 2006. From March 2006 to June 2009, Dr. Li was employed by Zhangjiang Biotech as a researcher. From May 2009 to July 2012, Dr. Li was a medical director at Shanghai National Engineering Research Center of Antibody Medicine Co., Ltd. (上海抗體藥物國家工程研究中心有限公司). From August 2012 to July 2017, Dr. Li served as a deputy general manager at Zhangjiang Biotech. Dr. Li also worked as a deputy general manager of MTJA and Biomabs from August 2012 and November 2015, respectively, and resigned in August 2018.

Dr. Li was accredited as a senior pharmaceutical engineer by Guangdong Medical and Pharmaceutical Advanced Professional Qualification Advisory Committee (廣東省醫藥專業技術高級專業技術資格評審委員會) in February 2001. In May 2007, Dr. Li was appointed by Shanghai Municipal Science and Technology Commission (上海市科學技術委員會) as a technology foresights expert in key areas of science and technology development for the year of 2007 to 2008. Dr. Li received Shanghai Municipality's Excellent Discipline Leaders Program (Category B) Scholarship (上海市優秀學科帶頭人計劃 (B類)資助) in November 2007. She was also appointed as a member of the Committee of Quality Expert of China Protein Drug Quality Alliance (中國蛋白藥物質量聯盟質量專家委員會) in March 2016, serving from March 2016 to March 2019. In August 2017, Dr. Li was appointed as a member of Chinese Pharmacopoeia Commission (中華人民共和國藥典委員會).

Dr. Li received a bachelor degree in microbiology from Fudan University (復旦大學) in July 1989, and a Ph.D. in oncology from the Second Military Medical University (第二軍醫大學) (currently known as the People's Liberation Army Navy Medical University (中國人民解放軍海軍軍醫大學)) in June 2009.

Mr. Tao Jing (陶靜), aged 48, joined Taizhou Pharmaceutical in February 2015 as its deputy general manager and was appointed as the vice president of the Company and general manager of Taizhou Pharmaceutical in August 2018 and an executive director of the Company on October 28, 2020. He is primarily responsible for overseeing production of drugs of the Group. Prior to joining our Group, Mr. Tao was employed by Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) (currently known as Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業 (上海)股份有限公司)) as a deputy manager and manager in pronucleus department and an operation manager and deputy chief engineer from May 2002 to May 2012. Mr. Tao served as a deputy chief engineer at Shanghai National Engineering Research Center of Antibody Medicine Co., Ltd. (上海抗體藥物國家工程研究中心有限公司) from June 2012 to July 2012. Mr. Tao served as a director of research and development department at MTJA and Zhangjiang Biotech respectively from August 2012 to March 2015, primarily responsible for pharmaceutical research and development. Mr. Tao received a bachelor degree in Biochemistry from Anhui University (安徽大學) in July 1994. He also obtained an advanced certificate in biochemistry from Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in November 2013.

NON-EXECUTIVE DIRECTORS

Mr. Guo Jianjun (郭建軍), aged 69, was appointed as a Non-executive Director on June 1, 2018, and is mainly responsible for participating in decision-making of important matters of our Group. Prior to joining our Group, Mr. Guo consecutively worked as an organizational officer, office manager and technical manager of labour and human resources department in Luoyang Mining Machinery Factory (洛陽礦山機器廠) (currently known as Citic Heavy Industries Co., Ltd. (中信重工機械股份有限公司) (stock code: 601608), a listed company in Shanghai Stock Exchange) from July 1982 to December 2000. Mr. Guo was an engineer and procurement manager of China Overseas Property (Guangzhou) Co. Ltd (中海物業管理廣州有限公司) from January 2001 to May 2011.

Mr. Guo received education in Mining Machinery at Luoyang Mining Machinery Factory Workers College (洛陽礦山機器廠職工大學) and obtained a tertiary degree in mining machine in June 1982.

Mr. Jiao Shuge (焦樹閣), aged 55, was appointed as the Chairman and a Non-executive Director of our Company on July 20, 2018, and is responsible for participating in formulating business and corporate strategies of our Group. Mr. Jiao joined our Group and served as a director of Taizhou Pharmaceutical and Taizhou Biotech since February 2015 and November 2016, respectively.

Mr. Jiao is currently a director and CEO of CDH China Management Company Limited. Mr. Jiao also serves as an independent non-executive director of China Mengniu Dairy Company Limited (stock code: 2319), a non-executive director of WH Group Limited (stock code: 0288), an independent non-executive director of China Southern Airlines Company Limited (stock code: 1055), chairman of the board of directors and non-executive director of OCI International Holdings Limited (stock code: 0329), all of which are listed on the Stock Exchange, a director of Henan Shuanghui Investment & Development Co., Ltd. (河南雙匯投資發展股份有限公司) (stock code: 000895) and Hainan Poly Pharm Co. Ltd. (海南普利制药股份有限公司) (stock code: 300630), all of which are listed on the Shenzhen Stock Exchange and the chairman of the board of directors of Ningbo Akin Electronic Technology Co.,Ltd. (寧波亞錦電子科技股份有限公司) (stock code: 830806), which is listed on National Equities Exchange and Quotations (the "NEEQ").

Mr. Jiao received a master degree in engineering from the No. 2 Research Institute of Ministry of Aeronautics and Astronautics (航空航天工業部第二研究院) in October 1989.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guo Liangzhong (郭良忠), aged 56, is an Independent Non-executive Director of our Company and was appointed as a Director on August 10, 2018 to be effective upon the Listing. Mr. Guo worked as an officer in the accusation department at the Supreme People's Procuratorate of the People's Republic (中華人民共和國最高人民檢察院控申廳) from March 1991 to July 1993. Mr. Guo was a lawyer at Guangxi Far East Commercial Law firm (廣西遠東商務律師事務所) (currently known as Dentons (Nanning) (北京大成 (南寧)律師事務所) from July 1993 to December 1994, and has been a partner at Beijing Huamao Guigu Law Firm (北京華貿矽谷律師事務所) since March 1995.

Mr. Guo graduated from China University of Political Science and Law (中國政法大學), with a bachelor degree in law and a master degree in criminal jurisprudence in July 1985 and January 1991, respectively. He obtained People's Republic of China Lawyer's Certificate (中華人民共和國律師資格證書) in July 1993.

Dr. Zhang Yanyun (張雁雲), aged 65, is an Independent Non-executive Director of our Company and was appointed as a Director on August 10, 2018 to be effective upon the Listing. From 1997 to 1998, Dr. Zhang was a visiting researcher at the Faculty of Medicine, University of Tokyo (東京大學醫學部). From 2002 to 2003, Dr. Zhang was a researcher at the Faculty of Medicine, University of Tokyo (東京大學醫學部). From 2002 to 2017, Dr. Zhang consecutively served as a researcher and principal investigator at Shanghai Institute for Biological Sciences, Chinese Academy of Sciences (中國科學院上海生命科學研究院). From 2008 to 2014, Dr. Zhang was the vice director at the Institute of Health Sciences, Shanghai Institute for Biological Sciences, Chinese Academy of Sciences and Shanghai Jiao Tong University School of Medicine (中國科學院上海生命科學研究院上海交通大學醫學院健康科學研究所). From 2012 to 2015, Dr. Zhang was the editor-in-chief of a professional journal named Current Immunology《現代免疫學》. Dr. Zhang has been the non-resident research fellow and principal investigator at Shanghai Institute for Biological Sciences, Chinese Academy of Sciences (中國科學院上海生命科學研究所) since 2017.

Dr. Zhang received a bachelor degree in medicine in August 1983 and a master degree in medicine in December 1996 from Suzhou Medical College (蘇州醫學院) (currently known as Medical College of Soochow University (蘇州大學醫學部)). Following which, Dr. Zhang obtained a Ph.D. in social medicine from Graduate School of Medicine, University of Tokyo (東京大學醫學部) in March 2002.

Dr. Liu Linqing (劉林青), aged 46, is an Independent Non-executive Director of our Company and was appointed as a Director on August 10, 2018 to be effective upon the Listing. Dr. Liu has been a teacher at the Economics and Management School of Wuhan University (武漢大學經濟與管理學院) since July 2002 and now serves as a professor and doctoral supervisor. He is also the director of the Department of Business Administration of Wuhan University (武漢大學工商管理系) and the director of the Institute of Business Strategic Management of Wuhan University (武漢大學企業戰略管理研究所). His research areas focus on corporate strategic management, business administration and management education. Dr. Liu was an independent non-executive director of Aotecar New Energy Technology Co., Ltd (奧特佳新能源科技股份有限公司) (formerly known as Jiangsu Kingfield Garments Co., Ltd. (江蘇金飛達服裝股份有限公司)) (stock code: 002239), a listed company on the Shenzhen Stock Exchange. Dr. Liu was an independent non-executive director of Wuhan Humanwell Hi-tech Ind. Co., Ltd. (人福醫藥集團股份有限公司) (stock code: 600079), a listed company on the Shanghai Stock Exchange from 2009 to 2015. He is currently an independent director of HuBei SanFeng Intelligent Convey Co., Ltd. (湖北三豐智能輸送裝備股份有限公司) (stock code: 300276) and Wuhan P&S Information Co., Ltd. (武漢力源信息技術股份有限公司) (stock code: 300184), both listed on the Shenzhen Stock Exchange.

Dr. Liu graduated from Wuhan University (武漢大學), with a double bachelor degree in science and economics and a master degree in management in July 1995 and June 1999, respectively. Following which, Dr. Liu obtained a Ph.D. in management from Wuhan University (武漢大學) in June 2002. Dr. Liu was accredited as a certified public accountant by the Hubei Institute of Certified Public Accountants (湖北註冊會計師協會) in December 2009.

SENIOR MANAGEMENT

Mr. Zhuge Wenhui (諸葛文輝), aged 54, is a vice president of sales of the Company since August 2018, primarily responsible for marketing and sales channels management of the Group in Northern China. Mr. Zhuge joined our Group in February 2016 and served as a deputy general manager of Taizhou Pharmaceutical till January 2017. From February 2017 to March 2018, Mr. Zhuge transferred to Taizhou Biotech and served as a deputy general manager.

Prior to joining our Group, Mr. Zhuge served as a doctor at Shanghai Haiyuan Hospital (上海海員醫院) from October 1994 to December 2000. From October 2005 to January 2013, Mr. Zhuge served as a sales manager at Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) (currently known as Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業 (上海)股份有限公司)). From February 2013 to February 2016, Mr. Zhuge served as a deputy general manager at Shanghai Celgen Biopharmaceutical Co., Ltd (上海賽金生物醫藥有限公司), mainly responsible for the national sales management in China. Mr. Zhuge also worked as a deputy general manager of Biomabs since April 2018. Mr. Zhuge received a bachelor degree in medicine from Anhui College of Chinese Medicine (安徽中醫學院) (currently known as Anhui University of Chinese Medicine (安徽中醫藥大學)) in July 1987. He also obtained a master degree in Chinese medicine from Shanghai College of Traditional Chinese Medicine (上海中醫學院) (currently known as Shanghai University of Traditional Chinese Medicine (上海中醫藥大學)) in July 1992.

JOINT COMPANY SECRETARIES

Mr. Li Yunfeng (李雲峰) has been appointed as a joint company secretary of our Company. For details of his background, please refer to "Executive Directors" under this section.

Mr. Tsang Ho Yin (曾浩賢), aged 35, has been appointed as a joint company secretary of our Company. Mr. Tsang is currently a senior associate of Stevenson, Wong & Co, specialising in corporate finance and commercial law. Mr. Tsang has been a non-executive director of China Regenerative Medicine International Limited (stock code: 8158) since January 2020, a joint company secretary of Sundy Service Group Co. Ltd (stock code: 9608) since January 2021; a joint company secretary of Sunshine 100 China Holdings Ltd (stock code: 2608) since May 2019; the company secretary of Sino Energy International Holdings Group Limited (stock code: 1096) from November 2018 to July 2019; an independent non-executive director of Inno-Tech Holdings Limited (stock code: 8202) from June 2019 to June 2020; the company secretary of Moody Technology Holdings Limited (stock code: 1400) from January 2019 to November 2019 and was appointed as the company secretary and authorized representative of Mobile Internet (China) Holdings Limited (stock code: 1439) from February 2020 to February 2021.

Mr. Tsang obtained a bachelor degree in laws and commerce (accounting) from University of Melbourne, Australia in August 2008 and then obtained a master degree in laws from the same university. Mr. Tsang then obtained the Postgraduate Certificate in Laws from the City University of Hong Kong in July 2011. Mr. Tsang was admitted as a solicitor in Australia and Hong Kong in May 2012 and December 2013, respectively.

CHANGE IN INFORMATION OF DIRECTORS

Save as disclosed above, as of December 31, 2020, there has been no change to the information of the Directors subject to disclosure under Rule 13.51B(1) of the Listing Rules.

Corporate Governance Report

The Board of Directors is pleased to present to the shareholders the corporate governance report for the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance. The CG Code has been applicable to the Company with effect from the Listing Date. The Board is of the view that the Company has complied with the applicable code provisions as set out in the CG Code since the Listing Date up to the date of this annual report. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the guidelines for the directors' dealings in the securities of the Company since the Listing Date.

Specific enquiry has been made to each Director and all Directors have confirmed that they have complied with the applicable standards set out in the Model Code during the Reporting Period.

BOARD OF DIRECTORS

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 three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

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

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

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

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

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

Composition

As at the date of this annual report, the Board is comprised of nine Directors, with four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. Dr. Qian Weizhu resigned as an executive Director and Chief Executive Officer of the Company on October 28, 2020. On the same date, Mr. Tao Jing, the vice president, was appointed as an executive Director and Dr. Wang Hao was appointed as the Chief Executive Officer. A list of Directors and their respective biographies are set out in this annual report. As at the date of this annual report, none of our Directors is related to other Directors of the Company.

The Board's composition is in compliance with the requirement under Rule 3.10A of the Listing Rules that the number of Independent Non-executive Directors must represent at least one-third of the Board. The Board believes that the balance between the Executive Directors and the Non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group.

Chairman and Chief Executive Officer

During the Reporting Period, the position of Chairman was held by Mr. Jiao Shuge and the position of Chief Executive Officer was held by Dr. Qian Weizhu (between January 1, 2020 and October 28, 2020) and Dr. Wang Hao (from October 28, 2020 onwards), respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Continuous Professional Development of Directors

Pursuant to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Every Director has received formal and comprehensive trainings to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Company arranges continuous professional development trainings to Directors such as updates by its compliance counsel to ensure Directors keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. Directors also regularly meet with the senior management team to understand the Group's businesses, governance policies and regulatory environment. All Directors are also encouraged to attend relevant training courses.

The Directors informed the Company that they had received sufficient and relevant training and continuous professional development during the Reporting Period.

Records of training received by the Directors for the Reporting Period are summarized as follows:

Directors	Participation in continuous professional development[1]
Executive Directors	
Dr. Qian Weizhu *(Resigned on October 28, 2020)*	✔
Dr. Wang Hao	✔
Mr. Li Yunfeng	✔
Dr. Li Jing	✔
Mr. Tao Jing *(Appointed on October 28, 2020)*	✔
Non-executive Directors	
Mr. Guo Jianjun	✔
Mr. Jiao Shuge	✔
Independent Non-executive Directors	
Mr. Guo Liangzhong	✔
Dr. Zhang Yanyun	✔
Dr. Liu Linqing	✔

Note:

1. Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.

Appointment and Re-election of Directors

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

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

The following Directors, Mr. Li Yunfeng, Dr. Li Jing and Mr. Tao Jing shall retire at the AGM and, being eligible, will offer themselves for re-election.

The term of appointment of non-executive directors has been disclosed in the report of directors of this report.

Board Meetings and Directors' Attendance Records

Code provision A.1.1 of the CG Code stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

Apart from regular Board meetings, the Chairman should at least annually hold meeting with the Independent Non-executive Directors without the presence of other Directors under the code provision A.2.7 of the CG Code effective January 1, 2019.

Since the December 31, 2019, nine Board meetings were held during the Reporting Period, one of which was to approve the Company's interim report for the six months ended June 30, 2020 and the other eight were to discuss matters including, among other things, (i) the renewal of the Clinical Trials Agreement (ii) reviewing the Company's risk management and internal control systems; and (iii) change of auditor. Apart from the nine Board meetings held, the Chairman also held a meeting with the Independent Non-executive Directors in the absence of other Directors during the Reporting Period.

The Board intends to meet at least four times each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code, and the Chairman intends to hold at least one meeting per year with the Independent Non-executive Directors without the presence of other Directors.

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

	Number of meeting(s) attended/number of meeting(s) held for the year ended December 31, 2020			
Directors	Board	Audit Committee[1]	Remuneration Committee[2]	Nomination Committee[3]
Executive Directors				
Dr. Qian Weizhu *(Resigned on October 28, 2020)*	7	N/A	N/A	2
Dr. Wang Hao	9	N/A	2	N/A
Mr. Li Yunfeng	9	N/A	N/A	N/A
Dr. Li Jing	9	N/A	N/A	N/A
Mr. Tao Jing *(Appointed on October 28, 2020)*	2	N/A	N/A	0
Non-executive Directors				
Mr. Guo Jianjun	9	N/A	N/A	N/A
Mr. Jiao Shuge	9	4	N/A	N/A
Independent Non-executive Directors				
Mr. Guo Liangzhong	9	4	2	2
Dr. Zhang Yanyun	9	N/A	2	2
Dr. Liu Linqing	9	4	N/A	N/A

Notes:

1. The Audit Committee held a meeting on March 27, 2020, May 19, 2020, August 26, 2020 and December 25, 2020, respectively, and all members of the Audit Committee attended the meetings.

2. The Remuneration Committee held a meeting on March 27, 2020 and October 28, 2020, respectively and all members of the Remuneration Committee attended the meetings.

3. The Nomination Committee held a meeting on March 27, 2020 and October 28, 2020, respectively and all members of the Nomination Committee attended the meetings.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the Company's website and the Stock Exchange's website.

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

Audit Committee

The Company established the Audit Committee in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision C.3.3 of the CG Code.

The Audit Committee consists of three members, two Independent Non-executive Directors namely Dr. Liu Linqing and Mr. Guo Liangzhong and one Non-executive Director namely Mr. Jiao Shuge. Dr. Liu Linqing is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Reporting Period, the Audit Committee held four meetings, one of which was to review the interim report for the six months ended June 30, 2020 and the relevant financial disclosure.

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

Name of Members of the Audit Committee	Attendance
Dr. Liu Linqing	100%
Mr. Jiao Shuge	100%
Mr. Guo Liangzhong	100%

Remuneration Committee

The Company established the Remuneration Committee in compliance with Rules 3.25 and 3.26 of the Listing Rules and code provision B.1.2 of the CG Code.

The Remuneration Committee consists of three members, two Independent Non-executive Directors namely Dr. Zhang Yanyun and Mr. Guo Liangzhong, and one Executive Director namely Dr. Wang Hao. Dr. Zhang Yanyun is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages and policy for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

During the Reporting Period, the Remuneration Committee met twice to review and make recommendations to the Board on the remuneration policy and packages and other related matters.

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

Name of Members of the Remuneration Committee	Attendance
Dr. Zhang Yanyun	100%
Dr. Wang Hao	100%
Mr. Guo Liangzhong	100%

Nomination Committee

The Company established the Nomination Committee in compliance with code provisions A.5.1 and A.5.2 of the CG Code.

The Nomination Committee consists of three members, two Independent Non-executive Directors namely Mr. Guo Liangzhong and Dr. Zhang Yanyun, and one Executive Director Dr. Qian Weizhu (between January 1, 2020 and October 28, 2020) Mr. Tao Jing (from October 28, 2020 onwards). Mr. Guo Liangzhong is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee met twice to review the Board structure, the Board diversity policy and independence of the independent non-executive Directors and other related matters.

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

Name of Members of the Nomination Committee	Attendance
Mr. Guo Liangzhong	100%
Dr. Qian Weizhu *(Resigned on October 28, 2020)*	100%
Dr. Zhang Yanyun	100%
Mr. Tao Jing *(Appointed on October 28, 2020 and no meeting was held subsequent to his appointment)*	0%

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") in accordance with the CG Code, which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to maintain the Company's competitive advantage and enhance its ability to attract, retain and motivate employees from the widest possible pool of available talent.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, biotech, clinical research, life science, finance, investment, auditing and accounting. They obtained degrees in various areas including medicine, immunology, chemistry, chemical physics, chemical engineering, pharmaceutical analysis, economics and accounting. Furthermore, our Directors range from 44 years old to 69 years old.

The Company is also committed to adopting a similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to enhance the effectiveness of corporate governance of the Company as a whole. Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the CG Code. Our Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

Director Nomination Policy

The Company adopted a director nomination policy (the "**Director Nomination Policy**") in accordance with the CG Code. The Director Nomination Policy sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

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

The Nomination Committee will conduct regular review on the structure, size and composition of the Board and the Director Nomination Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in its Corporate Governance Report.

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

DIVIDEND POLICY

On March 27, 2020, the Board has adopted a dividend policy, retroactive to May 31, 2019, in which the Company may declare dividends in any currency in general meeting but no dividends shall exceed the amount recommended by the Board, subject to the Companies Law of the Cayman Islands and the Articles of Association of the Company. The Board shall comprehensively take into account the results of operations, financial condition, business strategy, operating requirements, capital requirements, Shareholders' interests and any other factors that the Board may deem relevant in forming reasonable distribution proposal. Any distribution of dividends proposed by the Board will be subject to the approval of the Shareholders.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period.

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

AUDITORS' RESPONSIBILITY AND REMUNERATION

The Company appointed Ernst & Young, Certified Public Accountants as the external auditor for the year ended December 31, 2020. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 123 to 124.

Details of the fees paid/payable in respect of the audit services provided by Ernst & Young for the year ended December 31, 2020 are set out in the table below:

Services rendered for the Company	Fees paid and payable *RMB'000*
Audit services	2,683

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the global biologics outsourcing services market, our ability to offer quality biologics discovery, development and manufacturing services, our ability to manage our anticipated growth and to execute on our growth strategies, and our ability to compete with other biologics outsourcing services providers. We also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business.

In order to meet these challenges, we have developed a risk management framework, which is broken down into the following components:

- Our general property and financial safety risk management system ensures that (i) the comprehensive accounting policies we adopted in connection with our financial reporting risk management are well-observed and effectively implemented and (ii) the regular trainings are well-conducted and attended by our finance staff.

- Our technology risk management system ensures that the research and development is conducted in compliance with the requirement of relevant laws and regulations and industry customs and norms, and our drug manufacturing complies with GMP. The system comprises a confidentiality risk management structure as well as the marketing department's regular issuance of national and global field reports analyzing external product risks.

- Our Audit Committee oversees and manages the overall risks associated with our business operations. Our audit committee is responsible for (i) reviewing and approving our risk management policy to ensure that it is consistent with our corporate objectives; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring the most significant risks associated with our business operation and our management's handling of such risks; (iv) reviewing our corporate risk in the light of our corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of our risk management framework across our Group.

- Our Chief Executive Officer, Dr. Wang Hao, is responsible for (i) formulating and updating our risk management policy and target; (ii) reviewing and approving major risk management issues of our Company; (iii) promulgating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments in our Company; (v) reviewing the relevant departments' reporting on key risks and providing feedbacks; (vi) supervising the implementation of our risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competences are in place across our Group; and (viii) reporting to our audit committee on our material risks.

- The relevant departments in our Company, including the finance department, the human resources department, the administration department, the customer support department, the procurement department and the business units, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) prepare a risk management report annually for our chief executive officer's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

- Furthermore, we implement a screening process for potential customers, in order to screen out prospective customers with high risk of third party claims.

Internal Control

We have engaged an internal control consultant to perform certain agreed-upon procedures in connection with the internal control of our Company and our major operating subsidiaries and to report factual findings on our controls and internal controls of various processes, including financial reporting and disclosure controls, sales, accounts receivable and collection, procurement, accounts payable and payment, fixed assets and assets under construction, human resources and payroll management, cash and treasury management, inventory management, general controls of IT system, taxation management, production and costing, insurance management, research and development and intangible assets. During the Reporting Period and up to the date of this annual report, there was no material issue remaining in relation to the internal controls of our Group.

We have adopted a series of internal control policies, measures and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. During the Reporting Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- Our Board of Directors, as the highest internal control authority, is responsible for promulgating and revising internal control policies, measures and procedures to ensure that we maintain sound and effective internal controls and compliance with applicable laws and regulations. Our CEO implements supervision and management of our internal control policies and decides on certain material matters relating to management and operation. We conduct regular and ad hoc internal audits on the CEO level.

- We have established a sound system to monitor our accounting and budgeting policies. During the first season of each year, our CFO works with our finance department to prepare a preliminary yearly budget plan, which includes estimates on cash flows and major expenditures. The budget plan is submitted to our CEO, who may review and approve within the scope of his authority. The budget items that are beyond the authority of our CEO are submitted to our Board of Directors for approval. Our finance department also submits quarterly financial statements to our senior management and annual financial statements to our senior management and Board of Directors.

- The general manager for each of our operation sites is responsible for implementing the relevant internal control policies, measures and procedures on the site and making regular inspections about the on-site implementation of such policies, measures and procedures.

- We have set up an independent quality assurance department, which is responsible for implementing the relevant internal control policies, measures and procedures relating to the relevant biologics discovery, development or manufacturing stage, educating the relevant employees about such policies, measures and procedures and addressing their questions and making regular inspections about the implementation of such policies, measures and procedures.

- We have adopted various measures and procedures regarding each aspect of our business operation, such as project management, quality assurance, protection of intellectual property, environmental protection and occupational health and safety. We provide periodic training about these measures and procedures to our employees as part of our employee training program. We also constantly monitor the implementation of those measures and procedures through our labor security, insurance, fire services and environmental protection departments and our compliance team for each stage of the biologics development process.

Effectiveness of Risk Management and Internal Control

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee, on behalf of the Board, had conducted a review of the effectiveness of the risk management internal control system of the Company in respect of the Reporting Period and considered the system effective and adequate.

Policy on the Disclosure of Inside Information

The Company has adopted an information disclosure policy which sets out comprehensive guidelines in respect of handling and dissemination of inside information. The Board is responsible for monitoring and implementing the procedural requirements in the information disclosure policy. Release of inside information shall be overseen by the Board. Unless authorised by the Board, staff members of the Group are not permitted to disseminate inside information relating to the Group to any external parties and are not permitted to respond to media or market speculation which may materially affect the trading price or volume of the Shares on the market.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration by band of the members of the Board and senior management of the Company in respect of their qualifying services, whose biographies are set out on pages 92 to 99 of this annual report, for the Reporting Period are set out below:

Remuneration band	Number of individuals
Below RMB1,000,000	6
RMB1,000,001 to RMB1,500,000	3
Above RMB1,500,000	2

JOINT COMPANY SECRETARIES

Mr. Li Yunfeng, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also engaged Mr. Tsang Ho Yin, a solicitor admitted to practice in Hong Kong, as the joint company secretary to assist Mr. Li Yunfeng in discharging the duties of a company secretary of the Company. His primary contact person at the Company is Mr. Li Yunfeng, the joint company secretary of the Company.

During the Reporting Period, Mr. Li Yunfeng and Mr. Tsang Ho Yin have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company strives to provide ready, equal, regular and timely disclosure of information that is material to the investor community. Therefore, the Company works to maintain effective and on-going communication with Shareholders so that they, along with prospective investors, can exercise their rights in an informed manner based on a good understanding of the Group's operations, businesses and financial information. The Company also encourages Shareholders' active participation in annual general meetings and other general meetings or other proper means. To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

The Company has developed and maintains the Shareholders communication policy, which is available on the Company's website.

A summary of the disclosure of interests of the substantial shareholders of the Company is set out on pages 80 to 81 of this annual report.

Convening of Extraordinary General Meeting and Putting Forward Proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as of date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition. A written requisition shall be deposited at the principal office of the Company in Hong Kong. If within 21 days of such deposit the Board fails to proceed to convene such meeting to be held within a further 21 days, the requisitionist(s) 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.

Enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, namely, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

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

Address:	Room A, 18/F, Hong Xiang Centre, 83 Queen's Road East, Wanchai, Hong Kong
Telephone:	+852 2261 0878
Fax:	+852 2261 0728
Email:	yunfeng.li@mabpharm.net

Communication with Shareholders and Investors Relations

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

To promote effective communication, the Company maintains a website at www.mabpharm.cn where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Company did not make any significant changes to its constitutional documents. The latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

Independent Auditor's Report

Ernst & Young
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To the shareholders of Mabpharm Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Mabpharm Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 125 to 200, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

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
Risk of misstatement of research and development expenses	
As disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020, the Group incurred significant research and development ("**R&D**") expenses amounting to approximately RMB120 million. A large portion of the Group's R&D expenses were service fees paid to contract research organisations, clinical site management operators and clinical trial centres (collectively referred as "**Outsourced Service Providers**"). The R&D activities with these Outsourced Service Providers are documented in detailed contracts and are typically performed over an extended period. Recording of these expenses in the appropriate financial reporting period based on the progress of the research and development projects involves estimation. Related disclosures are included in notes 2.4 and 3 to the financial statements.	Our procedures included, among others: • testing the design and implementation of management's control in relation to the accrual of the R&D expenses; • checking contracts entered with and progress reports received from Outsourced Service Providers on a sample basis to evaluate the key estimation adopted by management in setting up the accrual for R&D services received; and • evaluating the adequacy of the R&D expense accrual by comparing the subsequent milestone billings received from the Outsourced Service Providers, if any, with the accrued R&D expenses at the year end.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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.

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong

26 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Other income	6	**32,237**	17,999
Other expenses		**–**	(4,127)
Other gains and losses	7	**(26,714)**	15,962
Research and development expenses		**(120,418)**	(134,189)
Administrative expenses		**(65,795)**	(62,952)
Finance costs	9	**(3,942)**	(7,695)
Listing expenses		**–**	(27,527)
Loss before tax	8	**(184,632)**	(202,529)
Income tax expense	12	**–**	–
Loss and total comprehensive expense for the year		**(184,632)**	(202,529)
Attributable to:			
Owners of the Company		**(184,632)**	(202,529)
Loss per share attributable to ordinary equity holders of the Company	14		
– Basic		**RMB(0.04)**	RMB(0.05)
– Diluted		**RMB(0.04)**	RMB(0.05)

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Plant and equipment	15	**438,408**	255,049
Right-of-use assets	16	**74,209**	77,346
Other non-current assets	17	**81,294**	85,415
Rental deposit to a related party	31	**–**	411
Pledged bank deposits	21	**–**	23,117
Total non-current assets		**593,911**	441,338
Current assets			
Prepayments and other receivables	18	**31,673**	21,904
Inventories	19	**33,427**	22,224
Contract costs	20	**16,769**	13,240
Pledged bank deposits	21	**2,000**	129,891
Time deposit	21	**–**	179,160
Rental deposit to a related party	31	**411**	–
Cash and bank balances	21	**484,846**	588,720
Total current assets		**569,126**	955,139
Current liabilities			
Trade and other payables	22	**113,297**	128,119
Amount due to a related party	31	**75**	2,538
Lease liabilities to third parties	16	**4,146**	2,823
Lease liability to a related party	16	**4,386**	4,472
Contract liabilities	23	**70,058**	58,662
Bank borrowings	24	**–**	63,205
Deferred income	25	**10,665**	10,515
Total current liabilities		**202,627**	270,334
Net current assets		**366,499**	684,805
Total assets less current liabilities		**960,410**	1,126,143

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Deferred income	25	**47,109**	37,309
Lease liabilities to third parties	16	**31,816**	30,737
Lease liability to a related party	16	**–**	4,386
Total non-current liabilities		**78,925**	72,432
Net assets		**881,485**	1,053,711
Capital and reserves			
Share capital	26	**2,804**	2,804
Reserves	28	**878,681**	1,050,907
Total equity		**881,485**	1,053,711

Wang Hao
Director

Li Yunfeng
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Share capital *RMB'000*	Share premium *RMB'000*	Other reserve *RMB'000*	Share option reserve *RMB'000*	Accumulated losses *RMB'000*	Total equity *RMB'000*
At 1 January 2019	51	410,433	(32,763)	5,445	(133,594)	249,572
Loss and total comprehensive expense for the year	–	–	–	–	(202,529)	(202,529)
Shares issued upon initial public offerings *(note 26)*	541	1,032,727	–	–	–	1,033,268
Transaction costs attributable to issue of new shares	–	(40,444)	–	–	–	(40,444)
Capitalisation Issue *(note 26)*	2,212	(2,212)	–	–	–	–
Recognition of equity-settled share-based compensation *(note 27)*	–	–	–	13,844	–	13,844
At 31 December 2019	2,804	1,400,504	(32,763)	19,289	(336,123)	1,053,711
Loss and total comprehensive expense for the year	–	–	–	–	(184,632)	(184,632)
Recognition of equity-settled share-based compensation *(note 27)*	–	–	–	12,406	–	12,406
At 31 December 2020	2,804	1,400,504	(32,763)	31,695	(520,755)	881,485

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(184,632)**	(202,529)
Adjustments for:			
Bank interest income	*6*	**(9,458)**	(3,925)
Finance costs	*9*	**3,942**	7,695
Depreciation of plant and equipment	*8*	**16,280**	14,548
Depreciation of right-of-use assets	*8*	**8,117**	7,682
Net foreign exchange losses (gains)	*7*	**31,902**	(15,962)
Write-down of inventories	*8*	**23**	272
Share-based payment expenses	*8*	**12,406**	13,844
		(121,420)	(178,375)
(Increase)/decrease in inventories		**(11,226)**	5,055
Increase in contract costs		**(3,529)**	(249)
Increase in prepayments and other receivables		**(13,206)**	(2,094)
Increase in other non-current assets		**(6,304)**	(8,107)
Increase in an amount due to a related party		**2,622**	7,801
(Decrease)/increase in trade and other payables		**(5,514)**	26,835
Increase in contract liabilities		**11,396**	–
(Decrease)/increase in deferred income		**(50)**	12,515
Net cash flows used in operating activities		**(147,231)**	(136,619)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from bank		**12,896**	488
Purchase of plant and equipment		**(197,243)**	(113,569)
Repayment from a related party		**–**	42
Placement of a time deposit		**(45,012)**	(180,674)
Withdraw of a time deposit		**224,350**	–
Placement of pledged bank deposits		**(2,000)**	(202,820)
Withdraw of pledged bank deposits		**153,008**	50,334
Government grants relating to assets received		**10,000**	33,109
Net cash flows from/(used in) investing activities		**155,999**	(413,090)

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(4,208)**	(9,378)
Issue costs paid	*29(b)*	**(1,280)**	(30,375)
Repayment of bank loans		**(63,086)**	(31,985)
Loans obtained from a bank		**–**	95,071
Repayments of loans from related parties	*29(b)*	**–**	(105,000)
Repayments to a related party	*29(b)*	**(5,085)**	(22,001)
Repayments of the principal portion of lease liabilities		**(6,819)**	(6,842)
Proceeds from the issue of the Company's ordinary shares		**–**	1,033,268
Net cash flows (used in)/from financing activities		**(80,478)**	922,758
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(71,710)**	373,049
Cash and cash equivalents at beginning of year		**588,720**	198,195
Effects of foreign exchange rate changes, net		**(32,164)**	17,476
CASH AND CASH EQUIVALENTS AT END OF YEAR		**484,846**	588,720

1. CORPORATE AND GROUP INFORMATION

Mabpharm Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 1 June 2018, and its shares are listed on The Stock Exchange of Hong Kong Limited on 31 May 2019. The address of the registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands and the principal place of business is located at Block G79, Lujia Road East, Koutai Road West, China Medical City, Taizhou, the People's Republic of China (the "**PRC**").

The Company is an investment holding company. The Company and its subsidiaries (the "**Group**") are principally engaged in research, development and production of monoclonal antibody drugs for cancers and autoimmune diseases and transfer of intellectual property.

The immediate holding company of the Company is Asia Mabtech Limited, a limited liability company incorporated in the British Virgin Islands, which is ultimately controlled by Mr. Guo Jianjun.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Taizhou Mabtech Pharmaceutical Limited ("**Taizhou Pharmaceutical**") (泰州邁博太科藥業有限公司)*	PRC/Mainland China	US$120,000,000	–	100%	Research and development, technical consulting, technology transfer and technical services of biological products, diagnostic reagents, chemical biological reagents and drugs
Taizhou Mabtech Biotechnology Limited ("**Taizhou Biotech**") (泰州邁博太科生物技術有限公司)*	PRC/Mainland China	US$80,000,000	–	100%	Technology development in the field of biomedical science and technology
Shanghai Shengheng Biotechnology Limited ("**Shengheng Biotech**") (上海晟珩生物技術有限公司)	PRC/Mainland China	RMB30,000,000	–	100%	Research and development, technical consulting, technology transfer and technical services of biological products, diagnostic reagents, chemical biological reagents and drugs

* These entities are registered as a wholly-foreign-owned enterprises under PRC law.

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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 net 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 International Financial Reporting Standards ("**IFRSs**") (which include all IFRSs, International Accounting Standards ("**IASs**") and interpretations) issued by the International Accounting Standards Board (the "**IASB**"), 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. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2020. 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendments to IAS 1 and IAS 8	*Definition of Material*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 4	*Extension of the Temporary Exemption from Applying IFRS 9*[5]
Amendment to IFRS 16	*Covid-19-Related Rent Concessions*[6]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3,5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
6 Effective for annual periods beginning on or after 1 June 2020

These new and revised IFRSs are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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 costs and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant and equipment and depreciation

Plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of 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 plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Transportation equipment	19% per annum
Machinery	9.5% to 19% per annum
Furniture and fixtures	19% to 20% per annum
Leasehold improvement	Over the shorter of the lease term and 20 years

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

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

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

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 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.

Research and development costs

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

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

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

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

Leasehold land	50 years
Buildings	2 to 18 years

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

(b) Lease liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities (continued)

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.

The Group's lease liabilities are presented in a separate line on the consolidated statement of financial position.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of building (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). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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 and other comprehensive income when the asset is derecognised, modified or impaired.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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.

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to a related party, lease liabilities and bank borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

Derecognition of financial liabilities

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

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

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 first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the 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. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position upon the compliance of the Group with the conditions attached to the grants and the government acknowledged acceptance and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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 IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

The revenue from a licence is recognised over time if all of the following criteria are met:

(a) the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights

(b) the rights granted by the licence directly expose the customer to any positive or negative effects of the entity's activities identified in (a); and

(c) those activities do not result in the transfer of a good or a service to the customer as those activities occur

Otherwise, revenue is recognised at a point in time when the customer obtains the control of the license.

Revenue from intellectual property transfer agreement

The Group will recognise the revenue from intellectual property transfer agreements at a point in time upon delivery of the control of rights of the intellectual property.

Other income

Bank 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.

Income from sale of raw materials is recognised upon the delivery of raw materials to the customer.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Group incurs costs to fulfil a contract from arrangement to transfer intellectual property. The Group first assesses whether these contract costs qualify for recognition as an asset in terms of other relevant IFRSs, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The capitalised contract costs are charged to 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.

Share-based payments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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 pricing model.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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.

Other employee benefits

Pension scheme

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

Borrowing costs

There were no borrowing costs eligible to be capitalised into plant and equipment during the reporting period. All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends, if any, are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group uses RMB as its functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

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

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements

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

Determining the timing of satisfaction of performance obligation of the intellectual property transfer

The recognition of revenue from the intellectual property transfer requires judgement by the directors of the Company in determining the timing of satisfaction of the performance obligation.

In making their judgement, the directors of the Company have considered the detailed criteria for recognition of revenue set out in IFRS 15 and the detailed terms of transaction stipulated in the contracts entered into with its customer. The directors of the Company considered that the intellectual property transfer agreements do not require the Group to undertake activities that significantly affect the intellectual property. In addition, the intellectual property to be transferred by the Group do not directly expose the customer to any positive or negative effects of the Group's activities. Therefore, the directors of the Company determined that the transfer of the intellectual property is a promise to provide a right to use the Group's intellectual property. The customer can direct the use of and obtain substantially all of the remaining benefits from the intellectual property at the point in time at which the intellectual property is transferred and accepted by the customer. Accordingly, the Group accounts for the transfer of the intellectual property as a performance obligation satisfied at a point in time.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Research and development expenses

Development expenses incurred on the Group's drug product pipelines are 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, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the reporting period, all expenses incurred for research and development activities were expensed when incurred incurred as it is uncertain whether future economic benefits can be generated.

Estimation uncertainty

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

Accrual of research and development expenses

The Group relies on contract research organizations, clinical site management operators, and clinical trial centres (collectively referred as "**Outsourced Service Providers**") to conduct, supervise, and monitor the Group's ongoing clinical trials in the PRC. Determining the amounts of research and development expenses incurred up to the end of each reporting period requires the management of the Group to estimate and measure the progress of receiving research and development services under the contracts with Outsourced Service Providers using inputs such as number of patient enrollments, time elapsed and milestone achieved.

4. OPERATING SEGMENT INFORMATION

Segment information

For the purpose of resources allocation and performance assessment, the key management of the entities and business comprising the Group, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented.

Geographical information

The Group did not record any revenue during the year ended 31 December 2020 and the Group's non-current assets are substantially located in the PRC, accordingly, no geographical information in accordance with IFRS 8 *Operating Segments* is presented.

5. REVENUE

Intellectual property transfer agreements with customers

In January 2017, the Group entered into an agreement with a third-party customer for transferring of an intellectual property in relation to CMAB806, at a consideration of RMB65,180,000 and further increased to RMB82,180,000 pursuant to two supplementary agreements signed in September 2019 and February 2020 (collectively named "**Intellectual Property Transfer Agreement on CMAB806**"), while RMB70,058,000 has been received as at 31 December 2020 (note 23). The Group did not recognise revenue from this contract during the reporting period since the control of rights of the intellectual property had not been transferred to the customer. The research and development cost incurred on this intellectual property before the Group entered into the Intellectual Property Transfer Agreement on CMAB806 with the customer were all charged to profit or loss. While, after the inception of the Intellectual Property Transfer Agreement on CMAB806, the cost incurred to fufil this contract, amounting to RMB16,769,000 and RMB13,240,000 at 31 December 2020 and 2019, respectively, were capitalised as cost to fulfil the contract and were included in contract costs in the consolidated statement of financial position (note 20).

In December 2020, the Group entered into an agreement with a third-party customer for transferring of an intellectual property in relation to CMAB809, at a consideration of RMB50,000,000 ("**Intellectual Property Transfer Agreement on CMAB809**"). The Group did not recognise revenue from this contract during the reporting period since the control of rights of the intellectual property had not been transferred to the customer and no cost incurred to fulfil this contract as at 31 December 2020.

5. REVENUE (continued)

Intellectual property transfer agreements with customers (continued)

The amount of transaction prices allocated to the unsatisfied performance obligation as at 31 December is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Amount expected to be recognised as revenue:		
Within one year	**132,180**	65,680

6. OTHER INCOME

	2020 *RMB'000*	2019 *RMB'000*
Bank interest income	**9,458**	3,925
Government grants and subsidies related to income *(note 25)*	**22,779**	9,013
Income from sale of raw materials	**–**	5,061
	32,237	17,999

7. OTHER GAINS AND LOSSES

	2020 *RMB'000*	2019 *RMB'000*
Net foreign exchange (losses)/gains	**(31,902)**	15,962
Others	**5,188**	–
	(26,714)	15,962

8. LOSS BEFORE TAX

Loss before tax has been arrived at after charging/(crediting):

	2020 RMB'000	2019 RMB'000
Depreciation for plant and equipment	16,280	14,548
Depreciation for right-of-use assets	8,117	7,682
Write-down of inventories to net realisable value	23	272
Staff cost (including directors' emoluments):		
– Independent non-executive directors' fee	321	189
– Salaries and other benefits	57,682	47,908
– Pension scheme contributions	731	4,653
– Share-based payment expenses	12,406	13,844
– Consultation fee	533	510
	71,673	67,104
Auditors' remuneration	2,683	3,043
Short-term lease payment	104	22
Government grants and subsidies related to income	(22,779)	(9,013)
Cost of inventories recognised as expense (included in research and development expense)	20,724	25,092

9. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on related party loans *(note 31)*	–	1,639
Interest on bank loans	1,236	3,056
Interest on lease liabilities	2,706	3,000
	3,942	7,695

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Fees	**321**	189
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**3,051**	3,489
Pension scheme contributions	**16**	185
Share-based payment expenses	**8,992**	10,465
Consultation fee	**533**	510
	12,592	14,649
	12,913	14,838

Certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 27 to the financial statements. The fair value of such options, which has been recognised in 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. No new share option was granted in 2020.

10. 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:

	2020 *RMB'000*	2019 *RMB'000*
Mr. Guo Liangzhong *(note i)*	**107**	63
Dr. Zhang Yanyun *(note i)*	**107**	63
Dr. Liu Linqing *(note i)*	**107**	63
	321	189

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive

	Salaries, bonuses, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Share-based payment expenses *RMB'000*	Consultation fee *RMB'000*	Total remuneration *RMB'000*
Year ended 31 December 2020					
Executive directors:					
Dr. Wang Hao *(note ii)*	921	4	3,948	–	4,873
Dr. Li Jing	620	4	515	–	1,139
Dr. Qian Weizhu *(note ii)*	465	4	3,928	–	4,397
Mr. Li Yunfeng	798	4	515	–	1,317
Mr. Tao Jing *(note ii)*	247	–	86	–	333
	3,051	16	8,992	–	12,059
Non-executive directors:					
Mr. Jiao Shuge	–	–	–	–	–
Mr. Guo Jianjun	–	–	–	533	533
	–	–	–	533	533
	3,051	16	8,992	533	12,592
Year ended 31 December 2019					
Executive directors:					
Dr. Wang Hao	979	38	4,263	–	5,280
Dr. Li Jing	827	49	556	–	1,432
Dr. Qian Weizhu	810	49	5,090	–	5,949
Mr. Li Yunfeng	873	49	556	–	1,478
	3,489	185	10,465	–	14,139
Non-executive directors:					
Mr. Jiao Shuge	–	–	–	–	–
Mr. Guo Jianjun	–	–	–	510	510
	–	–	–	510	510
	3,489	185	10,465	510	14,649

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

Notes:

i. The appointments of Mr. Guo Liangzhong, Dr. Zhang Yanyun and Dr. Liu Linqing as independent non-executive directors were effective on 31 May 2019.

ii. On 28 October 2020, Dr. Qian Weizhu resigned as an executive director and the chief executive while Dr. Wang Hao was appointed as the chief executive and Mr. Tao Jing was appointed as an executive director. The amounts disclosed in this note represented the remuneration of the directors in respect of their qualifying services.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The consultation fee paid to the non-executive director, Mr. Guo Jianjun, were for his advisory services provided to the Group.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five directors and the chief executive (2019: four directors and the chief executive), details of whose remuneration are set out in note 10 above. In addition, included in the five highest paid employees for the year ended 31 December 2020 was an individual being appointed as a director during the year. The total remuneration of this individual, including the remuneration in respect of his qualifying services as a director, is comprised of salaries and other benefits of RMB628,000, pension scheme contributions of RMB4,000 and share-based payment expenses of RMB515,000, respectively. Details of the remuneration for the year ended 31 December 2019 of the remaining one highest paid employee who was neither a director nor chief executive of the Company for the year ended 31 December 2019 are as follows:

	2020	2019
	RMB'000	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	–	691
Pension scheme contributions	–	49
Share-based payment expenses	–	556
	–	1,296

11. FIVE HIGHEST PAID EMPLOYEES (continued)

The remuneration of the non-director and non-chief executive highest paid employee fell within the following band:

	2020 Number of employees	2019 Number of employees
HK$1,000,001 to HK$1,500,000	–	1

Share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 27 to the financial statements. The fair value of such options, which has been recognised in the 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 prior year is included in the above non-director and non-chief executive highest paid employee's remuneration disclosures. No new share option was granted in 2020.

12. INCOME TAX

The Company was incorporated in the Cayman Islands and is exempted from income tax.

Hong Kong profits tax is provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No Hong Kong profits tax was provided for as there was no estimated assessable profit of the Group's Hong Kong subsidiary that was subject to Hong Kong profits tax during the year.

Under the Law of the PRC of Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% throughout the reporting period.

Taizhou Pharmaceutical was accredited as a "High and New Technology Enterprise" in November 2018 and therefore is entitled to a preferential tax rate of 15% for a three-year period since 2018. The qualification as a High and New Technology Enterprise will be subject to review by the relevant tax authority in the PRC for every three years and Taizhou Pharmaceutical should self-evaluate whether it meets the criteria of High and New Technology Enterprise each year. After self-evaluation, the estimated EIT rate of Taizhou Pharmaceutical for the year ended 31 December 2020 was 15%. For the year ended 31 December 2019, the Group's management was in a view that Taizhou Pharmaceutical failed to meet the criteria of High and New Technology Enterprise and therefore the tax rate of Taizhou Pharmaceutical was 25% for the year ended 31 December 2019.

12. INCOME TAX (continued)

Pursuant to Caishui [2018] circular No. 76, Taizhou Pharmaceutical can carry forward its unutilised tax losses for up to ten years. This extension of expiration period applies to all the unutilised tax losses that were carried forward by Taizhou Pharmaceutical at the effective date of the tax circular.

Pursuant to the relevant EIT Laws, Taizhou Pharmaceutical enjoyed super deduction of 175% on qualifying research and development expenditures during the years ended 31 December 2020 and 2019.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the countries (or jurisdictions) in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2020	2019
	RMB'000	*RMB'000*
Loss before tax	**(184,632)**	(202,529)
Income tax expense calculated at 25%	**(46,158)**	(50,632)
Effect of different tax rates of subsidiaries operating in other jurisdictions and enacted by local authority	**17,169**	3,670
Tax effect of expenses not deductible for tax purpose	**3,497**	5,041
Effect of research and development expenses that are additionally deducted	**(10,080)**	(15,711)
Tax effect of tax losses and deductible temporary differences not recognised	**35,572**	57,632
Income tax expense recognised in profit or loss	**–**	–

The Group has unused tax losses of RMB502,428,000 available for offset against future profits as of 31 December 2020 (2019: RMB322,142,000). The tax losses of the entity will expire in one to ten years for offsetting against taxable profits of the companies in which the losses arose. The Group had deductible temporary differences of RMB85,390,000 at 31 December 2020 (2019: RMB54,300,000), which are mainly related to deferred income and accrued expenses.

Deferred taxation had not been recognised on the unused tax losses and deductible temporary differences since it is not probable that the taxable profits will be available against which the tax losses and deductible temporary differences can be utilised in the foreseeable future.

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted loss per share is based on the following data:

	2020 *RMB'000*	2019 *RMB'000*
Loss attributable to ordinary equity holders of the Company for the purpose of calculating basic and diluted loss per share	**(184,632)**	(202,529)

	2020 *'000*	2019 *'000*
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**4,124,080**	3,802,061

The calculation of the basic and diluted loss per share amounts for the year ended 31 December 2019 was based on the weighted average number of ordinary shares assumed to be in issue after taking into account the retrospective adjustments on the assumption that the Capitalisation Issue had been in effect on 1 January 2019.

The calculation of diluted loss per share for the year ended 31 December 2020 and 2019 did not assume the exercise of the pre-IPO share options since its inclusion would be anti-dilutive.

15. PLANT AND EQUIPMENT

	Transportation equipment *RMB'000*	Machinery *RMB'000*	Furniture, and fixtures *RMB'000*	Leasehold improvement *RMB'000*	Construction in progress ("CIP") *RMB'000*	Total *RMB'000*
31 December 2020						
At 1 January 2020:						
Cost	1,165	107,104	9,507	34,432	144,271	296,479
Accumulated depreciation	(354)	(30,892)	(4,280)	(5,904)	–	(41,430)
Net carrying amount	811	76,212	5,227	28,528	144,271	255,049
At 1 January 2020, net of accumulated depreciation	811	76,212	5,227	28,528	144,271	255,049
Additions	–	5,519	5,966	393	187,762	199,640
Disposals	–	(1)	–	–	–	(1)
Depreciation provided during the year	(213)	(12,107)	(2,190)	(1,770)	–	(16,280)
Transfer from CIP	–	20,088	1,100	124	(21,312)	–
At 31 December 2020, net of accumulated depreciation	598	89,711	10,103	27,275	310,721	438,408
At 31 December 2020:						
Cost	1,165	132,710	16,573	34,949	310,721	496,118
Accumulated depreciation	(567)	(42,999)	(6,470)	(7,674)	–	(57,710)
Net carrying amount	598	89,711	10,103	27,275	310,721	438,408

15. PLANT AND EQUIPMENT (continued)

	Transportation equipment *RMB'000*	Machinery *RMB'000*	Furniture, and fixtures *RMB'000*	Leasehold improvement *RMB'000*	Construction in progress ("**CIP**") *RMB'000*	Total *RMB'000*
31 December 2019						
At 1 January 2019:						
Cost	522	91,250	7,593	34,157	16,193	149,715
Accumulated depreciation	(224)	(20,143)	(2,353)	(4,162)	–	(26,882)
Net carrying amount	298	71,107	5,240	29,995	16,193	122,833
At 1 January 2019, net of accumulated depreciation	298	71,107	5,240	29,995	16,193	122,833
Additions	643	3,952	1,914	120	140,135	146,764
Depreciation provided during the year	(130)	(10,749)	(1,927)	(1,742)	–	(14,548)
Transfer from CIP	–	11,902	–	155	(12,057)	–
At 31 December 2019, net of accumulated depreciation	811	76,212	5,227	28,528	144,271	255,049
At 31 December 2019:						
Cost	1,165	107,104	9,507	34,432	144,271	296,479
Accumulated depreciation	(354)	(30,892)	(4,280)	(5,904)	–	(41,430)
Net carrying amount	811	76,212	5,227	28,528	144,271	255,049

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land and buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owner with lease period of 50 years, and no ongoing payments will be made under the terms of the land lease. Leases of buildings generally have lease terms between 2 and 18 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 *RMB'000*	Buildings *RMB'000*	Total *RMB'000*
As at 1 January 2019	–	42,611	42,611
Additions	38,173	–	38,173
Lease modification	–	4,244	4,244
Depreciation charge	(771)	(6,911)	(7,682)
As at 31 December 2019 and 1 January 2020	**37,402**	**39,944**	**77,346**
Additions	**–**	**4,980**	**4,980**
Depreciation charge	**(771)**	**(7,346)**	**(8,117)**
As at 31 December 2020	**36,631**	**37,578**	**74,209**

16. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities to third parties

The carrying amount of lease liabilities to third parties and the movements during the year are as follows:

	2020 *RMB'000*	2019 *RMB'000*
Carrying amount at 1 January	**33,560**	35,062
New lease	**4,980**	–
Lease modification	**–**	310
Accretion of interest recognised during the year	**2,275**	2,342
Payments	**(4,769)**	(4,154)
Exchange gain	**(84)**	–
Carrying amount at 31 December	**35,962**	33,560
Analysed into:		
Current portion	**4,146**	2,823
Non-current portion	**31,816**	30,737

The maturity analysis of lease liabilities to third parties is disclosed in note 33 to the financial statements.

16. LEASES (continued)

The Group as a lessee (continued)

(c) Lease liability to a related party

The carrying amount of lease liability to a related party and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
Lease liability to Biomabs *(note)*:		
Carrying amount at 1 January	**8,858**	8,778
Lease modification	**–**	3,934
Accretion of interest recognised during the year	**431**	658
Payments	**(4,903)**	(4,512)
Carrying amount at 31 December	**4,386**	8,858
Analysed into:		
Current portion	**4,386**	4,472
Non-current portion	**–**	4,386

Note: Biomabs is ultimately controlled by a close family member of the controlling shareholder.

The maturity analysis of lease liability to a related party is disclosed in note 33 to the financial statements.

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities to third parties	**2,275**	2,342
Interest on lease liability to a related party	**431**	658
Depreciation for right-of-use assets	**8,117**	7,682
Expense relating to a short-term lease	**104**	22
Total amount recognised in profit or loss	**10,927**	10,704

(e) The total cash outflow for leases is disclosed in note 29(c) to the financial statements.

17. OTHER NON-CURRENT ASSETS

	2020 RMB'000	2019 RMB'000
Prepayment for acquisition of plant and equipment	44,070	54,495
Deposit for construction of production facilities	3,000	3,000
VAT recoverable *(note)*	34,224	27,920
	81,294	85,415

Note: VAT recoverable is presented in prepayments and other receivables and other non-current assets based on the management's estimation of the amount of VAT recoverable to be utilised within one year.

18. PREPAYMENTS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Other receivables	1,224	1,616
Prepayments for research and development services	11,177	11,780
Interest receivables	–	3,437
Other deposits and prepayments	4,185	3,239
VAT recoverable *(note)*	15,087	1,832
	31,673	21,904

Note: VAT recoverable is presented in prepayments and other receivables and other non-current assets based on the management's estimation of the amount of VAT recoverable to be utilised within one year.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

19. INVENTORIES

	2020 *RMB'000*	2019 *RMB'000*
Raw materials and consumables	**33,427**	22,224

20. CONTRACT COSTS

	2020 *RMB'000*	2019 *RMB'000*
Cost to fulfil contracts in relation to intellectual property transfer	**16,769**	13,240

As mentioned in note 5, the contract costs were recognised for costs incurred to fulfil the Intellectual Property Transfer Agreement on CMAB806. Upon the completion of the contract, contract costs will be recognised in profit or loss. No contract costs were charged to profit or loss and no impairment losses were recognised during the year (2019: Nil).

21. PLEDGED BANK DEPOSITS/TIME DEPOSIT/CASH AND BANK BALANCES

Pledged bank deposits

There were current pledged bank deposits of RMB2,000,000 (2019: RMB129,891,000) at 31 December 2020. The current pledged bank deposits at 31 December 2020 were pledged to a bank as collateral for the issue of a payment guarantee for a construction contract, which were interest-bearing at a fixed rate of 0.3% per annum. The current pledged bank deposits at 31 December 2019 represented deposits pledged to a bank to secure banking facilities granted to the Group, which were interest-bearing at a fixed rate of 2.25% per annum.

There were no non-current pledged bank deposits at 31 December 2020. The non-current pledged bank deposits at 31 December 2019 were pledged to a bank as collateral for the issue of a letter of credit denominated in euro ("**EUR**") by the bank in connection with the purchase of plant and equipment by the Group, which were interest-bearing at a fixed rate of 0.05% per annum.

21. PLEDGED BANK DEPOSITS/TIME DEPOSIT/CASH AND BANK BALANCES (continued)

Time deposit

There was no time deposit as at 31 December 2020. As at 31 December 2019, the time deposit was placed with a bank in Hong Kong with a term of six months upon placement, which was interest-bearing at a fixed rate of 2.50% per annum.

Cash and bank balances

Cash and bank balances comprise of cash at banks and short-term bank deposits with an original maturity of three months or less. Cash and bank balances 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 bank balances approximate to their fair values.

Cash and bank balances, time deposit and pledged bank deposits that are denominated in currencies as set out below:

	2020	2019
	RMB'000	*RMB'000*
RMB	**41,523**	23,839
Hong Kong dollar ("**HK$**")	**143,975**	576,323
US dollar ("**US$**")	**301,339**	320,717
Singapore dollar ("**SG$**")	**9**	9
	486,846	920,888

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.

22. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	4,466	4,401
Accrued expenses for research and development services	25,334	23,902
Other payables for purchases of plant and equipment	54,088	62,116
Salary and bonus payables	11,185	9,645
Other taxes payable	594	514
Accrued listing expenses and issue costs	10,646	23,288
Other payables	6,984	4,253
	113,297	128,119

Payment terms with suppliers are mainly on credit with 60 days from the time when the goods and/or services are received from the suppliers. The ageing analysis of the trade payables presented based on the receipt of goods/services by the Group at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
Within 60 days	2,997	2,459
Over 60 days but within 1 year	1,469	1,942
	4,466	4,401

23. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Amounts received in advance for intellectual property transfer on CMAB806	70,058	58,662

As mentioned in note 5, the advance payments were for the Intellectual Property Transfer Agreement on CMAB806 entered with a third party. The increase in contract liabilities in 2020 was mainly due for a supplementary agreement signed in February 2020.

24. BANK BORROWINGS

	2020			2019		
	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000
Current						
Bank borrowings						
– secured	–	–	–	5.655	2020	63,205

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank borrowings repayable:		
Within one year on demand	–	63,205

The bank borrowings as at 31 December 2019 were secured by a leasehold land of RMB37,402,000 and a pledged bank deposit of RMB129,891,000.

25. DEFERRED INCOME

	2020 RMB'000	2019 RMB'000
Income related government grants	14,665	14,715
Asset related government grants	43,109	33,109
	57,774	47,824
Analysed into:		
Current portion	10,665	10,515
Non-current portion	47,109	37,309

25. DEFERRED INCOME (continued)

Movements of income related government grants:

	2020 RMB'000	2019 RMB'000
At 1 January	14,715	2,200
Government grants received	22,729	21,528
Credited to profit or loss *(note 6)*	(22,779)	(9,013)
At 31 December	14,665	14,715

Movements of asset related government grants:

	2020 RMB'000	2019 RMB'000
At 1 January	33,109	–
Government grants received	10,000	33,109
At 31 December	43,109	33,109

During the year ended 31 December 2020, the Group received government grants of RMB32,729,000 (2019: RMB54,637,000) to compensate for the expense of Group's research projects and construction. The grants related to income were recognised in profit or loss upon the compliance of the Group with the conditions attached to the grants and the government acknowledged acceptance. The grants related to assets were deducted from the calculation of the carrying amount of the assets upon the compliance of the Group with the conditions attached to the grants and the government acknowledged acceptance and were recognised in profit or loss in the form of reduced depreciation changes over the remaining lives of the depreciable assets.

26. SHARE CAPITAL

	2020 RMB'000	2019 RMB'000
Issued and fully paid:		
4,124,080,000 (2019: 4,124,080,000) ordinary shares	2,804	2,804

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2019	75,000,000	51
Issue of shares pursuant to Capitalisation Issue *(note a)*	3,265,500,000	2,212
Issue of shares upon initial public offering *(note b)*	783,580,000	541
At 31 December 2019, 1 January 2020 and 31 December 2020	4,124,080,000	2,804

Notes:

a. On 8 April 2019, a shareholders' resolution was passed pursuant to which the authorised share capital of the Company was increased from 500,000,000 ordinary shares of US$0.0001 par value each to 50,000,000,000 ordinary shares of US$0.0001 par value each. Meanwhile, 3,265,500,000 ordinary shares of the Company were allotted and issued to the shareholders on the register of members of the Company on the day preceding the listing date in proportion to their then existing shareholdings in the Company by capitalising the sum of US$326,550, equivalent to RMB2,212,000 from the share premium account of the Company (the "**Capitalisation Issue**").

b. On 31 May 2019, the Company issued a total of 783,580,000 ordinary shares of US$0.0001 each at the price of HK$1.5 per share by means of Global Offering (as defined in note 27).

All these new shares shall rank pari passu in all respects with the then existing issued shares of the Company.

27. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's Pre-IPO Share Option Scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 10 August 2018 for the primary purpose of providing incentives to directors of the Company and eligible employees of the Group. Under the Scheme, 1,875,000 options were granted on 18 August 2018 to directors of the Company and eligible employees of the Group to subscribe for shares in the Company, which will expire on 17 August 2028.

The Scheme has a service condition that shall vest over an 8-year period, with 20%, 20%, 20%, 20% and 20% of the total number of the options granted to be vested on the fourth, fifth, sixth, seventh and eighth anniversaries of the listing date, respectively.

The exercise price in relation to each option granted shall be the final offer price per share ("**Final Offer Price**") at which the shares are to be acquired by the investors pursuant to the Hong Kong Public Offering and the International Offering (the "**Global Offering**"), which shall not be less than the par value of the shares, provided that the exercise price shall be adjusted in the event of any capitalisation issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of the Company.

On 8 April 2019, a shareholders' resolution about Capitalisation Issue was passed and after taking into account of the Capitalisation Issue the number of share options was increased to 83,512,500.

27. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Equity-settled share option scheme of the Company (continued)

The following table discloses details of the movements of the outstanding options granted under the Scheme during the year ended 31 December 2020:

	2020		2019	
	Weighted average exercise price *HK$ per share*	**Number of options** *'000*	Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	**HK$1.5**	**81,417**	HK$154.42	1,875
Capitalisation Issue		**–**		81,638
Forfeited during the year		**(1,370)**		(2,096)
At 31 December	**HK$1.5**	**80,047**	HK$1.5	81,417

The exercise price as of 1 January 2019 represented the estimated Final Offer Price which was determined based on management's best estimate as of the grant date, before Capitalisation Issue. The exercise price as of 31 December 2019, 1 January 2020 and 31 December 2020 represented the Final Offer Price of the Global Offering.

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

2020

Number of options	**Exercise price**	**Exercise period**
'000	*per share*	
80,047	HK$1.5	31-5-2023 to 17-8-2028

2019

Number of options	Exercise price	Exercise period
'000	per share	
81,417	HK$1.5	31-5-2023 to 17-8-2028

The Group recognised the total expense of RMB12,406,000 during the year ended 31 December 2020 (2019: RMB13,844,000) in relation to share options granted by the Company.

27. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Equity-settled share option scheme of the Company (continued)

At the end of the reporting period, the Company had 80,047,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 80,047,000 additional ordinary shares of the Company and additional share capital of US$8,005 and reserve of HK$120,008,000 (before issue expense).

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 128 of the financial statements.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB4,980,000 (2019: lease modification to right-of-use assets of RMB4,244,000) and RMB4,980,000 (2019: lease modification to lease liabilities of RMB4,244,000), respectively, in respect of lease arrangements for leasehold land and buildings.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

	Amounts due to a related party *RMB'000*	Accrued listing expenses and issue costs *RMB'000*	Bank borrowings *RMB'000*	Lease liabilities to third parties and lease liability to a related party *RMB'000*	Total *RMB'000*
At 1 January 2020	2,431	23,288	63,205	42,418	131,342
Changes from operating cash flows	–	(11,362)	–	–	(11,362)
Changes from financing cash flows	(5,085)	(1,280)	(64,441)	(9,672)	(80,478)
Interest on bank borrowings	–	–	1,236	–	1,236
Interest on lease liabilities	–	–	–	2,706	2,706
Lease additions	–	–	–	4,980	4,980
Unrealised exchange gains	–	–	–	(84)	(84)
Expenses incurred in clinical business paid by a related party on behalf of the Group	2,675	–	–	–	2,675
At 31 December 2020	21	10,646	–	40,348	51,015

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

	Amounts due to a related party *RMB'000*	Interest payables to related parties *RMB'000*	Withholding individual income tax payable *RMB'000*	Loans from related parties *RMB'000*	Accrued listing expenses and issue costs *RMB'000*	Bank borrowings *RMB'000*	Lease liabilities to third parties and lease liability to a related party *RMB'000*	Total *RMB'000*
At 1 January 2019	13,051	2,414	564	105,000	10,115	–	43,840	174,984
Changes from operating cash flows	–	–	–	–	7,557	–	–	7,557
Changes from financing cash flows	(22,001)	(3,427)	(1,190)	(105,000)	(30,375)	60,149	(8,666)	(110,510)
Interest on loans from related parties and bank borrowings	–	1,639	–	–	–	3,056	–	4,695
Withholding tax related to interest on loans from related parties	–	(626)	626	–	–	–	–	–
Interest on lease liabilities	–	–	–	–	–	–	3,000	3,000
Lease modification	–	–	–	–	–	–	4,244	4,244
Transaction costs attributable to issue of new shares	–	–	–	–	35,991	–	–	35,991
Expenses incurred in clinical business paid by a related party on behalf of the Group	11,381	–	–	–	–	–	–	11,381
At 31 December 2019	2,431	–	–	–	23,288	63,205	42,418	131,342

29. 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:

	2020 *RMB'000*	2019 *RMB'000*
Within operating activities	**104**	22
Within financing activities	**9,672**	8,666
	9,776	8,688

30. CAPITAL COMMITMENTS

The Group had capital commitments for acquistions of equipment and building construction under contracts as follows:

	2020 *RMB'000*	2019 *RMB'000*
Contracted but not provided for production site in Taizhou	**138,014**	182,332

31. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2020 *RMB'000*	2019 *RMB'000*
Purchase of raw materials and research and development services from a related party: Shanghai Sinomab Biotechnology Co., Ltd. ("**MTJA**") *(note a)*	–	414
Expenses incurred in clinical business paid by a related party on behalf of the Group: Shanghai Biomabs Pharmaceuticals Co., Ltd. ("**Biomabs**") *(note b)*	**2,675**	11,381
Repayments to a related party regarding to the expenses incurred in clinical business paid by a related party on behalf of the Group Biomabs	**5,085**	22,001
Interest on related party loans:		
Ms. Guo Xiaoxin *(note c)*	–	1,066
Biomabs	–	573
	–	1,639

Notes:

a. MTJA was previously ultimately controlled by Mr. Guo Jianjun and was disposed to a third party on 1 July 2019. As such, it was no longer been a related party of the Group since July 2019.

b. Biomabs is ultimately controlled by a close family member of the controlling shareholder.

c. Ms. Guo Xiaoxin is a close family member of the controlling shareholder.

31. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

	2020 *RMB'000*	2019 *RMB'000*
Rental deposit to a related party:		
Biomabs	**411**	411
Amount due to a related party:		
Trade payables		
Biomabs	**54**	107
Non-trade payables		
Biomabs	**21**	2,431
	75	2,538

Non-trade payables to Biomabs are unsecured, non-interest-bearing and repayable on demand.

Payment terms with suppliers are mainly on credit with 60 days from the time when the goods and/or services are received from the suppliers. The ageing analysis of the trade payables presented based on the receipt of goods/services by the Group at the end of the reporting period is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Within 60 days	**39**	106
Over 60 days but within 1 year	**15**	1
	54	107

31. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group

	2020 *RMB'000*	2019 *RMB'000*
Salaries, bonuses, allowances and benefits in kind	**4,016**	4,828
Pension scheme contributions	**24**	283
Directors' fee	**321**	189
Share-based compensation	**9,601**	11,215
Consultation fee	**533**	510
	14,495	17,025

Further details of directors' and the chief executive's emoluments are included in note 10 to the financial statements.

32. 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:

As at 31 December 2020

Financial assets

	Financial assets at amortised cost *RMB'000*
Financial assets included in prepayments and other receivables and other non-current assets	4,224
Rental deposit to a related party	411
Pledged bank deposits	2,000
Cash and bank balances	484,846
	491,481

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in trade and other payables	101,518
Amount due to a related party	75
Lease liabilities to third parties	35,962
Lease liability to a related party	4,386
	141,941

32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2019

Financial assets

	Financial assets at amortised cost *RMB'000*
Financial assets included in prepayments and other receivables and other non-current assets	8,053
Rental deposit to a related party	411
Pledged bank deposits	153,008
Time deposit	179,160
Cash and bank balances	588,720
	929,352

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in trade and other payables	117,960
Amount due to a related party	2,538
Lease liabilities to third parties	33,560
Lease liability to a related party	8,858
Bank borrowings	63,205
	226,121

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise pledged bank deposits, time deposit, and cash and bank balances. 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 deposit for construction of production facilities, rental deposit to a related party, financial assets included in prepayments and other receivables and other non-current assets, financial liabilities included in trade and other payables, and amounts due to a related party, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Certain bank balances and cash, time deposit and pledged bank deposits are denominated in foreign currencies of respective group entities which are exposed to foreign currency risk. The Group currently do not have a foreign currency hedging policy. However, the Group's management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to retranslation of monetary assets and liabilities) and the Group's equity. No sensitivity analysis has been disclosed for the SG$ denominated assets as the impact on profit or loss is insignificant.

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
31 December 2020			
If RMB weakens against US$	**5**	**15,067**	**15,067**
If RMB strengthens against US$	**(5)**	**(15,067)**	**(15,067)**
If RMB weakens against HK$	**5**	**7,199**	**7,199**
If RMB strengthens against HK$	**(5)**	**(7,199)**	**(7,199)**
31 December 2019			
If RMB weakens against US$	5	16,036	16,036
If RMB strengthens against US$	(5)	(16,036)	(16,036)
If RMB weakens against HK$	5	28,816	28,816
If RMB strengthens against HK$	(5)	(28,816)	(28,816)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The credit risk of the Group's other financial assets, which comprise pledged bank deposits, time deposit, cash and bank balances, deposit for construction of production facilities, rental deposit to a related party, and financial assets included in prepayments and other receivables and other non-current assets with a maximum exposure equal to the carrying amount of these instruments.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments and other receivables and other non-current assets	4,224	–	–	4,224
Rental deposit to a related party	411	–	–	411
Pledged bank deposits	2,000	–	–	2,000
Cash and bank balances	484,846	–	–	158,084
	491,481	–	–	491,481

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2019

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments and other receivables and other non-current assets	8,053	–	–	8,053
Rental deposit to a related party	411	–	–	411
Pledged bank deposits	153,008	–	–	153,008
Time deposit	179,160	–	–	179,160
Cash and bank balances	588,720	–	–	588,720
	929,352	–	–	929,352

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020			
	Less than 1 year or on demand *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Amount due to a related party	75	–	–	75
Trade and other payables	101,518	–	–	101,518
Lease liabilities to third parties	6,466	20,208	23,840	50,514
Lease liability to a related party	4,526	–	–	4,526
	112,585	20,208	23,840	156,633

	2019			
	Less than 1 year or on demand *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Amount due to a related party	2,538	–	–	2,538
Trade and other payables	117,960	–	–	117,960
Interest-bearing bank borrowings	64,450	–	–	64,450
Lease liabilities to third parties	5,036	16,690	28,012	49,738
Lease liability to a related party	4,903	4,526	–	9,429
	194,887	21,216	28,012	244,115

33. 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 healthy capital ratios in order to support its business and maximise shareholders' value.

The Group regards equity attributable to owners of the Company as its capital and manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets with reference to the gearing ratio. To maintain or adjust the capital structure, the Group may redeem existing shares, issue new share or issue new debts. 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 2020 and 31 December 2019.

	2020	2019
	RMB'000	*RMB'000*
Total liabilities	**281,552**	342,766
Total assets	**1,163,037**	1,396,477
Gearing ratio	**24.2%**	24.5%

34. EVENT AFTER THE REPORTING PERIOD

On 1 March 2021, Taizhou Pharmaceutical, as licensee, and Biomabs which is ultimately controlled by a close family member of the controlling shareholder, as licensor, entered into the license agreement. Pursuant to which Taizhou Pharmaceutical agrees to acquire, and Biomabs agrees to irrevocably grant, a worldwide, exclusive and perpetual licence for the rights to use all patents, products and technologies in connection with CMAB807 (denosumab, biosimilar for treating osteoporosis in postmenopausal women with high fracture risk) for further research and development, manufacture and commercialization of CMAB807 for a total consideration of RMB70,000,000. The license agreement shall become effective subject to the approval by the independent shareholders' of the Company.

In addition, Taizhou Pharmaceutical entered into a clinical trials agreement and a CDMO agreement with Biomabs on 1 March 2021, pursuant to which Taizhou Pharmaceutical shall (i) engage Biomabs to continue and complete phase III clinical trials of CMAB807; and (ii) engage Biomabs to develop and manufacture CMAB807 in the PRC on its behalf.

35. 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:

	2020 *RMB'000*	2019 *RMB'000*
Non-current assets		
Plant and equipment	**50**	–
Right-of-use assets	**1,237**	–
Other non-current assets	**54**	–
Investments in subsidiaries	**1,269,690**	852,703
	1,271,031	852,703
Current assets		
Prepayments and other receivables	**405**	3,437
Pledged bank deposits	**–**	129,891
Time deposit	**–**	179,160
Cash and bank balances	**144,637**	267,745
	145,042	580,233
Current liabilities		
Trade and other payables	**13,077**	24,349
Amounts due to subsidiaries	**21,649**	20,202
Lease liability to a third party	**274**	–
	35,000	44,551
Net current assets	**110,042**	535,682
Total assets less current liabilities	**1,381,073**	1,388,385
Non-current liabilities		
Lease liability to a third party	**919**	–
Net assets	**1,380,154**	1,388,385

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2020 *RMB'000*	2019 *RMB'000*
Capital and reserves		
Share capital	**2,804**	2,804
Reserves *(note)*	**1,377,350**	1,385,581
Total equity	**1,380,154**	1,388,385

Note:

A summary of the Company's reserves is as follows:

	Share premium *RMB'000*	Share option reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 1 January 2019	410,433	5,445	(21,254)	394,624
Loss and total comprehensive expense for the year	–	–	(12,958)	(12,958)
Recognition of equity-settled share-based compensation	–	13,844	–	13,844
Shares issued upon initial public offerings	1,032,727	–	–	1,032,727
Transaction costs attributable to issue of new shares	(40,444)	–	–	(40,444)
Capitalisation Issue	(2,212)	–	–	(2,212)
At 31 December 2019 and 1 January 2020	**1,400,504**	**19,289**	**(34,212)**	**1,385,581**
Loss and total comprehensive expense for the year	**–**	**–**	**(20,637)**	**(20,637)**
Recognition of equity-settled share-based compensation	**–**	**12,406**	**–**	**12,406**
At 31 December 2020	**1,400,504**	**31,695**	**(54,849)**	**1,377,350**

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2021.

Four Year Financial Summary

	For the year ended December 31,			
	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)		
Other income	**32,237**	17,999	24,059	4,798
Other expenses	**–**	(4,127)	(12,507)	(307)
Other gains and losses	**(26,174)**	15,962	(2,427)	(2,337)
Research and development expenses	**(120,418)**	(134,189)	(88,983)	(21,632)
Administrative expenses	**(65,795)**	(62,952)	(42,128)	(24,900)
Finance costs	**(3,942)**	(7,695)	(4,481)	(3,328)
Listing expenses	**–**	(27,527)	(26,126)	–
Loss before tax	**(184,632)**	(202,529)	(152,593)	(47,706)
Income tax credit	**–**	–	2,834	–
Loss and total comprehensive expense for the year	**(184,632)**	(202,529)	(149,759)	(47,706)
Total comprehensive expense attributable to:				
Owners of the Company	**(184,632)**	(202,529)	(124,883)	(31,064)
Non-controlling interests	**–**	–	(24,876)	(16,642)
	RMB	*RMB*	*RMB*	*RMB*
Loss per share				
– Basic	**(0.04)**	(0.05)	(0.06)	(0.02)
– Diluted	**(0.04)**	(0.05)	(0.06)	N/A

	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018	At December 31, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)		
Non-current assets	**593,911**	441,338	212,469	134,207
Current assets	**569,126**	955,139	260,753	154,935
Current liabilities	**202,627**	270,334	156,450	70,853
Net current assets	**366,499**	684,805	104,303	84,082
Non-current liabilities	**78,925**	72,432	67,200	65,000
Net assets	**881,485**	1,053,711	249,572	153,289

Definitions

In this annual report, the following expressions have the meanings set out below unless the context requires otherwise.

"Articles of Association"	the amended and restated articles of association of the Company adopted on April 8, 2019 with effect from Listing, as amended from time to time
"Asia Mabtech"	Asia Mabtech Limited, a limited liability company incorporated in the BVI on November 23, 2017 and one of the Controlling Shareholders
"Asia Pacific Immunotech Venture"	Asia Pacific Immunotech Venture Limited, a limited liability company incorporated in the BVI on July 23, 2018 and one of the Controlling Shareholders
"Audit Committee"	the audit committee of the Board
"Biomabs"	Shanghai Biomabs Pharmaceuticals Co., Ltd. (上海百邁博製藥有限公司), a limited liability company incorporated in the PRC on October 16, 2009 and a direct wholly-owned subsidiary of Sinomab as of the date of this annual report
"Board" or "Board of Directors"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"CDH"	CDH PE and CDH VC
"CDH PE"	CDH Mabtech Limited, a limited liability company incorporated in the Cayman Islands
"CDH VC"	Genemab Holding Limited, a limited liability company incorporated in the BVI
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules

"Company"	Mabpharm Limited (迈博药业有限公司), an exempted company incorporated in the Cayman Islands with limited liability on June 1, 2018 and whose Shares are listed on the Stock Exchange on the Listing Date
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Financial Statements"	the audited consolidated financial statements of the Group
"Controlling Shareholders"	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Mr. Guo Jianjun, Guo Family Trustee, Asia Pacific Immunotech Venture, Asia Mabtech and United Circuit
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purpose of this annual report, our Core Products include CMAB007, CMAB009 and CMAB008
"Director(s)"	the director(s) of our Company
"FH Investment"	Fortune-Healthy Investment Limited, a limited liability company incorporated in the BVI
"Global Offering"	has the meaning ascribed to it under the Prospectus
"Group", "our Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries from time to time
"Guo Family Trust"	Guo Family Trust, a trust created by Mr. Guo Jianjun on August 8, 2018 under the laws of BVI for the benefit of his family members, for which Guo Family Trustee serves as trustee
"Guo Family Trustee"	Guo Family (PTC) Limited, a limited liability company incorporated in the BVI on March 1, 2018 and the trustee of the Guo Family Trust
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

Definitions

"Hong Kong dollars" or "HK dollar" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"independent third party(ies)"	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
"IPO"	initial public offering
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange on May 31, 2019
"Listing Date"	May 31, 2019, being the date on which the Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MTJA"	Shanghai Sinomab Biotechnology Co., Ltd.* (上海邁泰君奧生物技術有限公司) (formerly known as Shanghai Bai'an Medical Star Investment Co., Ltd.* (上海百安醫星投資有限公司)), a limited liability company incorporated in the PRC on May 30, 2012 and an indirect wholly-owned subsidiary of Sinomab
"NMPA"	National Medical Products Administration (國家藥品監督管理局) of China, formerly known as China's Food and Drug Administration ("CFDA") (國家食品藥品監督管理局) or China's Drug Administration ("CDA") (國家藥品監督管理局); references to NMPA include CFDA and CDA
"PRC"	the People's Republic of China, excluding, for the purposes of this annual report, Hong Kong, the Macau Special Administrative Region and Taiwan
"Prospectus"	the prospectus issued by the Company on May 20, 2019 in connection with the Hong Kong public offering of the Shares

"Reporting Period"	the year from January 1, 2020 to December 31, 2020
"RMB"	Renminbi, the lawful currency of the PRC
"Shares"	ordinary share(s) in the capital of the Company with nominal value of US$0.0001 each
"Shareholder(s)"	holder(s) of Share(s)
"Shengheng Biotech"	Shanghai Shengheng Biotechnology Limited* (上海晟珩生物技術有限公司), a limited liability company incorporated in the PRC on August 28, 2018 and an indirect wholly-owned subsidiary of the Company
"Sinomab"	Sinomab Limited (formerly known as Mabtech Limited), a limited liability company incorporated in the Cayman Islands on September 4, 2014, and a company which an associate of the controlling shareholder of the Company indirectly controls 66.67% voting rights as of the date of this annual report
"Sinomab Group"	Sinomab and its subsidiaries
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Taizhou Biotech"	Taizhou Mabtech Biotechnology Limited* (泰州邁博太科生物技術有限公司), a limited liability company incorporated in the PRC on November 24, 2016 and an indirect wholly-owned subsidiary of the Company
"Taizhou Pharmaceutical"	Taizhou Mabtech Pharmaceutical Limited* (泰州邁博太科藥業有限公司), a limited liability company incorporated in the PRC on February 4, 2015 and an indirect wholly-owned subsidiary of the Company
"United Circuit"	United Circuit Limited (域聯有限公司), a limited liability company incorporated in the BVI on August 25, 2015 and one of the Controlling Shareholders

* *For Identification Only*

Glossary of Technical Terms

"adalimumab"	a first-line recombinant human IgG1 monoclonal antibody specific for human tumor necrosis factor (TNF) (which binds specifically to TNF-alpha and blocks its interaction with the p55 and p75 cell surface TNF receptors) used for rheumatoid arthritis
"allergic asthma"	a common long-term inflammatory disease of the airways of the lungs. It is characterized by variable and recurring symptoms, reversible airflow obstruction, and bronchospasm. Symptoms include episodes of wheezing, coughing, chest tightness, and shortness of breath. These episodes may occur a few times a day or a few times per week. Depending on the person, they may become worse at night or with exercise
"autoimmune disease"	diseases such as rheumatoid arthritis and lupus which arise from an abnormal immune response of the body against substances and tissues normally present in the body
"biosimilar"	also known as follow-on biologic or subsequent entry biologic. It is a biologic medical product that is almost an identical copy of an original product that is manufactured by a different company. Biosimilars are officially approved versions of original "innovator" products and can be manufactured when the original product's patent expires. A biosimilar product is similar in terms of quality, safety and efficacy to a reference medicinal product, which has been granted a marketing authorisation on the basis of a complete dossier in the community
"canakinumab"	a recombinant, fully human anti-IL-1β monoclonal antibody that belongs to the IgG1κ isotype subclass used for periodic fever syndrome and systemic juvenile idiopathic arthritis, which binds to human IL1β and neutralizes its activity by blocking its interaction with the IL-1 receptors, but does not bind IL-1α or IL-1ra
"carcinoma"	a type of cancer that develops from epithelial cells. Specifically, a carcinoma is a cancer that begins in a tissue that lines the inner or outer surfaces of the body, and that arises from cells originating in the endodermal, mesodermal or ectodermal germ layer during embryogenesis

"cell culture"	the process by which cells are grown under controlled conditions, generally outside of their natural environment
"cell line"	a cell culture developed from a single cell and therefore consisting of cells with a uniform genetic makeup
"cetuximab"	an EGFR antagonist approved by the FDA for the treatment of KRAS wild-type, EGFR-expressing, metastatic colorectal cancer under certain conditions
"cGMP"	current Good Manufacturing Practice
"Chinese hamster ovary cell" or "CHO"	the ovary of the Chinese hamster, of which cell lines are derived from and often used in biological and medical research and commercial production of therapeutic proteins
"CMAB007"	one of our Core Products, a recombinant humanized anti-IgE monoclonal antibody and our new drug candidate based on omalizumab
"CMAB008"	one of our Core Products, a recombinant anti-TNF-alpha chimeric monoclonal antibody and our new drug candidate based on infliximab
"CMAB009"	one of our Core Products, a recombinant anti-EGFR chimeric monoclonal antibody and our new drug candidate based on cetuximab
"CMAB018"	Mepolizumab biosimilar drug candidate in the preclinical stage, used to treat diseases such as asthma and eosinophilic granulomatous polyangitis
"CMAB020"	an innovative bifunctional antibody fusion protein drug targeting SARS-CoV-2 in the preclinical stage, used to prevent and treat diseases such as COVID19/SARS
"CMAB809"	a phase I clinical trial biosimilar drug candidate based on Herceptin for the treatment of metastatic breast cancer and metastatic gastric cancer

Glossary of Technical Terms

"CMAB810"	a pre-clinical stage biosimilar drug candidate based on Perjeta, a recombinant humanized monoclonal antibody for the treatment of breast cancer
"CMAB813"	a pre-clinical stage biosimilar drug candidate based on Synagis for the prevention of severe lower respiratory disease caused by RSV
"CMAB815"	an IND-filing-stage biosimilar drug candidate based on Humira for the treatment of rheumatoid arthritis
"CMAB816"	a pre-clinical stage biosimilar drug candidate based on Ilaris for the treatment of periodic fever syndrome and systemic juvenile idiopathic arthritis
"CMAB819"	a phase I clinical trial new drug candidate based on nivolumab for the treatment of metastatic non-small cell lung cancer and hepatocellular carcinoma
"CRO"	a contract research organization, which provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research and development services outsourced on a contract basis
"cytokine"	a broad and loose category of small proteins that are important in cell signaling. Their release has an effect on the behavior of target cells
"DNA"	deoxyribonucleic acid
"EGFR"	epidermal growth factor receptor Glossary of Technical Terms
"HER2"	human epidermal growth factor receptor 2
"ICS"	inhaled corticosteroids
"ICS/LABA"	inhaled corticosteroid/long acting beta adrenoceptor agonists treatment
"IgE"	immunoglobulin E

"IgG1 κ "or "IgG1 kappa"	immunoglobulin G (IgG), a type of antibody. Representing approximately 75% of serum antibodies in humans, IgG is the most common type of antibody found in blood circulation. IgG molecules are created and released by plasma B cells. Each IgG has two antigen binding sites. There are four IgG subclasses (IgG1, 2, 3, and 4) in humans, named in order of their abundance in serum (IgG1 being the most abundant). IgG antibodies are large molecules of about 150 kDa made of four peptide chains. It contains two identical classheavy chains of about 50 kDa and two identical light chains of about 25 kDa, thus a tetrameric quaternary structure. There are two types of light chain in humans kappa (κ) chain and lambda (λ) chain. Only one type of light chain is present in a typical antibody, thus the two light chains of an individual antibody are identical. IgG1 κ is an antibody molecule which contains two γ 1 heavy chains and two κ light chains
"IL-1ra"	IL-1 receptor antagonist
"IL-1 β "	interleukin-1 β
"immunoglobulin" or "Ig"	an antibody (Ab), also known as an immunoglobulin (Ig). It is a large, Y-shaped protein produced mainly by plasma cells that is used by the immune system to neutralize pathogens such as pathogenic bacteria and viruses. The antibody recognizes a unique molecule of the pathogen, called an antigen, via the Fab's variable region
"infliximab"	a chimeric IgG1 κ monoclonal antibody (composed of human constant and murine variable regions) specific for human tumor necrosis factor-alpha used for adult patients with moderately to severely active rheumatoid arthritis in combination with methotrexate
"in vitro"	Latin for "in glass", studies in vitro are conducted using components of an organism that have been isolated from their usual biological surroundings, such a microorganisms, cells or biological molecules

Glossary of Technical Terms

"in vivo"	Latin for "within the living", studies in vivo are those in which the effects of various biological or chemical substances are tested on whole, living organisms as opposed to a partial or dead organism, or those done in vitro
"LABA"	long-acting beta2-agonists
"mCRC"	metastatic colorectal cancer
"monoclonal antibody" or "mAb"	an antibody produced by a single clone of immune cells or cell line and consisting of identical antibody molecules
"nivolumab"	a human immunoglobulin G4 (IgG4) monoclonal antibody, which targets the negative immunoregulatory human cell surface receptor programmed death-1 (PD1, PCD1) with immune checkpoint inhibitory and antineoplastic activities
"omalizumab"	anti-IgE humanized IgG1κ monoclonal antibody used to reduce sensitivity to allergens
"oncology"	a branch of medicine that deals with tumors, including study of their development, diagnosis, treatment and prevention
"pathogen"	infectious agent such as a bacterium, fungus, virus, or other micro-organism
"PD"	programmed death
"pertuzumab"	a recombinant humanized monoclonal antibody, which targets the extracellular (domain II) of the human epidermal growth factor receptor 2 protein (HER2) and, thereby, blocks heterodimerization of HER2 with other HER family members, including HER1, HER3 and HER4
"pharmacodynamics"	the study of how a drug affects an organism, which, together with pharmacokinetic, influences dosing, benefit, and adverse effects of the drug

"pharmacokinetic"	the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
"phase I clinical trial(s)"	study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its effectiveness
"phase II clinical trial(s)"	study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases, and to determine dosage tolerance and optimal dosage
"phase III clinical trial(s)"	study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product
"pre-clinical stage"	testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials
"R&D"	research and development
"RA" or rheumatoid arthritis"	a chronic, systemic inflammatory disorder that may affect many tissues and organs, but principally attacks synovial joints
"recombinant"	the formation by the processes of crossing-over and independent assortment of new combination of genes in progeny that did not occur in the parents
"RSV"	respiratory syncytial virus
"TNF"	tumor necrosis factor

Glossary of Technical Terms

"TNF-α" or "TNF-alpha"	tumor necrosis factor (TNF, tumor necrosis factor alpha, TNFα, cachexin, or cachectin). It is a cell signaling protein (cytokine) involved in systemic inflammation and is one of the cytokines that make up the acute phase reaction. It is produced chiefly by activated macrophages, although it can be produced by many other cell types such as CD4+ lymphocytes, NK cells, neutrophils, mast cells, eosinophils, and neurons
"trastuzumab"	a humanized IgG1 kappa monoclonal antibody, which targets the human epidermal growth factor receptor 2 (HER2)
"vector"	an agent (such as a plasmid or virus) that contains or carries modified genetic material (such as recombinant DNA) and can be used to introduce exogenous genes into the genome of an organism