Mabpharm Limited
迈博药业有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2181

2021 ANNUAL REPORT

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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

Block G79
Lujia Road East
Koutai Road West
China Medical City Taizhou
PRC
225300

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room A, 18/F, Hong Xiang Centre
83 Queen's Road East
Wanchai
Hong Kong

AUDITOR

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

LEGAL ADVISORS

As to Hong Kong law

Stevenson, Wong & Co.
39/F, Gloucester Tower
The Landmark, 15 Queen's Road Central
Hong Kong

As to PRC law

Shanghai Allbright (Shenzhen) Law Offices
23rd Floor, Tower 1
Excellence Century Centre,
Fu Hua 3rd Road
Futian District Shenzhen
PRC

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services
Limited Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East Wanchai
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,		
	2021	2020	Change
	RMB'000	*RMB'000*	*(%)*
	(audited)	(audited)	
Revenue	**82,882**	–	–
Cost of sales	**(16,777)**	–	–
Gross profit	**66,105**	–	–
Other income	**14,818**	32,237	(54.0)
Other gains and losses	**(6,637)**	(26,714)	(75.2)
Selling and distribution expenses	**(9,423)**	–	–
Research and development expenses	**(263,572)**	(120,418)	118.9
Administrative expenses	**(90,632)**	(65,795)	37.7
Finance costs	**(2,403)**	(3,942)	(39.0)
Loss before tax	**(291,744)**	(184,632)	58.0
Income tax expense	**–**	–	–
Loss and total comprehensive expense for the year	**(291,744)**	(184,632)	58.0
Attributable to:			
Owners of the Company	**(291,744)**	(184,632)	58.0
	RMB	*RMB*	
Loss per share attributable to ordinary equity holders of the Company – Basic and diluted	**(0.07)**	(0.04)	75.0

	At December 31, 2021	At December 31, 2020	Change
	RMB'000	*RMB'000*	*(%)*
	(audited)	(audited)	
Non-current assets	**652,132**	593,911	9.8
Current assets	**247,770**	569,126	(56.5)
Current liabilities	**235,004**	202,627	16.0
Net current assets	**12,766**	366,499	(96.5)
Non-current liabilities	**62,917**	78,925	(20.3)
Net assets	**601,981**	881,485	(31.7)

Chairman's Statement

Dear Shareholders,

We are grateful to your continued support extended to Mabpharm Limited ("**Mabpharm**") throughout the years. Your support has provided strong momentum for the growth of Mabpharm. With expectations from the Shareholders and the whole society, Mabpharm has achieved major breakthroughs in 2021! 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. The year of 2021 witnessed the marketing of our CMAB008, being the first of its kind to fill in the gap in the domestic market with indications targeting digestive diseases, rheumatism and skin diseases. After being launched, CMAB008 has been rapidly admitted to the national medical insurance coverage and established presence on a majority of provincial-level online drug procurement platforms. CMAB007, another product developed by us for the treatment of allergic asthma, filled in the void domestically in terms of home-made drugs, and also successfully filed marketing application with the NMPA in 2021. Mabpharm has secured efficient and quality progress in research and development of its pipeline products targeting allergic diseases, autoimmune diseases and tumors. As an enterprise defined under Chapter 18A of the Listing Rules, Mabpharm has reaped fruitful results in upgrading and transformation from research and development to research, development and commercialization!

Mabpharm has established a product portfolio targeting allergic diseases, autoimmune diseases and tumors. Our existing pipeline consists of 10 monoclonal antibody drugs and 1 strong antibody drug. CMAB008 (infliximab), our first antibody new drug, has been approved for commercialization and successfully launched in the domestic market. As the first infliximab product manufactured by a Chinese company, CMAB008 targets the indications of Crohn's disease, ulcerative colitis, rheumatoid arthritis, ankylosing spondylitis and psoriasis, suggesting huge and long-term unsatisfied market needs. CMAB007 (omalizumab) has completed clinical trials and submitted new drug marketing application. With indications ranging from allergic asthma, urticarial, allergic rhinitis to food allergy, it also promises great unmet market demands and far outperforms peers in terms of research and development progress in the domestic market. CMAB009 (cetuximab) for the treatment of colorectal cancer and CMAB807 (denosumab) for the treatment of bone-related diseases successfully completed case recruitment for phase III clinical trials in 2021 and will soon apply for marketing. CMAB819 (nivolumab) is currently under phase I clinical trials. CMAB017, an innovative strong antibody drug developed by us, CMAB022 (ustekinumab) for the treatment of digestive diseases and CMAB015 (secukinumab) for the treatment of psoriasis are expecting clinical trials. In the future, we will step up efforts in the research and development of advantageous antibody new drugs targeting allergic diseases, autoimmune diseases and tumors, forge a more focused and concentrated product pipeline, and nurture on-going innovation capacity and strong competitiveness leveraging our well-established research and development system.

Mabpharm has been dedicated to the research, development and innovation in the biopharmaceutical field, gained insight into the core technology of mass production of antibody drugs and fostered a sophisticated and comprehensive research, development, innovation and commercialization platform. In 2021, we completed construction of three 3×1,500L antibody drug production lines and antibody drug commercialization plants, upon which our total scale of cell reactor was increased to 18,000L, and will further be increased to 40,000L in 2022, thereby better consolidating our solid equipment, technological and quality foundation in the antibody drugs preparation field, and enabling us to enjoy remarkable competitive edges in future market competitions and potential centralized drugs procurement negotiations.

Leveraging the implementation of the new medical insurance policy in recent years, the pharmaceutical market in China is undergoing significant restructuring and will witness a noticeable improvement in overall market penetration. Companies with more competitive advantages in innovation, quality and pricing will benefit a great deal. This trend will drive the development of the pharmaceutical market in China for a long time into 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 allergic, respiratory, gastrointestinal and autoimmune diseases and tumors, with an aim to promote our products and cultivate the practice of premium antibody drugs application. Meanwhile, we will endeavor to capture market opportunities, make prior arrangements in respect of market blind spots, and launch comprehensive and flexible cooperation with national leading pharmaceutical businesses, in an effort to expedite the exponential growth of the sales of our products. Furthermore, we will maintain ongoing involvement in the policy reform and remain focused on the great opportunities arising from the medical insurance negotiations. Relying on the significant advantages of our drugs in terms of quality and cost, we are well-positioned to grasp opportunities presented in the policy reform and significant increase in overall market penetration, satisfy the huge unmet market demand in China in respect of biological agents with high quality products and ultimately benefit the vast patient population.

There also exist huge unmet demands for antibody drugs in the global market, especially from the Pharmaceutical Inspection Convention. 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 research and development in different countries and regions in a comprehensive and flexible manner, 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 biological drugs are expected to be marketed in succession; our innovation and commercialization team will continue to provide stable and efficient pipeline output; and our sales system operates with dedication, competence and efficiency. 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, 2022

Corporate Profile

CORPORATE PROFILE

We are a leading biopharmaceutical company in China, focusing on the research, development and production of new drugs and biosimilar for 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 10 monoclonal antibody drugs and 1 strong antibody drug, 3 of which are our core products:

- ✓ **CMAB008類停® (infliximab):** was approved for marketing by the National Medical Products Administration of the People's Republic of China ("**NMPA**") in July 2021 (Guo Yao Zhun Zi S20210025) for the treatment of 1) ulcerative colitis in adults; 2) ankylosing spondylitis; 3) rheumatoid arthritis; 4) Crohn's disease in adults and pediatric patients aged above 6 years old; 5) fistula Crohn's disease; and 6) psoriasis. The antibody drug production base of Taizhou Mabtech Pharmaceutical Limited (泰州邁博太科藥業有限公司) under the Company in China Medical City, Taizhou, Jiangsu Province also successfully passed the GMP compliance inspection for CMAB008 by Jiangsu Provincial Drug Administration. According to the regulations of China's basic medical insurance program (the "**Medical Insurance**"), CMAB008類停® has also been automatically included in the Medical Insurance, and has obtained the Medical Insurance registration code from the National Healthcare Security Administration (the "**Healthcare Security Administration**"). CMAB008類停® is approved for the treatment of six indications which have huge long-term unmet market demand (with more than 10 million patients in the PRC which is still growing). We have established an online procurement platform covering 25 provinces within the PRC and included CMAB008類停® in provincial medical insurance system, and completed channel distribution and product delivery for 30 provinces, where hundreds of hospitals are in the process of introducing CMAB008類停®. With high quality innovative drugs as the foundation, Mabpharm will provide innovative antibody drugs to patients in the PRC by offering more economical and affordable drug supply solutions and fully participating in China's national healthcare system reform initiatives. The Company has also initiated cooperation with partners who have accumulated abundant overseas market resources over a long period of time to rapidly expand to overseas markets. At present, the Company has launched registration and market exploration in more than 30 countries and/or regions.

- ✓ **CMAB007 (omalizumab):** completed phase III clinical trials for the indication of asthma and new drug application data collation. The new drug marketing application for CMAB007 has been submitted to the NMPA in October 2021, and will soon be under site inspection by the NMPA. 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 for colorectal cancer, completed case recruitment and under data cleansing stage. CMAB009 uses the Chinese hamster ovary cell ("**CHO**") expression system, which enjoys significant advantages in safety compared to existing marketed cetuximab products for treating metastatic colorectal cancer. CMAB009 is expected to file the new drug marketing application with the NMPA in the fourth quarter of 2022 (together, the "**Core Products**").

- ✓ **CMAB807 (denosumab):** currently under phase III clinical trials for osteoporosis and completed case recruitment. The clinical trial application for treatment of tumor bone metastasis (CMAB807X) has been approved by NMPA in January 2022 (Clinical trial approval notice number: 2022LP00032).

Among our other drug candidates, our newly developed "strong antibody" drug CMAB017 will soon apply for clinical trials. Compared with marketed EGFR anti-body drugs, CMAB017 has promising efficacy, safety and higher annual dosage of protein. In addition, we have commenced clinical trials for CMAB819 (nivolumab), and plan to initiate the international clinical trial of single drug and combination medication. CMAB015 (secukinumab), a biosimilar developed by us, has completed pre-clinical study and will soon commence clinical trials, which boasts remarkable efficacy advantages in the treatment of autoimmune diseases such as psoriasis, and has become one of the most rapidly growing biological agents in the treatment of psoriasis in China. We have also developed CMAB022 (usnumab), a biosimilar, which promises sound market prospect for the treatment of psoriasis, ankylosing spondylitis and Crohn's disease.

We have strong in-house capabilities in pharmaceutical research, manufacturing, pre-clinical and clinical development, and have established a competent and efficient drug marketing team. We focus on the R&D of monoclonal antibodies. Our core R&D team members have more than 18 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 completed the construction of three new production lines in Taizhou in 2021, 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 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. Leveraging the competitive advantages in the R&D and mass production capacity in anti-body drugs in the PRC, we also proactively engaged in CDMO business without compromising our independent product R&D, and secured desirable results.

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 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, as well as aggressive and flexible product cooperation model, and capture the opportunities presented during the policy reform so as to capture the huge unmet market demand in China. We have also initiated our global market expansion and accelerated the registration and launching of our drugs in the international market.

BUSINESS REVIEW

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, 2021:

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 Ulcerative colitis in adults Ankylosing spondylitis Crohn's disease in adults and pediatric patients aged above 6 years old Fistula Crohn's disease Psoriasis	CMAB008 (INN name: Infliximab)	New Drug/ Core Product						Approved for marketing in July 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					New drug marketing application submitted in October 2021	Quarter 4, 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 marketing application submission (Quarter 4, 2022)	Quarter 4, 2023	PRC and overseas (excluding Japan, North America and Europe)	Erbitux®

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
Bone-related diseases	RANKL	Osteoporosis	CMAB807 (INN name: Denosumab)	Biosimilar					Pending new drug marketing application submission (Quarter 1, 2023)	Quarter 1, 2024	Global	Prolia®
		Tumor bone metastasis	CMAB807X (INN name: Denosumab)	Biosimilar					Phase III (Quarter 1, 2023)	Quarter 1, 2027	Global	XGEVA®
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, 2023)	Quarter 4, 2027	Global	Opdivo®, Keytruda®, Tyvyt®, JS001
Cancer	HER2	Breast Cancer	CMAB810 (INN name: Pertuzumab)	Biosimilar					Phase III (Quarter 1, 2024)	Quarter 1, 2028	Global	Perjeta®
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, 2028	Global	ILaris®
Cancer	EGFR	KRAS wild-type colorectal cancer	CMAB017	Innovative drug					Phase III (Quarter 4, 2024)	Quarter 4, 2027	Global	Vectibix®

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	IL-17A	Plaque psoriasis, psoriatic arthritis and ankylosing spondylitis	CMAB015 (INN name: Secukinumab)	Biosimilar					Phase III (Quarter 1, 2023)	Quarter 4, 2025	Global	Cosenty®
Allergy, Inflammatory Disease	IL-5	Asthma and eosinophilic granulomatous polyangitis	CMAB018 (INN name: Mepolizumab)	Biosimilar					Phase III (Quarter 1, 2024)	Quarter 4, 2026	Global	Nucala®
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®

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)

類停® – CMAB008 (infliximab)

CMAB008 (infliximab), trade name: 類停®, is a recombinant anti-TNF-alpha chimeric monoclonal antibody that was approved by the NMPA (Guo Yao Zhun Zi S20210025) on July 12, 2021 for the treatment of:

(i) ulcerative colitis in adults;

(ii) ankylosing spondylitis;

(iii) rheumatoid arthritis;

(iv) Crohn's disease in adults and pediatric patients aged above 6 years old;

(v) fistula Crohn's disease; and

(vi) psoriasis.

CMAB008類停® is the first China-made infliximab approved for marketing, which is a monoclonal antibody biosimilar independently developed by the Company and one of the core products of the Company. CMAB008類停® uses the CHO expression system, and is a monoclonal antibody targeting TNFα (tumor necrosis factor α) that specifically merges with TNFα and blocks the inflammatory cascade response caused by TNFα. The researches we have completed have shown that, compared to other anti-TNFα drugs on the market, CMAB008類停® (infliximab for injection) has a stronger affinity for TNFα and a stronger glycosylation character, with rapid onset of effect, long-lasting efficacy, long dosing intervals and no hypersensitivity reactions. The results of our completed researches including, clinical trials, non-clinical comparative studies and pharmacological comparisons of CMAB008類停® have also shown that CMAB008類停® is identical to the original infliximab in terms of efficacy, safety, pharmacological profile and quality.

CMAB008類停® is the first infliximab launched in the domestic market following "Remicade", the original drug imported and sold by Xi'an Janssen. CMAB008類停® is approved for the treatment of six indications which have huge long-term unmet market demand with more than 10 million patients in the PRC which is still growing. During the past two years, following the inclusion in the medical insurance system and shift in habit towards adopting biological agents, the overall market share of infliximab witnessed a rapid increase, especially in the field of IBD diseases, for which infliximab has become the key biological agent for treatment due to its rapid onset of effect and obvious curative effect.

Infliximab is included in the PRC's national Medical Insurance drug catalogue, and in accordance with relevant regulations on Medical Insurance of the PRC, our CMAB008類停® is applicable to the Medical Insurance coverage of infliximab, thus providing a new and more economical and affordable option for patients. With high quality innovative drugs as the foundation, Mabpharm will provide innovative antibody drugs to patients in the PRC by offering more economical and affordable drug supply solutions and fully participating in China's national healthcare system reform initiatives. The Company has also reached agreements with partners who have accumulated abundant overseas market resources over a long period of time and is applying for drug registration and marketing of CMAB008類停® in more than 30 countries and regions including Brazil.

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. We believe that, once approved by the NMPA for marketing, 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 four clinical trials of a total of 824 subjects who have been administered CMAB007, 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, the new drug marketing application for CMAB007 has been submitted to the NMPA in October 2021, and it will receive site inspection by the NMPA in the forthcoming months. Based on new regulations and technical guidelines introduced by the NMPA on new biological drugs, we have also completed a head-to-head phase I comparative study against 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, seasonal allergic rhinitis and food allergies in the future. We expect that CMAB007 may be approved by the NMPA for marketing in the fourth 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 CHO expression system, which is different from the mouse myeloma cell SP2/0 expression system used in marketed cetuximab products. The safety and efficacy of CMAB009 have been confirmed from the results of two completed clinical trials on 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 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, currently marketed cetuximab drugs for the treatment of mCRC.

During the Reporting Period, CMAB009 was under phase III clinical trials for colorectal cancer and completed case recruitment. We expect to file the new drug marketing application with the NMPA in the fourth 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 fourth quarter of 2023.

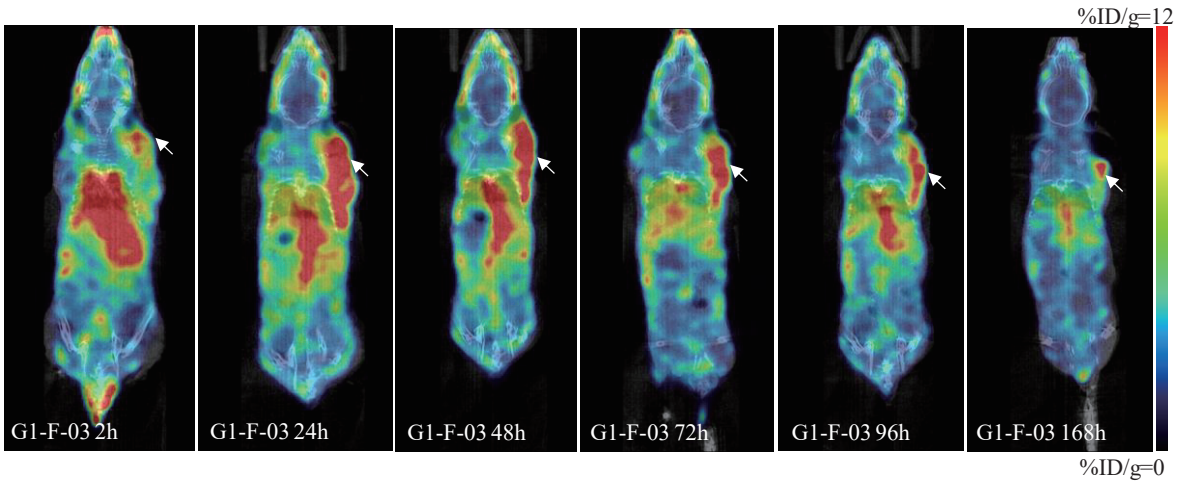
Other Product Candidates

CMAB807 (Denosumab) is 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 bones. CMAB807 is currently under phase III clinical trials for osteoporosis, and has completed case recruitment. We expect that CMAB807 will be approved by NMPA for marketing in the first quarter of 2024 for the indication of osteoporosis.

We have also developed a dosage form of CMAB807, i.e. CMAB807X (denosumab), for the treatment of tumor bone metastasis and conducted pre-clinical study, and obtained the Clinical Trial Approval Notice. We expect that phase III clinical trials for tumor bone metastasis will be launched in the first quarter of 2023. It is currently expected that CMAB807X will be approved by NMPA for marketing in the first quarter of 2027 for the indication of tumor bone metastasis.

CMAB819 (nivolumab) is our biosimilar drug candidate currently undergoing phase I clinical trial. CMAB819 was approved by the NMPA for clinical trial in September 2017. We have commenced the phase I clinical trial. We expect that CMAB819 may be approved by the NMPA for marketing in the fourth quarter of 2027. CMAB819 is indicated for the treatment of metastatic non-small cell lung cancer, hepatocellular carcinoma and head and neck squamous cell carcinomas (HNSCC). We are also initiating the clinical trial of the single drug and/or combination medication in the best international scientific registration path, in an endeavor to seize the huge unsatisfied market demand for nivolumab in China and other developing countries.

CMAB017 is an innovative drug candidate in preclinical study stage and an innovative strong antibody drug. At present, the 1,500-liter process amplification and preclinical trials have been completed, and will soon apply for clinical trials. 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 skin reactions, 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 by leveraging the research and development platform of CMAB017. CMAB017 is indicated for the treatment of KRAS wild-type colorectal cancer and its other indications are also under exploration.



CMAB015 is a biosimilar candidate for secukinumab, which is under preclinical study. At present, the 1,500-liter manufacturing process and preclinical trials have been completed and it is expected to be approved for clinical trials in 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. Secukinumab is the most effective curer for psoriasis at present, which offers significant efficacy and guarantees much more stable condition after drug withdrawal compared with peers.

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 currently in development. We expect to apply for clinical trials in the first quarter of 2023 and CMAB022 may be approved by the NMPA for marketing in the first quarter of 2027.

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 first quarter of 2023. We expect that CMAB018 may be approved by the NMPA for marketing in the fourth quarter of 2026. CMAB018 targets interleukin 5 (IL-5) in treating severe asthma and eosinophilic granulomatous polyangiitis.

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. However, the animal experiment has been postponed due to the restrictions imposed on import of marmoset as a result of the COVID-19 pandemic. It is expected to apply for clinical trials in the third quarter of 2023. We expect that CMAB816 may be approved by the NMPA for marketing in the second quarter of 2028. 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 rates.

Research and development of new drug candidates

We have launched a series of follow-up R&D on new antibody drugs for the treatment of 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.

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, CMAB008 has been marketed and commercialized, CMAB007 has completed clinical trials and submitted application for marketing while CMAB009 and CMAB807 are under late stage of phase III clinical trials. 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 backgrounds 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, (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. Our production facilities have successfully passed the GMP compliance inspection for CMAB008 by the Jiangsu Medical Products Administration and have commenced commercial production.

Construction of new production facilities

We constructed new production facilities on a parcel of industrial land of approximately 100,746 square meters in the 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 already commenced construction and already completed the construction of the plant, design and purchase of key equipment and is expected to be put into trial operation in 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 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, continue to communicate frequently with major hospitals in China to understand these hospitals and their doctors' academic views on antibody drugs and patient demands, and 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 their 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 have notable academic profiles in medicine and pharmacy, and have over three years' clinical experience in therapeutic areas of 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 are establishing our network of distributors for CMAB008 in accordance with the national drug sales regulations. Our distribution model is 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, 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 our efficient sales system with a focus on niche markets 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 advantages in 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 into 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 opportunities presented in the significant increase in market penetration caused by the policy reform, effectively satisfying 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 market exploration and sales of CMAB008, and completing clinical trials and the eventual commercialization of our current pipeline of other drug candidates, particularly CMAB007, CMAB009 and CMAB807. To bring our 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 product candidates. 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 capturing cooperation opportunities to market certain advantageous indications at an appropriate time.

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 in 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 have established collaborative partnerships with domestic and foreign pharmaceutical companies with overseas channel resources, and constantly seek more opportunities to cooperate with potential partners with sales resources, 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 cooperation and mergers and acquisitions 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, 2021 with comparative figures for the corresponding period in the previous year, which 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, 2021 and 2020:

	For the year ended December 31,			
	2021	2020	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*(%)*
Revenue	**82,882**	–	82,882	–
Cost of sales	**(16,777)**	–	(16,777)	–
Gross profit	**66,105**	–	66,105	–
Other income	**14,818**	32,237	(17,419)	(54.0)
Other gains and losses	**(6,637)**	(26,714)	20,077	(75.2)
Selling and distribution expenses	**(9,423)**	–	(9,423)	–
Research and development expenses	**(263,572)**	(120,418)	(143,154)	118.9
Administrative expenses	**(90,632)**	(65,795)	(24,837)	37.7
Finance costs	**(2,403)**	(3,942)	1,539	(39.0)
Loss before tax	**(291,744)**	(184,632)	(107,112)	58.0
Income tax expense	**–**	–	–	–
Loss and total comprehensive expense for the year	**(291,744)**	(184,632)	(107,112)	58.0
Attributable to:				
Owners of the Company	**(291,744)**	(184,632)	(107,112)	58.0
	RMB	*RMB*		
Loss per share attributable to ordinary equity holders of the Company				
– Basic and diluted	**(0.07)**	(0.04)	(0.03)	75.0

REVENUE

Revenue of the Group increased from RMB0.0 million for the year ended December 31, 2020 to approximately RMB82.9 million for the year ended December 31, 2021, primarily due to recognition of the revenue from the intellectual property transfer agreement on CMAB806 during the Reporting Period.

Set out below are the components of revenue for the periods indicated:

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Revenue from the sale of pharmaceutical products	**1,636**	–
Revenue from the intellectual property transfer agreement on CMAB806	**81,246**	–
	82,882	–

COST OF SALES

Cost of sales of the Group increased from RMB0.0 million for the year ended December 31, 2020 to approximately RMB16.8 million for the year ended December 31, 2021, primarily due to recognition of the cost corresponding to revenue from the intellectual property transfer agreement on CMAB806 during the Reporting Period.

OTHER INCOME

Other income of the Group decreased by 54.0% from approximately RMB32.2 million for the year ended December 31, 2020 to approximately RMB14.8 million for the year ended December 31, 2021, which was primarily due to a decrease in government grants and subsidies related to income as compared with last year.

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

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Bank interest income	**1,954**	9,458
Government grants and subsidies related to income	**12,864**	22,779
	14,818	32,237

OTHER GAINS AND LOSSES

Other losses of the Group decreased by 75.2% from approximately RMB26.7 million losses for the year ended December 31, 2020 to approximately RMB6.6 million losses for the year ended December 31, 2021, which was primarily due to increased investment in R&D activities, leading to a decrease in amount of foreign currency held and a corresponding decrease in foreign exchange losses.

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

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Net foreign exchange losses	**(6,591)**	(31,902)
Loss on disposal of plant and equipment	**(73)**	–
Others	**27**	5,188
	(6,637)	(26,714)

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of pipelines of the Group increased by 118.9% from approximately RMB120.4 million for the year ended December 31, 2020 to approximately RMB263.6 million for the year ended December 31, 2021, mainly due to the intellectual property license-in expenses of RMB66.0 million incurred for the acquisition of CMAB807 and the significant increase in contracting costs due to the constant investment in pipelines during the Reporting Period.

The Group's research and development expenses mainly include contracting costs, raw materials and consumables, staff costs, depreciation, intellectual property license-in expenses and others.

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

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Contracting costs	**98,348**	46,797
Raw materials and consumables	**26,131**	20,724
Staff Costs	**47,765**	35,899
Depreciation	**13,676**	8,799
Intellectual property license-in expenses	**66,038**	–
Others	**11,614**	8,199
Total	**263,572**	120,418

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by 37.7% from approximately RMB65.8 million for the year ended December 31, 2020 to approximately RMB90.6 million for the year ended December 31, 2021, principally due to an increase in depreciation from new production plants that have been constructed.

Administrative expenses of the Group primarily comprise of staff salary and benefit costs of our non-R&D personnel, utilities, 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,	
	2021	2020
	RMB'000	*RMB'000*
Staff costs	**41,562**	32,237
Depreciation	**27,779**	14,998
Others	**21,291**	18,560
Total	**90,632**	65,795

FINANCE COSTS

Finance costs of the Group decreased by 39.0% from approximately RMB3.9 million for the year ended December 31, 2020 to approximately RMB2.4 million for the year ended December 31, 2021, which was primarily due to no bank loans outstanding during the Reporting Period, leading to a corresponding decrease in finance costs.

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 83.2% from approximately RMB484.8 million at December 31, 2020 to approximately RMB81.6 million at December 31, 2021 due to ongoing investment in R&D activities and construction of Taizhou production base.

Current pledged bank deposits increased by 1,637.4% from approximately RMB2.0 million as at December 31, 2020 to RMB34.7 million as at December 31, 2021, which was primarily attributable to the increase in deposits paid by the Group to obtain bank credit letter issued for procurement of facilities for Taizhou production base.

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

	At December 31,		
	2021	2020	Change
	RMB'000	*RMB'000*	*(%)*
Current Assets			
Trade receivables	**793**	–	–
Prepayments and other receivables	**58,846**	31,673	85.8
Amounts due from a related party	**9,452**	–	–
Inventories	**53,211**	33,427	59.2
Contract costs	**9,164**	16,769	(45.4)
Pledged bank deposits	**34,748**	2,000	1,637.4
Rental deposit to a related party	**–**	411	(100.0)
Cash and bank balances	**81,556**	484,846	(83.2)
Total	**247,770**	569,126	(56.5)

INDEBTEDNESS

As of December 31, 2021, we had non-trade amounts due to a related party of approximately RMB0.7 million and lease liabilities of approximately RMB45.7 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 non-trade amounts due to a related party and lease liabilities at the dates indicated:

	At December 31,	
	2021	2020
	RMB'000	*RMB'000*
Unsecured and unguaranteed amounts due to Biomabs	**739**	21
Lease liabilities	**45,690**	40,348

As at December 31, 2021, 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 RMB45.7 million.

CONTINGENT LIABILITIES, CHARGE OF ASSETS AND GUARANTEES

As at December 31, 2021, we had current pledged bank deposits of RMB34.7 million, which were pledged to a bank as deposit for the credit letter issued for procurement of facilities from overseas.

Save as disclosed, we 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, 2021, 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 33.1% debt and 66.9% equity as at December 31, 2021, compared with 24.2% debt and 75.8% equity as at December 31, 2020.

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, including Hong Kong dollars and the U.S. dollars, into RMB 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, 2021, the gearing ratio of the Group was 33.1% (as at December 31, 2020: 24.2%).

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

	At December 31,	
	2021	2020
Current ratio[(1)]	**1.1**	2.8
Quick ratio[(2)]	**0.8**	2.6

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 2.8 as of December 31, 2020 to 1.1 as of December 31, 2021, and our quick ratio decreased from 2.6 as of December 31, 2020 to 0.8 as of December 31, 2021, 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.

Environmental, Social and Governance Report

ABOUT THE REPORT

This is the third Environmental, Social and Governance ("**ESG**") Report (the "**Report**") released by Mabpharm Limited ("**Mabpharm**", "**we/us**" or the "**Company**"), which is designated to give an objective and true view of the Company's strategies, policies, measures and achievements in terms of sustainable development, and focus on the disclosure of the Company's information in environmental, social and governance aspects.

Basis of Preparation

The Report has been prepared pursuant to the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") as set out in Appendix 27 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Reporting Period

From January 1, 2021 to December 31, 2021 (the "**Reporting Period**" or the "**Year**").

Reporting Scope

The reporting scope of the Report covers Mabpharm Limited (02181.HK) and its subsidiaries, which is in line with the annual report of the Company.

Source of Information and Guarantee for Reliability

Save as otherwise indicated, data contained herein are derived from the internal information, investigation and interview records and relevant documents of the Company. The Board of the Company undertakes that the Report does not contain any false information or misleading statement, and is responsible for its truthfulness, accuracy and completeness.

Confirmation and Approval

The Report has been approved by the Board on March 25, 2022 upon confirmation by the management.

Availability

The Report is incorporated in the 2021 annual report of the Company. Out of concern for environmental protection, we recommend you to read the electronic version which is available at the website of the Stock Exchange (www.hkexnews.hk) and the official website of the Company (www.mabpharm.cn).

1. PROFILE OF MABPHARM

1.1 About Us

Mabpharm Limited is a leading biopharmaceutical company in China, focusing on research, development and production of new drugs as well as biosimilar for 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.

Drug pipeline of the Company currently comprises 10 monoclonal antibody drugs and 1 strong antibody drug. CMAB008 has been marketed and commercialized, CMAB007's marketing application has been accepted, CMAB009 and CMAB807 are under phase III clinical trials and completed case recruitment, CMAB819 is under phase I clinical trials, and several other drugs are under pre-clinical research and development ("**R&D**"). In the future, we will focus more on advantageous new antibody drugs for the treatment of allergic diseases, autoimmune diseases and tumor, foster a concentrated product pipeline and satisfy demands on the domestic and overseas market leveraging our strong research and development system and constant innovation capacity.

1.2 Corporate Strategy

Driven by Research and Development

The Company is committed to the research and development of monoclonal antibodies, and boasts strong medical research, production and clinical development capabilities. Our core R&D team members have more than 18 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 one of our core R&D team members is also a member of the 11th Session of the Chinese Pharmacopoeia Commission.

Quality Guarantee

Mabpharm has established a quality management system covering the entire product lifecycle, including drug research and development, intellectual property rights, procurement of equipment/raw materials, commercial production and pharmacovigilance, in an endeavor to guarantee service quality and treatment for patients. The Company has an efficient quality assurance department, which is responsible for approving, organizing and coordinating the quality control and quality assurance procedures of each subsidiary. The Company carries out production and quality control according to international GMP standards, and the production base in Taizhou, Jiangsu Province has obtained GMP certification. Besides, the Company's R&D business line is also subject to inspection pursuant to GMP management regulations. The Company has also set up a quality assurance department, which is responsible for overseeing the quality issues in the whole lifecycle of products, so as to ensure that the Company's products and services are in line with the industry standards and requirements.

Commercialization

The Company focuses on monoclonal antibody drugs for the treatment of cancer and autoimmune diseases in research and development, which promise huge untapped clinical demand amid China's medical supervision reform policies. 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. The Company will actively participate in the national medical reform with our advantages in terms of advanced technology, quality and cost and grasp the opportunities presented during the policy reform, so as to capture the huge unmet market demand in China. At the same time, the Company has established a global presence, and continues to promote the registration and launching of our products in the international market.

1.3 Product Pipeline

Mabpharm is dedicated to developing various therapeutic monoclonal antibody products, and providing different treatment schemes for cancer and autoimmune diseases. Monoclonal antibodies primarily target at cancer and autoimmune diseases. The Company has developed efficient R&D capabilities, advanced preparation technologies and efficient drug production capacity that allow it to offer high quality innovative biopharmaceutical products to patients in China and other emerging markets.

Mabpharm's drug pipeline currently comprises 10 monoclonal antibody drugs and 1 strong antibody drug. CMAB008 has been marketed and commercialized, CMAB007's marketing application has been accepted, CMAB009 and CMAB807 are under phase III clinical trials and completed case recruitment, CMAB819 is under phase I clinical trials, and several other drugs are under pre-clinical research and development. Set out below is a description of major products and product layout:

CMAB008 (infliximab, 類停)

Approved for marketing by the NMPA in July 2021 (Approval No: Guo Yao Zhun Zi S20210025), a biosimilar of Remicade produced by Johnson & Johnson. It is indicated for the treatment of rheumatoid arthritis, Crohn's disease in adults and pediatric patients, fistula Crohn's disease, ankylosing spondylitis, psoriasis and ulcerative colitis in adults.

CMAB007 (omalizumab, 奧邁舒)

New drug marketing application submitted to the NMPA in October 2021, will soon receive on-site inspection by the NMPA, and expected to be approved by the NMPA for marketing in the fourth quarter of 2022. It is indicated for the treatment of asthma patients who remain inadequately controlled despite med/high dose of ICS plus LABA.

CMAB009 (cetuximab)

Completed case recruitment for phase III clinical trials, expected to file new drug marketing application in the fourth quarter of 2022 and expected to be approved for marketing by the NMPA in the fourth quarter of 2023. It is indicated for the treatment of colorectal cancer.

CMAB807 (denosumab)

Completed case recruitment for phase III clinical trials, expected to file new drug marketing application in the first quarter of 2023 and expected to be approved for marketing by the NMPA in the first quarter of 2024. It is indicated for the treatment of osteoporosis.

CMAB807X (denosumab)

A biosimilar of XGEVA produced by Amgen and was approved for clinical trials in January 2022. It is indicated for the treatment of tumor bone metastasis.

CMAB819 (nivolumab)

A biosimilar of OPDIVO produced by Bristol Myers Squibb and is currently under phase I clinical trials. It is indicated for the treatment of non-small cell lung cancer, hepatocellular carcinoma and head and neck squamous cell carcinomas.

CMAB810 (pertuzumab)

A biosimilar of Perjeta produced by Roche and is currently under pre-clinical study. It is indicated for the treatment of breast cancer.

CMAB816 (canakinumab)

A biosimilar of Ilaris produced by Novartis. It is currently under pre-clinical process development. It is indicated for the treatment of periodic fever syndrome, systemic juvenile idiopathic arthritis and lung cancer.

CMAB017 (anti-EGFR preantibody)

Innovative drug. Expected to commence phase III clinical trials in the fourth quarter of 2024 and is indicated for the treatment of KRAS wild-type colorectal cancer.

CMAB015 (secukinumab)

A biosimilar of Cosentyx produced by Novartis. It is indicated for the treatment of plaque psoriasis, psoriatic arthritis and ankylosing spondylitis. It is expected to be approved for clinical trials in 2022.

CMAB018 (mepolizumab)

Indications approved by FDA for the original drug include asthma and eosinophilic granulomatous polyangiitis. It is currently under pre-clinical process development.

CMAB022 (ustekinumab)

A biosimilar of stelara produced by Johnson & Johnson. It is currently under pilot process development, and is expected to apply for clinical trials in the first quarter of 2023.

1.4 Layout

Mabpharm has established R&D organization in China Medical City, Taizhou, Jiangsu Province, which is a R&D center with 3,000 square meters and equipped with complete equipment and facilities as well as excellent R&D personnel for innovative antibody drug R&D, pilot trial, quality inspection, and CDMO service. It is responsible for the construction and screening of antibody drug engineering cell lines, the development of mammalian fermentation process, characterization of antibody drug structure and activity, and the development of key raw materials such as affinity chromatography media.

The production site of the Company is also located in Taizhou, Jiangsu Province, which currently has two buildings with a total gross floor area of 30,000 square meters and houses mAb production facilities. The two buildings are equipped with production facilities currently in operation, including four 3 × 1,500L antibody bioreactor system and related purification production lines, an injection filling line capable of manufacturing four million units per annum and a pre-filled injection production line capable of manufacturing one million units per annum. These production facilities have successfully passed the inspection in compliance with GMP in respect of CMAB008 conducted by the Medical Products Administration of Jiangsu Province, and have been put into commercial manufacturing.

1.5 Honor

During the Reporting Period, Mabpharm received 1 sub-project under the national key research and development program, accreditation of high-tech enterprise in Jiangsu Province and 6 honors at municipal level.

Time	Honor & Awards	Granting Agency
December 2021	Sub-project of national key research and development program	Ministry of Science and Technology
December 2021	Accreditation of high-tech enterprise	Science and Technology Office of Jiangsu Province
December 2021	"Open Competition" (揭榜掛帥) Outstanding Organization Award	Federation of Labor Unions of Gaogang District, Taizhou City
December 2021	Yang Jinlong "Open Competition" team and Li Fuchun "Open Competition" team being granted the title of workers' pioneer of Gaogang District	Federation of Labor Unions of Gaogang District, Taizhou City

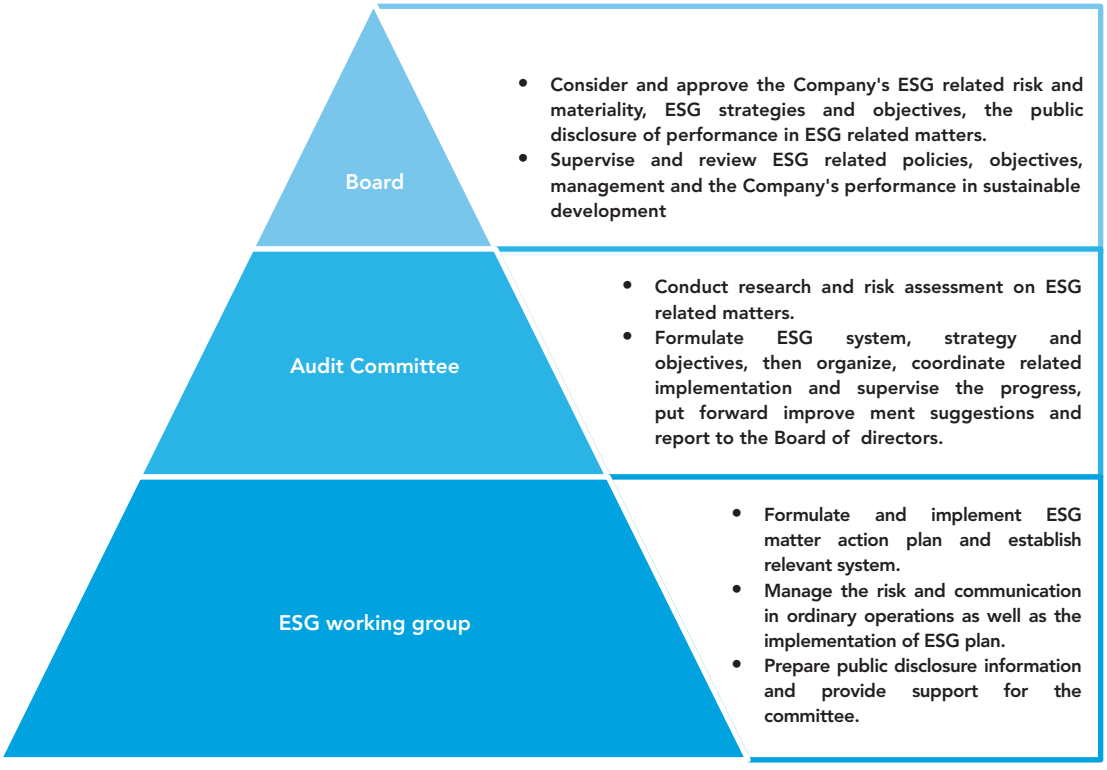
Time	Honor & Awards	Granting Agency
December 2021	Increasing spare vacuum line for vacuum freeze dryer and box delivery track transformation of electronic supervision code system being granted the honor of "Open Competition" – excellent innovation results	Federation of Labor Unions of Gaogang District, Taizhou City
December 2021	Modification of safety valve interface of pulsating vacuum sterilization cabinet and device for online calibration of differential pressure being granted "Open Competition" – Nomination Award	Federation of Labor Unions of Gaogang District, Taizhou City
December 2021	Water tank inlet pipe improvement of constant temperature & humidity tank, defrost chamber drainage transformation, water production statistics transformation, EMS system optimization, laminar flow car transformation, integrating culture room air conditioning system and ethylene glycol refrigeration unit into the BMS, and freeze-drying cooling water transformation being granted "Open Competition"-Encouragement Award	Federation of Labor Unions of Gaogang District, Taizhou City
March 2021	General office being granted the title of "Youth Civilization"	Youth League Working Committee of Taizhou Medical High-Tech Zone

2. ESG GOVERNANCE

Driven by the corporate mission of "innovation, quality and excellence", Mabpharm is committed to building an international first-class monoclonal antibody brand through consistently taking product quality as the focus to maximize the benefits for patients and further explore brand value. While making on-going efforts in research, development and innovation of the biopharmaceutical industry to create economic value, Mabpharm has actively fulfilled its social responsibilities by adopting the "compliance foremost " guideline as the cornerstone of corporate governance, fully considering the expectations of various stakeholders of Mabpharm and integrating the concept of sustainable development into all aspects of the Company's management and operation, in an endeavor to achieve organic unity of corporate economic responsibility and social responsibility.

2.1 ESG Management

In order to better practice the concept of sustainable development, the Audit Committee of the Company has taken the lead in environmental, social and governance (ESG) management, and established an ESG working group to build a three-level management structure comprised of the Board of Directors, the Audit Committee and the ESG working group, aiming to facilitate the management of sustainable development of the Company, regulate ESG-related work, and improve the Company's ESG management. ESG working group covers various key functional departments such as the internal audit department, office, environment, health and safety department, human resources department, procurement department, legal department, internal control department, marketing center, finance department and logistics department, and formulates and executes ESG matter action plan based on the ESG working group management system under the independent leadership of the Audit Committee. During the Reporting Period, the ESG management structure of Mabpharm and main functions of each level are as follows:



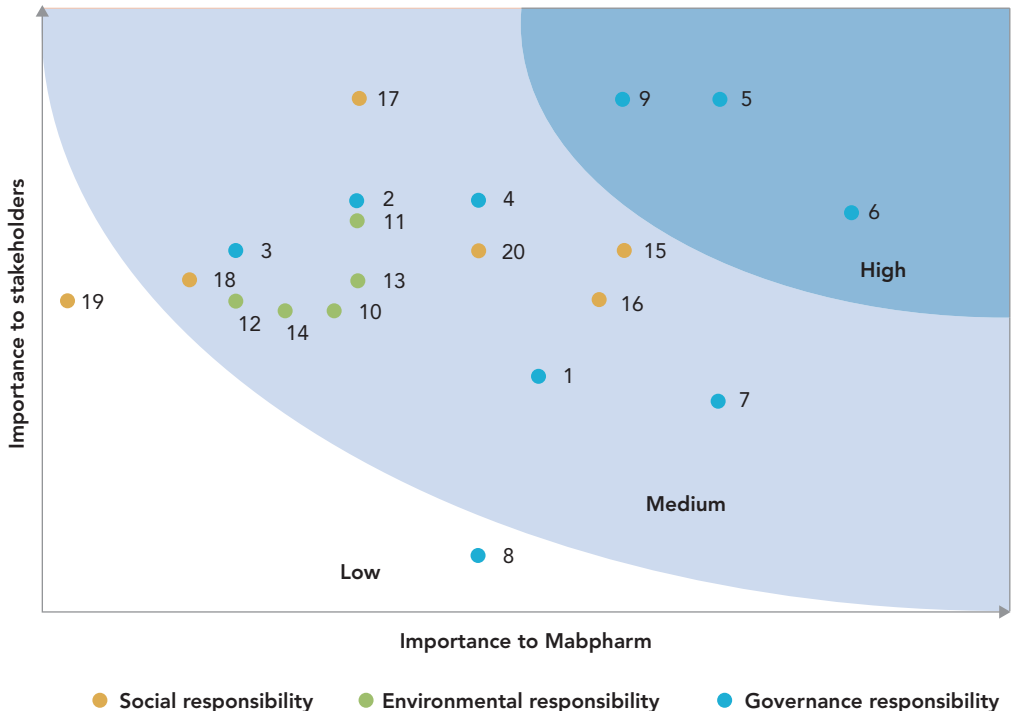
Board Statement

The Board of Directors of Mabpharm acts as the highest responsible organization for the management and public disclosure of the Company's ESG issues, and bears the ultimate responsibility for the Company's ESG strategy and objectives, ESG risk and opportunity assessment. The Audit Committee under the Board of Directors, as the supervisory body of ESG issues, is responsible for identification and assessment of ESG risks and opportunities and day-to-day supervision of ESG task implementation and performance, and reports to the Board of Directors on a regular basis. The Board of Directors collects feedback from stakeholders, identifies and evaluates ESG issues with a significant impact on the Company through materiality matrix, and sorts out the ESG issues in terms of priority. The Board of Directors has established ESG key performance indicators based on the ESG Guide, and will regularly review the implementation and completion of the indicators to ensure that the policies have been effectively and continuously carried out.

2.2 Analysis of Issues of Materiality

To fully understand the expectations of stakeholders for Mabpharm, Mabpharm, following ESG Guide of the Stock Exchange and combining the internal and external communication and discussions, has identified among the extensive sustainable development issues, 20 issues that substantially impact the Company 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 so as to obtain Mabpharm's matrix of issues of materiality.

Mabpharm's Matrix of Issues of Materiality



No.	Issues of Materiality	No.	Issues of Materiality
	Governance responsibility		**Environmental responsibility**
1	Risk management	10	Climate change risks and response
2	Intellectual property rights	11	Environmental management and compliance
3	Privacy protection	12	Energy utilization
4	Business ethics and anti-corruption	13	Emission management
5	**Technology and innovation**	14	Packaging materials
6	**Compliance operation**		**Social responsibility**
7	Supply chain management	15	Employee health and safety
8	Responsible marketing	16	Employee rights and interests
9	**Product quality and safety**	17	Drug availability
		18	Industry cooperation
		19	Contributions to community
		20	Employee promotion and training

2.3 Stakeholder Identification and Communication

Mabpharm attaches great importance to communication with various stakeholders. In order to fully understand the demands and expectations of various stakeholders, the Company maintains active interaction with stakeholders and establishes a timely, transparent and regular communication mechanism to allow the Company to implement management decisions more effectively and continuously and improve ESG management. During the Reporting Period, we identified the major stakeholders who have decision-making power and influence over the Company, including shareholders, patients, government, employees, suppliers, the community public and partners, based on our own business and operational characteristics and in combination with industry experience and practice both in China and abroad. We maintained smooth communication with various stakeholders through a variety of ways, and actively listened to their views and suggestions to ensure the fulfillment of responsibilities to all parties.

	Stakeholders	Main issues of concern	Communication and response method
	Shareholders/ investors	Compliance operation Risk management Product innovation and R&D Product safety and quality Business ethics and anti-corruption	– General meeting of shareholders – Broker summit – Performance conference – Announcements – Field research
	Government/ regulatory authorities	Compliance operation Industry cooperation and development Product safety and quality Business ethics Product innovation and R&D Emission management Energy utilization	– Industry standard developing communication – Policy making communication – Government cooperation projects
	Cooperative partners	Industry cooperation and development	– Industry exchange – Explore global cooperation – Industry forum
	Clients	Drug availability Responsible publicity Business ethics Private information protection Customer satisfaction and communication	– Customer service and customer complaint handling – Customer satisfaction questionnaire – Pharmacovigilance hotline

	Stakeholders	Main issues of concern	Communication and response method
	Staff	Employee communication and benefits Employee health and safety Employee development and training	– Employee interviews – Internal email – Employee care activities – Employee satisfaction survey
	Suppliers	Sustainable development management of supply chain Compliance operation Business ethics	– Supplier audit and communication – Supplier conference
	Media	Industry cooperation and development Business ethics Product safety and quality Product innovation and R&D	– Information disclosure of listed companies – Official website – press release – Press conference/media communication
	Community public	Emission management Energy utilization Contributions to community	– Field research – Social welfare – Public welfare activities

3. CORPORATE GOVERNANCE

Compliant and efficient corporate governance is fundamental for Mabpharm to protect the rights and interests of shareholders and various stakeholders, safeguard a fair operating environment and promote the long-term development of the enterprise. Since its listing, the Company has strictly complied with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Listing Rules of the Stock Exchange, the Corporate Governance Standards for Listed Companies and other laws, regulations and regulatory requirements, and has gradually improved and standardized its corporate governance structure and internal control system to enhance the Company's governance level.

3.1 Corporate Governance

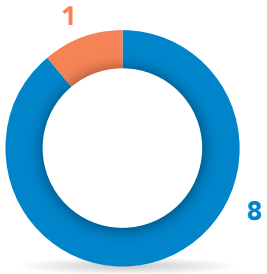
Three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, are set up under the Board of Directors of the Company to oversee specific matters of the Company, with an aim to ensure that the Company's decisions are made in a rigorous and efficient way. The main duties of the committees are as follows:

Committee	Major duties
Audit Committee	1. Make recommendations to the Board on the appointment of the external auditor, and review and monitor the independence and objectivity of the external auditor and the effectiveness of the audit procedures in accordance with applicable standards. 2. Review the Company's financial information, financial reporting, control systems and internal control procedures. 3. Review possible improprieties of the Company's employees in financial reporting, internal control or other matters, and conduct a fair and independent investigation into such cases and take appropriate follow-up action.

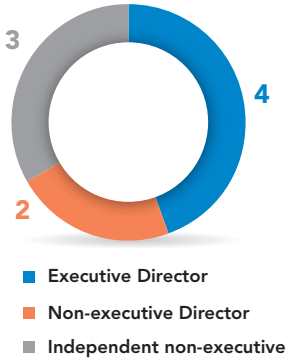
Committee	Major duties
Remuneration Committee	1. Establish formal and transparent process to develop remuneration policies for all Directors and senior management. 2. Consider the remuneration paid by similar companies, time commitment and responsibilities as well as the conditions of employment for other positions within the Company and its subsidiaries. 3. Review or approve the compensation paid to the executive Directors and senior management of the Company for any loss or termination of office or appointment to ensure that such compensation is in line with the contractual terms.
Nomination Committee	1. Review the structure, size and composition of the Board (including skills, knowledge and experience) and the performance of relevant senior management at least annually, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. 2. Identify individuals who are qualified to become a member of the Board, and select or make recommendations to the Board on the selection of individuals nominated for directorships. 3. Assess the independence of the independent non-executive Directors.

Mabpharm attaches great importance to the diversity of Board members in terms of gender, background and professional fields, and has delegated the Nomination Committee to regularly review the diversity of the Board. As of the end of the Reporting Period, the Board of Directors of the Company comprises a total of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors, one of which is a female Director. The current directors of the Company have extensive industry experience and sound educational background, 44% of whom hold doctorates.

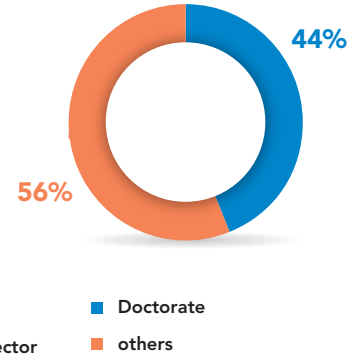
Breakdown by gender of the Board



Breakdown by type of Directors



Proportion of Directors holding doctorate



3.2 Compliance Operation and Business Ethics

Adhering to the business philosophy of "compliance foremost", and with the assistance of the legal department, internal control department and internal audit department, the Company continuously promotes the internal risk control system and compliance management system to prevent acts harming the interests of the Company and shareholders. The Company carries out business ethics management from multiple dimensions such as risk management, anti-corruption and anti-fraud management, and responsible publicity, and practices the concept of legal and compliant operation among all aspects of daily production and operation, so as to ensure that the Company's business activities comply with business ethics and legal standards, thus promoting the healthy development of the Company.

Risk Management

In order to achieve effective management of various risk exposures of the Company, steady operation of various businesses and the long-term and healthy development of the Company, Mabpharm has established a sound risk management system with the participation of the Board of Directors, the operation management and all staff to ensure comprehensive coverage of risk management and control. The Audit Committee under the Board of Directors of the Company is mainly responsible for monitoring and managing the overall risks related to the business operation of the Company, and the relevant departments are responsible for implementing the risk management policies and routine risk management work. In daily operation, each department is responsible for overseeing, identifying and managing major risks arising from its own operating processes and procedures through self-inspection and self-monitoring.

Mabpharm has established a series of internal control measures and procedures such as Internal Control System. The internal audit department of the Company ensures the rapid identification of problems and risks through self-examination and reporting as well as risk-oriented internal audit, and then submits the internal audit report, thus promoting the rectification of problems of various departments. The Company collaborates with professional teams to further improve the internal control management system in various business sectors of the Company through ongoing enhancement of trouble-shooting and risk rating to effectively identify key problems and promote rectification.

During the Reporting Period, the Company has engaged a professional internal control team to assist the Company to streamline and refine the compliance procedures of the newly established marketing center system, aiming to further improve the risk control system of the Company in respect of compliance.

Anti-corruption and Anti-fraud

Mabpharm adopts the "zero tolerance" attitude towards corruption and fraud that may occur internally and externally. Mabpharm strictly abides by the laws and regulations such as the Anti-Money Laundering Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China and the Interim Provisions on the Prohibition of Commercial Bribery, and resolutely combats commercial bribery, corruption, fraud and other improprieties. The internal audit and internal control departments of the Company are responsible for monitoring and managing the Company's anti-corruption and anti-fraud work, and has formulated and implemented the Anti-Fraud Management System, specifying the reporting and handling methods and management procedures for corruption, so as to prevent the occurrence of improprieties. The Company has always valued compliance and integrity in its operations, making on-going efforts to create an honest working atmosphere for its employees, and providing fair, just and open cooperation platform for its suppliers.

In order to ensure that fraud cases are dealt with and resolved in time, the Company has set up various complaint and reporting channels, including a whist-blowing hotline and a whist-blowing mailbox for fraud case, to encourage its staff and partners to actively report actual or suspected fraud cases. After receiving the report, the internal audit and internal control department of the Company will deal with it in time, conduct investigation jointly with relevant departments, and give timely feedback on the investigation results. The Company also pays attention to the honesty management of external third parties by incorporating the anti-bribery clause in the contract signed with the partners, striving to build a honest and transparent supply chain.

The Company attaches great importance to the building of anti-corruption and honest culture, and we employ diverse means to launch anti-corruption special trainings for the Directors, management and general staff of the Company, in an endeavor to cultivate a good atmosphere of integrity and honesty, and strengthen the awareness of honesty of employees. During the Reporting Period, the Company distributed and collected anti-fraud questionnaires to all departments, aiming to enhance the anti-corruption awareness of employees at all levels, guarantee the implementation of risk and anti-fraud management, incorporate anti-corruption awareness into all aspects of the Company's operations, and comply with the bottom line of business ethics. During the Reporting Period, Mabpharm had not been involved in any litigation or case related to corruption or unfair competition.

Responsible Marketing

Mabpharm ensures that all released publicity materials and all marketing activities are in strict compliance with the requirements of industry standards and laws and regulations. During the launching of drugs, the Company strictly abides by the laws and regulations on drug advertisement and labeling such as SOP for Promotional Materials Management (《推廣材料管理標準操作流程》), Advertising Law of the People's Republic of China, Provisions for Drug Insert Sheets and Labels (《藥品説明書和標籤管理規定》) and Administration of Pharmaceutical Packaging (《藥品包裝管理辦法》), striving to transmit fair, transparent, scientific and reliable information to experts and patients to ensure the compliance of its marketing activities.

Mabpharm is dedicated to building brand awareness with serving patients as the fundamental and the product quality as the focus, so as to maximize the benefits for patients and further enhance brand value. During the Reporting Period, Mabpharm sponsored the 25th National Rheumatism Academic Conference, Inflammatory Bowel Disease Learning Conference and other related projects in various disease fields. Meanwhile, Mabpharm adopted innovative service methods to improve the service and provided a 400 dedicated line and commercial insurance for patients who used 類停, helping to reduce the economic burden of vast numbers of patients and families. We firmly believe that the positive impact on our patients will be a strong driving force to increase awareness of our products.

Mabpharm continuously endeavors to build a cultural system of compliance promotion, and strives to cultivate the quality and responsible marketing awareness of its sales staff to develop a culture of being responsible for the Company and its products. The Company provides regular training and assessment on laws, regulations and standards as well as product knowledge for employees in various positions. Through regular review and feedback, we ensure that our employees possess the skills and knowledge required for their job functions, obtain good understanding of and comply with industry standards and corporate systems and act in a professional manner in business activities to safeguard the brand image and reputation of the Company.

During the Reporting Period, the Company had not experienced any administrative penalty or litigation for non-compliance of marketing.

4. QUALITY MANAGEMENT AND R&D INNOVATION

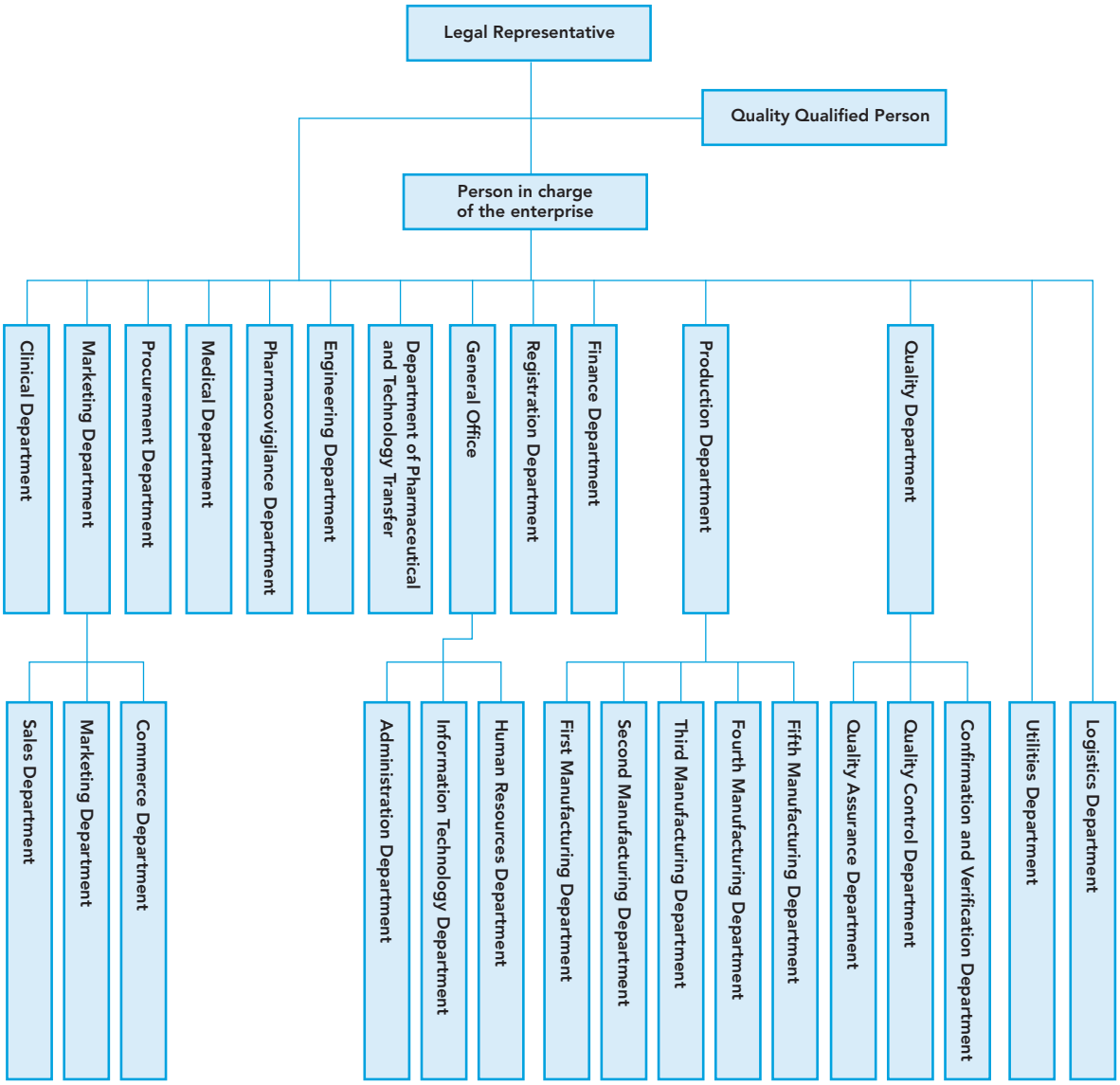
As a leading biopharmaceutical company in China, Mabpharm focuses on bringing affordable innovative biologics to more patients through our efficient R&D system and low-cost and high-quality pharmaceutical production capability. The Company pays attention to the quality management of the whole life cycle of products from preliminary R&D, clinical trials to drug production, while constantly improving its R&D and innovation capability, endeavoring to provide high-quality products to meet the potential biologics market needs in China and thereby benefiting patients.

4.1 Product Quality and Safety

Mabpharm remains committed to its mission "dedicated to innovation, focus on quality, and pursuit of excellence". We firmly believe that the establishment of an efficient quality management system is essential to ensure the quality of service and create a first-class brand.

Quality Management System

During the R&D, testing and production of products, Mabpharm strictly abides by laws, regulations and industry norms such as the Pharmaceutical Administration Law of the People's Republic of China, the Good Manufacturing Practices (2010 Amendment), the Administrative Measures for Drug Registration and the Good Practices for Non-clinical Research of Drugs. The Company has established a sound quality management system in accordance with the requirements of the Good Manufacturing Practices (2010 Amendment), GB/T19001-2016 Quality Management System Requirements and ICH Q10 Pharmaceutical Quality System, and with reference to the United States Food and Drug Administration cGMP-21CFR 210&211 and the European Union GMP and other foreign drug production management norms and guidelines. The system, covering all factors that affect the quality of drugs, carries out quality management for the whole life cycle of drugs, including drug R&D, technology transfer, commercial production and product's exit from market, so as to ensure that the quality of products and services provided to customers consistently meet the highest industry standards and requirements. The organizational structure of the quality management system of the Company is shown in the figure below:


Legal Representative
Quality Qualified Person
Person in charge of the enterprise
Clinical Department
Marketing Department
Procurement Department
Medical Department
Pharmacovigilance Department
Engineering Department
Department of Pharmaceutical and Technology Transfer
General Office
Registration Department
Finance Department
Production Department
Quality Department
Sales Department
Marketing Department
Commerce Department
Administration Department
Information Technology Department
Human Resources Department
First Manufacturing Department
Second Manufacturing Department
Third Manufacturing Department
Fourth Manufacturing Department
Fifth Manufacturing Department
Quality Assurance Department
Quality Control Department
Confirmation and Verification Department
Utilities Department
Logistics Department

The Company has established a dedicated Quality Assurance Department to organize, coordinate, approve and implement the quality management of each subsidiary. In order to fully implement the quality management, the quality assurance team continuously carries out the internal audit supervision in the daily work, and participates in audit and execution jointly with the technical and quality management team, and conducts quarterly evaluation and submits report. During the Reporting Period, the production lines of the Company have passed CMAB008 on-site drug registration verification and GMP compliance inspection, and regular monthly follow-up of feedback are carried out with reference to international and EU standards to constantly improve the quality management system. Furthermore, the Company has submitted an application to the World Health Organization for becoming a WHO cooperative center for the standardization and evaluation of biological products, marking that the inspection and scientific research capabilities of the Company in the field of biological products have gradually reached international level.

Quality Management Strategy

Mabpharm has adopted diversified measures to improve its quality management. On the top of furnishing personnel, plants, facilities and equipment commensurate with its production and quality management, formulating quality policy and objectives and improving quality management system, Mabpharm strives to build a digitalized management system to optimize quality management process and further enhance management and control efficiency.

Product life cycle quality management strategy

Efficient document management system:

An efficient document management system is the basis for the Company's quality management activities to comply with laws and regulations. The Company has formulated and implemented the Document Control Standard Management Procedure. In order to ensure the efficient operation of the document management system, the Company has divided the documents into four categories, i.e., level 1 – quality management policy documents; level 2 – system master file; level 3 – standard management, operation and technical documents; level 4 – record-type documents, and established the standardized processes of document drafting, review, approval, preservation, archiving, borrowing, distribution and periodic review. In addition, the Company regularly updates the legal requirements and industry guidelines in the system to ensure that all production and operation activities comply with the laws and regulations.

Product life cycle quality management strategy

Advanced project control management:

During the product R&D phase, the Company implements overall process control and management of pre-research products and product candidates. During the R&D process, the project team regularly holds project meetings, updates the work progress and improves the resource allocation and time management to ensure that the project proceeds as scheduled. In addition, the Company attaches great importance to regulating the operation procedures for deviation handling and change control to control the risks that may affect the quality of materials and products, so as to ensure the safety and effectiveness of products and that the quality and safety environment involved in the change are effectively evaluated and dealt with.

Professional research and monitoring personnel:

In the clinical trial stage, the Company establishes a research and management team for clinical trials according to the needs of clinical trials. all researchers selected for clinical studies possess clinical trial experience. Through clinical trial training, the Company selects research units with sound medical resources to complete the clinical trials. In terms of quality control, the Company carries out strict supervision and inspection, and delegates trained supervisors with clinical research supervision knowledge to carry out regular supervision and inspection. Meanwhile, a compliance department with personnel independent of clinical research acting as inspectors has been set up to carry out inspections apart from routine inspections, providing double assurance for the compliance and quality of key data and processes in clinical research.

Product life cycle quality management strategy

Strict quality inspection:

The Company has carried out safety standardization work through three channels: self-inspection, management assessment and annual review of products to ensure continuous and effective control of risks in the pharmaceutical production process. The Company regularly organizes production management and quality management teams to conduct comprehensive self-inspection. According to the requirements of GMP and relevant laws and regulations, inspections on institutions and personnel, plant and facilities, materials and products, production management, quality control and assurance are conducted to continuously improve the quality management system of the Company. At the same time, the Company formulates management assessment requirements with reference to the requirements of EU GMP and ICH, and regularly conducts management assessment, so as to comprehensively assess and evaluate the operating status of its quality system; In addition, the Company regularly carries out product quality review and analysis to ensure timely identification of possible adverse trends, and makes improvements and take precautionary measures when necessary to prevent the occurrence of product quality problems.

All-round quality safety training:

The Company pays high attention to the quality education of all staff, and has established an efficient training system. It organizes regular trainings on industry regulations and departmental rules, while carrying out assessment to evaluate the effectiveness of trainings, thus effectively enhancing the quality awareness of all staff and creating a quality culture in a bottom-up approach.

Pharmacovigilance knowledge training

According to the Management Standards for Pharmacovigilance Practices, the Pharmacovigilance Department of Mabpharm regularly organizes or provides assistance for the education and training related to pharmacovigilance. During the Reporting Period, we provided timely and effective training to personnel involved in pharmacovigilance activities, covering training for junior and senior employees within the department, training for personnel of other departments on pharmacovigilance knowledge, trainings on serious adverse events during clinical trials and reporting procedures of suspicious and unexpected adverse reactions, and training related to collection and reporting of adverse reactions after marketing. Meanwhile, we also conducted pharmacovigilance training for relevant personnel during clinical trials, and received good results.

Product Complaint and Recall Management

Mabpharm is committed to continuously improving the product quality to ensure drug safety for patients. The Company has set up an independent pharmacovigilance department and allocated dedicated personnel to carry out pharmacovigilance to effectively collect and handle drug quality and safety problems such as complaints and adverse reactions of the Company's drugs. The Company has established a pharmacovigilance system and a recall system in accordance with the requirements of Good Manufacturing Practices (2010 Amendment), Measures for the Supervision and Administration of Drug Production (Order of the State Administration No. 28) and the Management Standards for Pharmacovigilance Practices (No.65 of 2021), with an aim to regulate the product recall process.

In order to enhance the Company's ability to identify and respond to sudden quality incidents of marketed products and to maximize the drug safety for patients, the quality management department regularly carries out a simulated recall exercise, and has formulated a product recall plan to specify the handling of recall at various levels. In the simulated recall exercise, the Company establishes a dedicated simulated recall team to organize and coordinate various departments to carry out the simulated recall. Through the simulated recall exercise, the Company has further optimized the product recall mechanism and enriched the relevant personnel's experience in product recall, thus improving the Company's response speed in tracking and implementing the product recall in case of recall. During the Reporting Period, there were no recalls and no complaints about products and services received by Mabpharm.

Privacy Security and Protection

Mabpharm places great importance on information security protection for customers, partners and subjects. Apart from complying with relevant laws and regulations, the Company has formulated a strict management system, requiring all employees to strictly manage customer information and subject information in accordance with the standard operating procedures of each department and the Staff Handbook. Furthermore, we also require external partners participating in clinical studies, including but not limited to research institutions and suppliers, to sign a confidentiality agreement with the Company before commencing work, stipulating the confidentiality obligations relevant personnel should bear. In daily management meetings and regular trainings, the Company always emphasizes the importance of keeping data and private information confidential and strengthens the confidentiality awareness of employees to reduce the compliance risk caused by information disclosure.

To prevent potential information security risks, the Company uses security software to protect office computers against computer viruses and external malicious attacks. We encrypt the files of the office computers of key members. As a result, an application shall be submitted for decryption of such files, which can only be decrypted after stringent approval by the higher authorities. In addition, we strictly distinguish members who participate in different stages and assume different responsibilities in the clinical research of drugs, so as to ensure that each member can only access to the professional information of a certain stage of the clinical research.

The Company implements a number of measures to protect the privacy of subjects during clinical researches. To ensure that subjects have the right to know, we require subjects to sign an informed consent form before the start-up of any clinical research of drug, in which information about the research process and privacy protection is clearly notified. During the research, the Company uses the subject identification code to identify each subject's clinical trial data to avoid disclosure of subject privacy. Meanwhile, the Company has developed an supervision plan and will evaluate assessment results to ensure the authenticity, confidentiality and controllability of the privacy of subjects.

4.2 R&D and Innovation

R&D and innovation capability is the core of the sustainable development of biopharmaceutical enterprises. Mabpharm strives to bring to market high quality and affordable innovative biologics through our efficient R&D system and low-cost pharmaceutical production capability, and to develop differentiated therapeutic products by fully utilizing our extensive R&D experience. The Company respects and strictly abides by the bioethics and regulations issued by NMPA to manufacture products of reliable quality for the benefit of patients worldwide while protecting its own intellectual property rights.

R&D and Innovation

Mabpharm has developed efficient R&D capabilities as well as broad and advanced preparation technologies, and proactively seeks to explore for new promising targets leveraging on mature technologies in the field of antibody drugs and rich industry experience in monoclonal antibody research. All the core members of our core R&D team have valuable working experience in global pharmaceutical companies. The R&D team has 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 addition, one of our core R&D team members is also a member of the 11th Session of the Chinese Pharmacopoeia Commission. As of the Reporting Period, the Company had 288 R&D employees, 178 of whom held a bachelor's degree or above, with R&D employees accounting for 60% of the headcount of the Company.

During the Reporting Period, the Company also introduced 5 bioreactors from Applikon, a well-known brand in the industry, for the purpose of establishing a platform for the development of upstream culture process, which facilitated the process development and engineering amplification technology and laid the foundation for enhancing the timeliness of development and the scalability and stability of production.

In our product pipeline, CMAB008 (infliximab) has been marketed and commercialized, the marketing application of CMAB007 (omalizumab) has been accepted, CMAB009 (cetuximab) and CMAB807 (denosumab) are under Phase III clinical trials, CMAB819 (nivolumab) is under Phase I clinical trials, and several other drugs are under pre-clinical research and development.

New Drugs Approved for Marketing

In July 2021, CMAB008 (infliximab) was approved for marketing by the NMPA. CMAB008 is the first China-made infliximab approved for marketing, which is a monoclonal antibody biosimilar independently developed by the Company and a core product of the Company.

The researches have shown that, compared to other anti-TNFα drugs on the market, CMAB008類停® (infliximab for injection) has a stronger affinity for TNFα and a stronger glycosylation character, with rapid onset of effect, long-lasting efficacy, long dosing intervals and no hypersensitivity reactions. The results of our completed researches including, clinical trials, non-clinical comparative studies, and pharmacological comparisons of CMAB008類停® have also shown that CMAB008 is identical to the original infliximab in terms of efficacy, safety, pharmacological profile and quality.

CMAB008類停® is approved for the treatment of six indications which has huge long-term unmet market demand with more than 10 million patients in the PRC which is still growing. Infliximab is included in the PRC's national medical insurance drug catalogue, and in accordance with relevant regulations on medical insurance of the PRC, our CMAB008類停® is applicable to the medical insurance coverage of infliximab, thus providing a new and more economical and affordable option for patients.

The New Drug Application Being Accepted

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. It is expected that the approval for marketing for CMAB007 could be obtained from the NMPA in the fourth quarter of 2022. We believe that, once approved for marketing by the NMPA, it will be the first mAb asthma therapy developed by a local Chinese company marketed 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.

Mabpharm attaches great importance to the training of professional skills of R&D personnel, and has formulated an efficient training plan for business needs and prepared a detailed training matrix. In addition, the Company also actively organized R&D personnel to participate in academic exchanges more than 20 times, to share their own experience, put forward the problems of industry development in the process technology, quality standards, domestic and foreign application and other aspects and discuss solutions, promoting the innovation and development of the industry. As a member of the Chinese Pharmacopoeia Commission, Dr. Li Jing, a member of the Board of Directors of the Company, has attended four meetings of the Chinese Pharmacopoeia Commission, and participated in the deliberation of the project opening report on the improvement of standards in 2021, and the review of materials of common name applications submitted by enterprises such as Takeda and SciClone, thus contributing to the standardized development of the industry.

Innovation and R&D Training

- Pharmacopoeia 2020 Edition – Preparation and Quality Control of Animal Cell Matrix for Production and Verification of Biological Products
- Pharmacopoeia 2020 Edition – Preparation and Calibration of National Reference Materials for Biological Products
- Pharmacopoeia 2020 Edition – General Introduction of Recombinant DNA Protein Products for Human Use
- Pharmacopoeia 2020 Edition – General Introduction of Recombinant Monoclonal Antibody Products for Human Use, etc.

Participating in projects under the national key research and development program

In 2021, Mabpharm participated in the project of "Research on Integrated Prevention and Treatment System and Key Technologies of Osteoporotic Fracture" under the national key research and development program applied by Peking Union Medical College Hospital, with the total project fund of RMB24 million.

Intellectual Property Rights Protection

Intellectual property rights protection is crucial for scientific and technological enterprises to maintain their competitiveness. Mabpharm is deeply aware of the importance of intellectual property rights for the innovative pharmaceutical industry, and makes on-going efforts to improve its intellectual property management system and infringement liability investigation system. We have formulated the Intellectual Property Management System of Taizhou Mabtech Pharmaceutical Limited in conformity with the Standards for the Administrative Practice on Enterprise Intellectual Property of the People's Republic of China, stipulating the possible distribution of rights and interests for the transformation of achievements related to scientific and technological achievements such as technology development, technology transfer, technology consultation and technology services, as well as the possible handling methods in case of intellectual property rights disputes, so as to ensure the protection of intellectual property rights in cooperation with various technological and commercial partners.

During the Reporting Period, we successfully obtained a number of core technology patents, were granted authorizations for four new patents and applied for five new invention patents. During the Reporting Period, the Company had not experienced any intellectual property rights dispute or infringement.

Intellectual Property Rights Exchange and Training Conference

In July 2021, the Company conducted a patent training and exchange for a total of 19 employees in the R&D department on the theme of "Application and Examination Practice of Antibody Patent". The conference mainly covered such topics as patent application requirements, basic patent authorization for antibodies, and peripheral patent authorization for antibodies.

This training has greatly promoted the close cooperation between the Company's intellectual property management personnel and R&D personnel, strengthened R&D personnel's understanding of "patentability", and expanded their ideas for further innovation in R&D.

5. WIN-WIN COOPERATION

5.1 Supply Chain Management

Adhering to the cooperative tenet of integrity and mutual benefits, Mabpharm constantly improves its in-house supply chain management system to guarantee the quality of raw materials and equipment while delivering the concept of sustainable development, achieving win-win results with its business partners in the value chain and boosting the development of the industry.

Supply Chain Management

Mabpharm has formulated the Standard Management Procedures for Suppliers, which specifies the supplier approval, management, assessment and qualification and incorporates supplier access, supplier change, supplier cancellation, supplier complaint and annual supplier evaluation, etc., so as to strengthen supplier management in all-round manner. Mabpharm implements hierarchical management for its suppliers. According to the type of product provided by suppliers, suppliers can be divided into material suppliers (raw material suppliers, packaging material suppliers, consumables suppliers, etc.), reagent suppliers, service suppliers, office supplies suppliers and labor protection supplies suppliers. Mabpharm insists on conducting on-site audit on key suppliers of Class A[(1)] raw, auxiliary and packaging materials based on audit cycle.

As of the end of the Reporting Period, the Group had a total of 646 suppliers, including 643 from mainland China and three from overseas.

Note:

(1) Class A raw materials, as the key material, are important to drug quality and drug safety.

Mabpharm actively builds a supply chain practicing sustainable development by strengthening the performance assessment of sustainable development of supply chain. For example, ESG performance of suppliers in occupational health and safety, environmental compliance, business ethics and environmental management is incorporated into the audit and rating system, so as to build a sustainable supply chain with compliant operation and shared responsibility.

We monitor the behavior and service quality of suppliers on an on-going basis through setting monthly/quarterly/annual on-site audit plan, to ensure the quality of raw materials and equipment meet the Company's requirements. For the problems found in the audit process, the Company implements closed-loop management of timely feedback, improvement and verification to ensure that the problem is properly addressed.

Supplier Audit Improvement Case

In November 2021, the Company found one defect during the on-site audit of a supplier in Zhenjiang City as below: the work in progress were counted by completing the finished goods storage card, and stored on the finished goods space based on the finished goods storage card, which may cause confusion and error. We found another issue about which we made recommendation as below: annealing temperature and speed related data or chart, etc. are recommended to be attached with equipment verification data. The supplier made rectification and issued a written rectification verification report. Mabpharm keeps positive interaction with its suppliers and continuously helps them to improve their product quality.

Mabpharm values the communication with its suppliers by maintaining positive interaction with them. We continuously explore supplier communication channels and actively communicate with suppliers through methods such as conducting on-site supplier interviews and audits and participating in supplier conferences, which enable suppliers to improve their product quality and safety management, thus realizing common growth with the value chain.

Hangzhou Biologics Technology Development Summit

In October 2021, Mabpharm participated in the 5th Biopharmaceutical Bioprocess Development Summit hosted by Enmore Healthcare. Dr. Li Jing, an executive Director of Mabpharm, as the guest speaker, made an opening speech on the upstream and downstream processes of antibody drugs. The Company held talks with a number of equipment, services, reagents and consumables suppliers participating in the summit, and kept each other's contact information. Interested suppliers were invited to visit the Company to have an in-depth understanding of our products.

5.2 Technical Cooperation

With the industry mission of win-win cooperation, Mabpharm focuses on the development of innovative drugs and treatments for cancers and autoimmune diseases, and continuously empowers the value chain by establishing an open business cooperation model.

Industry Development

During the Reporting Period, Mabpharm participated in the formulation of the core contents of the Guidlines for Clinical Trials of Omalizumab Biosimilar for Injection issued by the Center for Drug Evaluation, thus facilitating the standardization of relevant clinical trials in the industry. While developing innovative drugs and therapies for cancer and autoimmune diseases, Mabpharm actively engages in various forms of cooperation with peers in the pharmaceutical industry and local governments to promote common development of the industry.

CMC 12th China (Taizhou) National Pharmaceutical Medical Expo

In November 2021, the CMC 12th China (Taizhou) National Pharmaceutical Medical Expo was held in China Medical City, Taizhou. Dr. Wang Hao, Chief Executive Office of Mabpharm, attended the Expo. The Alliance of Listed Enterprises of China Medical City was officially established at the Expo. Dr. Wang Hao had in-depth exchanges with related listed enterprises and laid solid foundation for future cooperation. Dr. Wang Hao had in-depth exchanges with attending exhibitors to explore potential cooperation opportunities and further boost the development of the industry.

Merck Chemicals Wuxi Summit

In 2021, the topic of Merck Chemicals Wuxi Summit was "Start-up of New Production Line of Merck's Wuxi Disposable Product Production Base and Challenges and Countermeasures of Disposable Technology Application". Mr. Tao Jing, an executive Director of Mabpharm, attended the summit. Through on-site visits, he learned about all aspects of disposable bag production, including materials, processes and the laboratories handling complaints. After the summit, Mr. Tao Jing and executives of Merck reached an agreement that Merck will continuously supply Mabpharm with virus filters for commercial production.

6. PEOPLE-ORIENTED

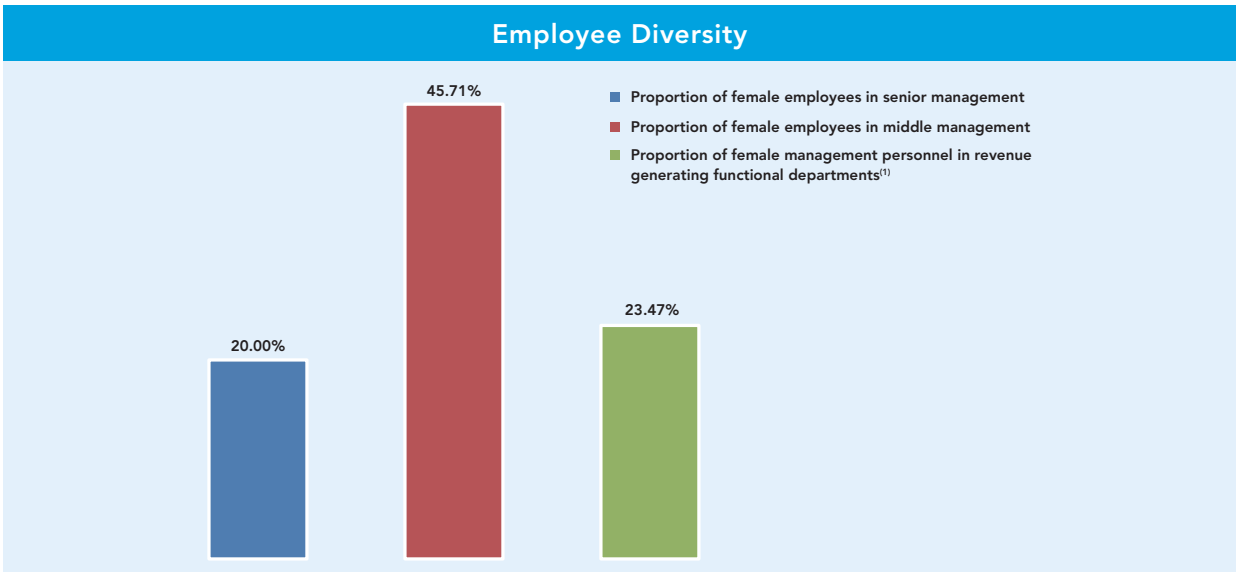
6.1 Employment and Labor Rights and Interests

Recruitment Systems and Policies

Sticking to the talent development strategy and goal of "selecting talents, giving full play to talents, and retaining talents", Mabpharm actively promotes diversified operation and development, endeavors to maintain equal employment opportunities, and always strives to attract, motivate and use diversified talents, aiming to establish a harmonious and efficient workforce.

In the recruitment process, Mabpharm strictly abides by the national laws and regulations such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and the Social Insurance Law of the People's Republic of China, and has formulated the Staff Handbook, Remuneration Management Measures, Overtime Management Regulations, Travel Expenses Management System, Attendance Management Measures and Training Management System to ensure the Company's compliance and fairness during recruitment and employment.

Mabpharm 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. Mabpharm prohibits the use of child labor and forced labor. The Company checks the identity documents of new employees before induction to ensure that all employees reach the legal age for employment. Any non-compliance identified will be reported to the relevant authorities in time and related employment contract will be terminated.



Mabpharm continues to expand recruitment channels to attract more talents. In addition to offline recruitment, Mabpharm has also innovatively launched online recruitment channels leveraging on the platform of the Zone to release job demand through live recruitment. Mabpharm explores a new mode of school-enterprise cooperation to cultivate innovative and practical talents and build a talent pool in colleges and universities.

Note:

(1) The revenue generating functional departments refer to the sales and marketing, production and operation departments.

"Live Recruitment" Featured Recruiting Activity

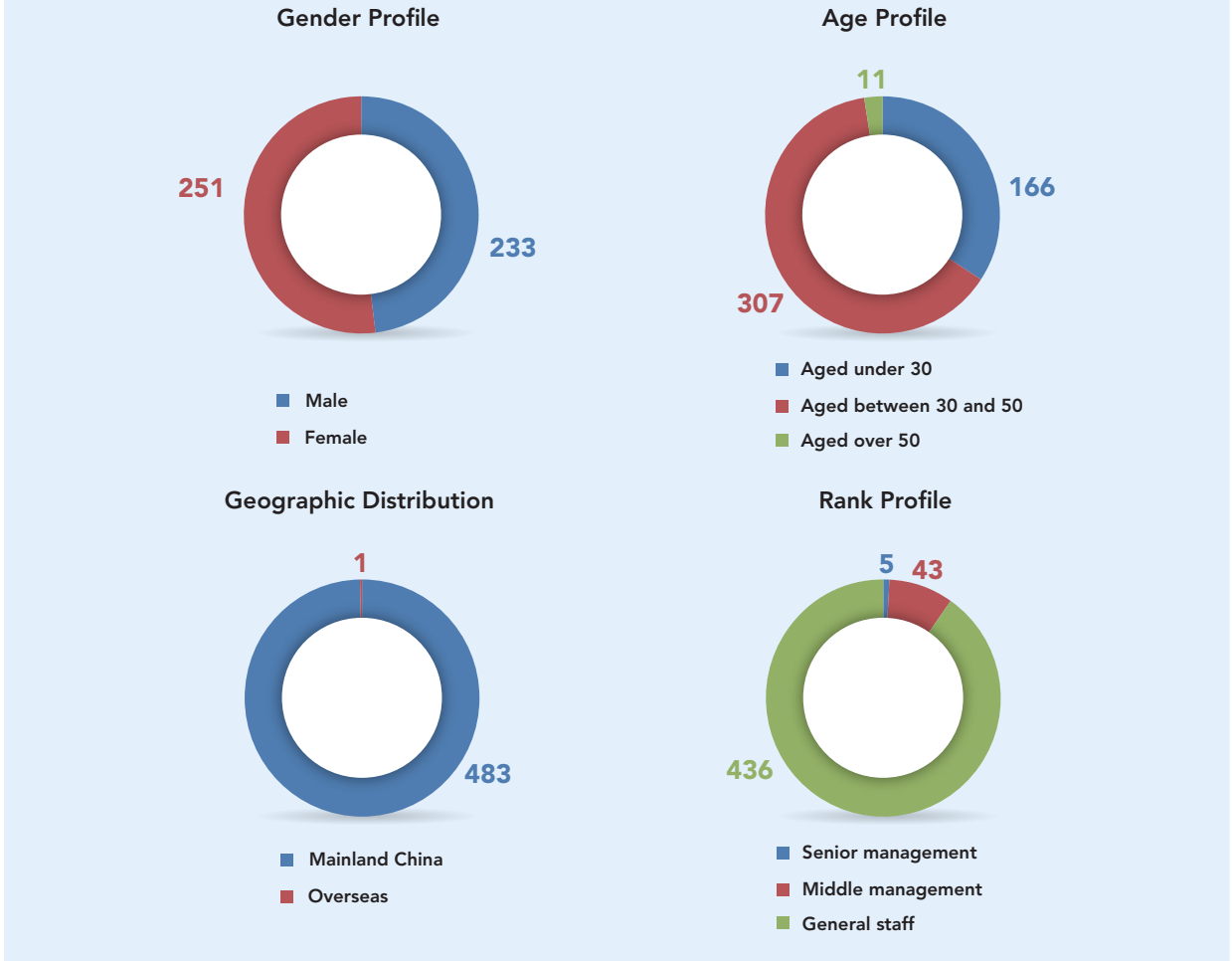
On October 23, 2021, the Company participated in the live streaming activity of the Medical Expo Talent Intelligence Exchange Conference at the Convention and Exhibition Center of China Medical City, introducing to the audience at the Expo the recruitment information including the Company's culture, welfare benefits and job requirements.

In order to meet the needs of commercialization and new projects, the Company has developed a campus ambassador recruitment program, aiming to recruit outstanding talents while carrying out corporate culture advocacy and employer brand building among campuses.

Deepening School-Enterprise Cooperation

In order to attract students from local colleges and promote the development of local economy, Mabpharm invited leaders and students from Jiangsu Agri-animal Husbandry Vocational College and Hanlin College of Nanjing University of Traditional Chinese Medicine to visit the enterprise, and introduced related knowledge of medicine, production process, working environment, position development, benefit package. Eventually the Company recruited 9 fresh graduates and accepted 16 students as interns from such local colleges. At the same time, the Company actively introduced outstanding talents through campus recruitment from colleges and universities in other provinces, such as China Medical University, Guizhou Medical University, Guizhou University of Traditional Chinese Medicine, Hunan Xiangnan University, Xiangtan University, attracting 30 people to work in Taizhou, three of whom expressed their preliminary intention to join the Group.

Employee Employment

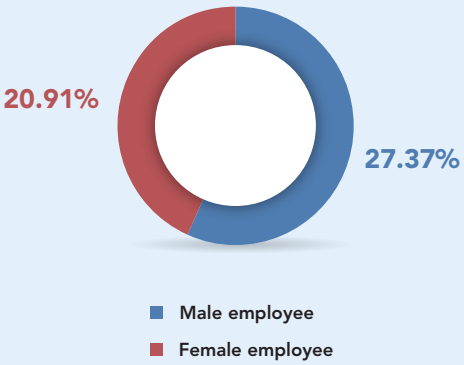


During the Reporting Period, the Company had a total of 484 employees (all full-time employees), 256 new employees were introduced during the Reporting Period, and the employee turnover rate was 23.90%.

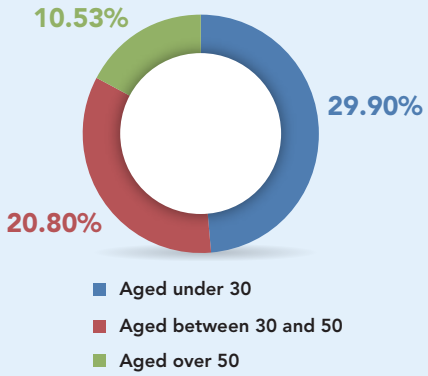
When an employee applies for resignation, the Company seeks to understand the employee's demands and reasons for resignation through interviews and retain them through communication. This year, an employee of the Fourth Manufacturing Department applied for resignation. After communication, the Company learned that the spouse of the employee had file management experience and the Company had corresponding job vacancy, therefor, the Company offered to solve the employment problem for the employee's spouse. Finally, the employee's spouse successfully joined our Company, enhancing the employee's job stability and sense of belonging. For the employees who have resigned, the Company has set up a WeChat group of resigned employees to keep an eye on their development, and regularly releases recruitment information. This year, an engineer trained by the First Manufacturing Department rejoined the Company.

Employee Turnover Rate

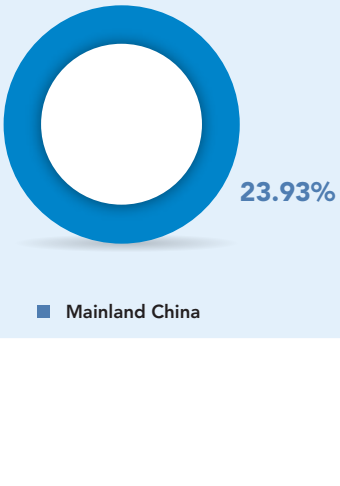
Turnover rate by gender



Turnover rate by age



Turnover rate by region



6.2 Employee Care and Welfare

Mabpharm has formulated a sound employee care and welfare security system to provide support for employees both in work and life. Based on Staff Handbook, Remuneration Management Measures, Overtime Management Regulations, Travel Expenses Management System, Attendance Management Measures and Training Management System of the Company, Mabpharm has established an open and transparent performance evaluation system and compensation structure, striving to offer market competitive compensation to employees.

Employee Welfare

In terms of welfare benefits, the Company makes contribution to social insurance fund and housing provident fund for employees in accordance with relevant national and local regulations, and implements laws and regulations related to paid annual leave, sick leave and marriage leave to fully protect the rights and interests of employees. Furthermore, employees also enjoy the internal benefits of the Company during their employment, such as festival allowance, birthday gift certificates, health examination, marriage/maternity cash gift, high temperature subsidies, team-building activities, enhancing employees' happiness at work and creating a sound corporate culture.

The labor union of the Company regularly holds staff birthday parties and team-building events. During the Reporting Period, the Company organized two groups of employees to travel to Nanjing and a travel in Taizhou City for the third group of employees, and carried out the Sun Island group building activity. In addition, the labor union of the Company actively responded to the call of the superior labor union by encouraging employees to work with the "Draw Sword Spirit", and focused on organization of the "Open Competition" campaign in the second half of this year, which greatly inspired the employees' team cooperation and innovation ability. The campaign was repeatedly commended by the superior labor union.

Staff birthday party

Mid-Autumn Festival welcome party

Disney two-day tour

Three-day tour to Nanjing

Sun Island outreach activity

Women's Day greeting

Employee Care

Based on the staff diversity policy, Mabpharm offers a wide range of employee care and benefits. In order to welcome fresh graduates to join the Company, the Company organizes special activities to help new employees integrate into the big family of Mabpharm as soon as possible. For female employees, the Company regularly holds women's tea party and delegates leaders of the labor union to extend holiday greetings and give gifts to the female employees on Women's Day, and a nursing room is designed for female employees.

During the COVID-19 pandemic in 2021, the Company implemented the supporting policy of housing and subsidies, providing a three-month transitional accommodation period for migrant workers and one year free accommodation for fresh graduates. In addition, the personnel department of the Company communicated the talent subsidy policy of the Taizhou municipal government to employees in a timely manner, and actively assisted eligible personnel to apply for government subsidies and benefits, such as interview subsidies, living subsidies, rental subsidies, house purchase vouchers, which allow it to attract outstanding talents and protect the rights and interests of employees.

Employee Communication

The Company highly values the opinions of its employees and adopts various measures to maintain smooth communication channels for employees. When an employee becomes a full member or applies for resignation, the personnel department of the Company shall conduct an interview with the employee and transmit the employee's feedback to the management in time. The Company has established a WeChat group for new employees and conducted a satisfaction survey for fresh graduates to learn about their work and life after joining the Company and to know the concerns of new employees as well as give reply and solution in time, so as to help new employees integrate into the big family of the Company as soon as possible. The Company has specially set up an anonymous appeal channel through the mailbox of the Chief Executive Officer (info@mabpharm.net) to fully listen to the voices of grassroots employees.

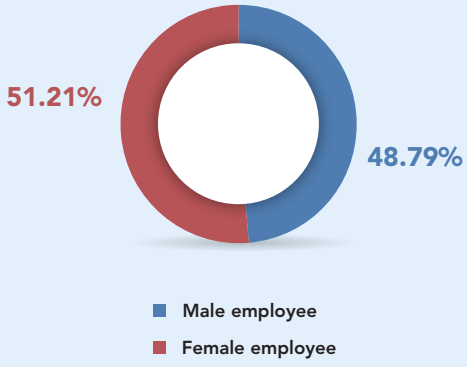
6.3 Training and Development

In order to strengthen the talent echelon construction and promote the identification, selection, appointment and development of talents, Mabpharm has formulated a training matrix to standardize the staff training mechanism and has established a sound training, planning and supervision system in combination with the Employee Handbook, Remuneration Management Measures and Training Management System. It also provides corresponding training for different job requirements and unblocks the two-channel promotion path of technology and management to accelerate the growth and development of all employees, further promoting the common growth of the Company and employees.

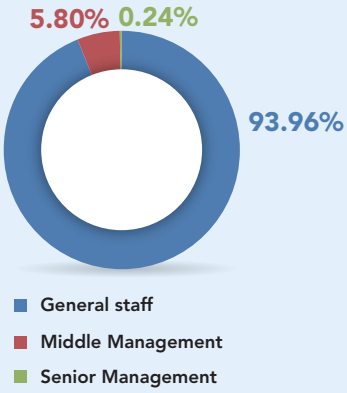
The Company constantly improves the training mechanism and system, and formulates the staff training plans for each department according to the training matrix. The training courses mainly include the Pharmaceutical Administration Law, Good Manufacturing Practices for Pharmaceutical Products, occupational health knowledge for fire safety and protection, general management documents, post SOP, professional development and improvement training, GMP training, internal training for new employees, which allow the employees to comprehensively strengthen the knowledge and professional skills. During the Reporting Period, the total number of full-time trained employees was 13,500 person-time and the average training hours per employee was 20.41.

Employee Training

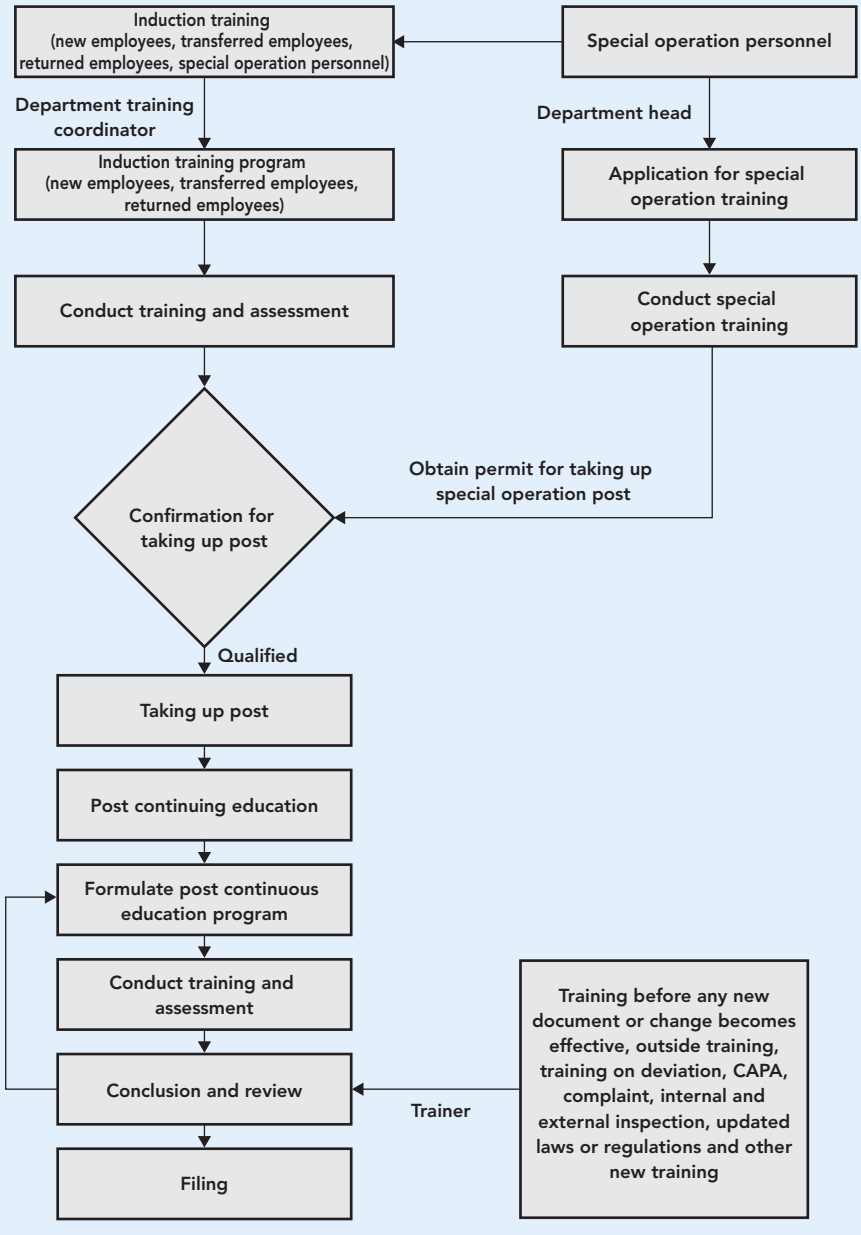
Proportion of trained employees – by gender



Proportion of trained employees – by rank



Mabpharm Training Management Flow Chart



Training Planning

Mabpharm implements the Standard Management Procedures for Training and continuously improves the training for employees at various posts. The Company has carried out GMP related personnel training based on established plan and target to ensure that all personnel obtain the knowledge of laws and regulations and professional operation skills required by GMP before taking up the post. We encourage our employees to continuously enhance their personal ability and professional quality, and the Company has established a sound on-going continuing training system and training matrix plan to assist each employee to grow.

Passing through the verification of competent state authority with zero defect

From March to April in 2021, experts of NMPA conducted on-site inspection on the Company's Project CMAB008. They conducted spot-check on the induction training of the freeze-drying and filling personnel in the Third Manufacturing Department of the Company and the training of effective SOP for relevant posts. Such trainings, upon inspection, were found to be conducted in accordance with the Standard Management Procedures for Training with complete records. Related module passed the on-site inspection with zero defect.

The Company possesses sufficient personnel with appropriate qualifications (including academic qualifications, training, and practical experience) to engage in management and various operations. The employees have a clear understanding of their duties, are familiar with the requirements related to their duties, and receive pre-job training and continuing education and training.

During the Reporting Period, the Company conducted 73 key training activities in the two dimensions of management and profession, including induction training for new employees and continuing education and training for senior employees.

Overview of key training activities		
Training name	**Number of trainings (times/year)**	
Competency Improvement Training for Front-line Managers	1	
	New Employee Induction Training (times/year)	**Annual continuing education and training (times/year)**
Training on Good Manufacturing Practices for Pharmaceutical Products	23	1
Training on Pharmaceutical Administration Law	23	1
Fire Safety and Occupational Health Training	23	1

Employee Promotion Management

Mabpharm's staff promotion system is based on the performance assessment system covering senior management, middle management and grass-roots. The Company adopts flexible post adjustment policies, including level transfer, rotation, promotion, demotion, temporary transfer, transfer, special transfer and other forms, which depends on various factors such as individual annual performance appraisal results, improvement of individual capability and job vacancies.

Performance assessment system of Mabpharm

Assessment of senior management	**Annual assessment**

- In the form of working report

Assessment of middle management	**Annual/quarterly assessment**

- Mainly in the form of annual assessment and with reference to quarterly follow-up results
- Conduct democratic appraisal through performance assessment by the Company's appraisal team and democratic appraisal by employees of each department

Staff assessment	**Annual/quarterly assessment**

- Mainly in the form of quarterly and annual assessment
- in the form of comprehensive evaluation of work performance and attitude by the superiors
- According to the assessment results, relevant incentives will be reflected in quarterly performance salary and year-end salary

In addition, the Company has set up a "dual channel", i.e., technical (professional) channel and management channel, to establish the career development path of employees of different functions, thus motivating employees to improve their professional skills and creating a united, cooperative, competitive and orderly team work atmosphere.

Technical promotion channel	• Develop continuously and deeply in one or several related fields, and pursue improvement of professional skills with the goal of becoming an expert in the field.
Management promotion channel	• Aim to complete the team performance task by coordinating and organizing team work.

6.4 Occupational Health and Safety

Mabpharm always takes the occupational health and safety of its employees as top priority, and builds a healthy and safe working environment to ensure the occupational safety and health of its employees. The Company has established an environment, health and safety (hereinafter referred to as EHS) department to coordinate safety, environment and employee occupational health management, so as to ensure that the Company's EHS operation meets the requirements of national laws and regulations and the needs of production and health of employees. The Company shall organize employees exposed to occupational hazards to receive occupational disease health examination every year according to the requirements of Laws on Prevention and Control of Occupational Diseases of the People's Republic of China. Qualified third-party testing institutions shall be arranged every three years to detect the occupational disease hazards at the Company's workplace, and the Company's occupational disease prevention measures have passed the acceptance inspection by experts. During the Reporting Period, the Company has not experienced any work-related injuries or fatalities .

The Company regularly carries out check on potential safety hazards, and constructs a safe production and working environment through measures such as safety knowledge publicity through WeChat group, safety emergency knowledge training, and fire safety drill.

- ✔ In November 2021, employees exposed to occupational hazards received two occupational disease health examinations;
- ✔ In May, June and September 2021, all staff received trainings on safety knowledge and emergency knowledge;
- ✔ In June and November 2021, all staff participated in the fire safety emergency drills

Safety Knowledge Training and Emergency Knowledge Training for All Staff

Safety and Fire Emergency Drills for All Staff

7. GREEN OPERATIONS

7.1 Environmental Management

Mabpharm has thoroughly implemented the concept of green operation in strict compliance with the national laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Emergency Response Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Water Pollution, and the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution. The Company has formulated management systems and operating procedures such as Standard Management Procedures for Waste and Operating Procedures for Sewage Treatment Units, and actively cultivates employees' awareness of environmental protection through advocating reduction of emissions and resource consumption to improve energy efficiency. No environmental violations occurred during the Reporting Period.

In order to further realize the vision of building an "environment-friendly high-tech enterprise" and improve the internal environmental management level of the Company, Mabpharm has set up targeted environmental objectives and corresponding implementation measures. The Company aims to improve the environmental performance in terms of carbon emissions, waste reduction, and energy use and water use efficiency in the realization of established environmental goals, in a bid to fulfill its corporate responsibility for environmental and ecological protection.

Emission targets

Gradually establish a carbon emission management system, and strive to achieve the decline of carbon emission intensity year by year

- Adopt energy-saving design and low-carbon equipment in new plant
- Increase the investment and use of renewable resources
- Strengthen the low-carbon awareness of employees and supply chain

Waste reduction targets

Improve the recycling ratio of the recyclable waste

- Conduct laboratory waste assessment to reduce hazardous waste
- Advocate paperless office
- Assess opportunities of waste reduction and materials recycling

Energy efficiency targets

Accelerate the construction of energy management system, improve energy efficiency

- Explore the feasibility of improving the energy efficiency of facilities
- Strengthen the staff awareness of energy conservation
- Gradually explore opportunities for the development of renewable resources

Water use efficiency targets

Gradually increase investment in water-saving process and technology, improve water resources usage density (water consumption/product yield)

- Actively explore water-saving facilities and optimize water treatment technology
- Improve the utilization rate of water resources
- Strengthen the awareness of water saving for employees and supply chain

7.2 Pollution Control and Emission Reduction

Mabpharm identifies various pollutant emission sources in strict compliance with the relevant national laws and regulations on pollution prevention and control, systematically optimizes the Company's production and R&D process in accordance with the Environmental Protection Law of the People's Republic of China, Water Pollution Prevention Law of the People's Republic of China, Air Pollution Prevention Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste and other relevant national laws and regulations, continuously improves the internal environmental management system, and actively promotes the technological and process transformation, thereby effectively reducing the emissions of "three wastes"(1) and the adverse impact of operations on the ecological environment.

Exhaust Gas Management

Mabpharm strictly abides by the Air Pollution Prevention Law of the People's Republic of China and other relevant national laws and regulations. The atmospheric pollutants produced during the Company's operation mainly include hydrogen chloride, non-methane hydrocarbons, methanol, ammonia, hydrogen sulfide, and particulate matter. The goal for the next year is to improve the waste gas emission management system and strive to reduce the gas emissions that affect the environment year by year.

Spray Treatment of Waste Gas

In 2021, the Company completed the transformation of waste gas treatment in the production base. The gas generated in the sewage treatment station and the hazardous waste temporary storage room is treated with the "primary acid spray + primary alkali spray" process and then discharged through a 20-meter-high exhaust pipe; the quality inspection waste gas from the quality control (QC) quality inspection room and the hydrogen chloride waste gas from the liquid preparation room are treated with the "primary water spray + primary alkali spray" process and then discharged through the exhaust pipe to ensure that the exhaust emission concentration can meet the national and local operation requirements.

Note:

(1) Three wastes refer to waste water, waste gas and solid waste.

Waste Water Management

Mabpharm strictly abides by the sewage management laws such as the Law of the People's Republic of China on Prevention and Control of Water Pollution, and enhances the sewage treatment capacity and enhances the sewage treatment efficiency by optimizing production processes and improving sewage treatment equipment, so as to ensure that all discharge indicators meet the standard.

The Company's wastewater control procedures include in-plant drainage pipe network, production wastewater control and domestic wastewater control. The productive wastewater mainly comes from cleaning wastewater generated during cleaning of containers, equipment, pipelines and production areas, and domestic sewage mainly comes from restaurants, toilets and office area sink.

Improvement of Sewage Treatment Station
In 2021, the Company installed an ultrasonic open channel flowmeter at the sewage outlet of the sewage treatment station to achieve real-time and accurate statistics on sewage discharge. The experimental wastewater enters the high salt pond of the sewage treatment station through a pipeline, and data collection and real-time upload are carried out through the ultrasonic open channel flowmeter. Then it will be treated together with the inactivated biological wastewater with the MAP precipitation, flocculation precipitation and aerobic treatment before being discharged into the municipal pipe network, thereby effectively ensuring the control and management of sewage discharge.

Solid Waste Management

In strict accordance with relevant regulatory requirements such as the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, Mabpharm has formulated the Standard Management Procedures for Waste, the Management System for Hazardous Chemicals and the Record Information Ledger for Precursor Chemicals, regulating the internal standardized management of hazardous and non-hazardous wastes. Types of hazardous wastes generated in the production process include waste disposable consumables, waste culture bags, filter residues, waste chromatographic column fillers, waste ultrafiltration membranes, waste filters, waste packaging bags for raw and auxiliary materials, waste disposable consumables of QC quality inspection, waste liquid of QC quality inspection, sewage treatment sludge, crystalline salts, waste engine oil, etc. At present, the Company's hazardous waste statistics are divided into paper ledgers and electronic ledgers. Paper ledgers are placed on the site, and hazardous waste is put into the warehouse after being weighed with each hazardous waste label being provided with a QR code which corresponds to the paper ledgers one by one; electronic ledger is monitored by the hazardous waste whole life cycle monitoring system of Jiangsu Province.

Mabpharm is committed to improving the recycling ratio of recyclable waste by actively implementing various management regulations, exploring the use scenarios of recyclable materials through effective evaluation of laboratory waste, and requiring employees to practice garbage classification and paperless office, thereby maximizing the recycling rate of waste.

7.3 Energy Conservation and Consumption Reduction

Mabpharm strictly abides by the Energy Conservation Law of the People's Republic of China. As a responsible enterprise, we are always committed to energy conservation and consumption reduction by thoroughly following the spirit of energy conservation and emission reduction in practice in a bid to bear the corresponding social responsibility.

- Strengthen the energy consumption management of office electrical equipment in the daily office area, and enhance employees' awareness of energy saving and consumption reduction
- Increase product expression by optimizing the inoculation density and adjusting the temperature in the cultivation process and other conditions, so as to indirectly reduce the product cost and various energy consumptions
- Improve the product yield by optimizing the downstream chromatography process and maximizing the use of column balance, elution and regeneration volume, so as to indirectly reduce the product cost and various energy consumptions

Except for electricity needed for production and basic office, other types of electricity demand shall be strictly controlled. The produced water, concentrated water, air conditioner condensed water and steam condensed water are recycled.

Water Resources Management

Mabpharm always attaches importance to the management of water resources and strictly abides by the Water Law of the People's Republic of China and other laws and regulations. During the Reporting Period, we made proactive efforts to launch water efficiency objective management activities through further improving relevant water treatment technologies and exploring water-saving facilities as well as actively advocating the concept of water conservation by posting diversified slogans to foster the habit of water conservation among our employees.

The main form of water consumption of Mabpharm is industrial water. Our water system is designed with concentrated water being recycled, which improves the utilization rate of water resources as compared with the concentrated water direct discharge mode. In addition, our utility system also has a cooling pool, which recycles water for injection, purified water, steam condensed water drainage for cooling and then uses such water to replenish the cooling tower, further saving water resources. In terms of office water saving, we put up publicity slogans to encourage employees to turn off the faucet in time to reduce unnecessary waste of water resources.

Energy Management

The vast majority of energy consumption of the Company comes from the utility system, such as water chillers, air conditioning units, air compressor and heat exchange unit. We make plan for monthly energy consumption of each department based on the purification workshop area of each department and the length of production time. Energy consumption target shall be updated through analyzing the reasonableness of energy consumption by comparing with the previous year and the previous month and considering factors such as outdoor temperature, the length of production time and the equipment operation duration.

1500L Reactor

- Optimize CIP program control reasonably, reduce water consumption per batch by 60% year-on-year, and reduce C injection water consumption by more than 700 tons per year after running at designed capacity.

Optimizing Sterilization Loading

- Before loading optimization, one batch of production needs sterilization for 20 times while after loading optimization, it needs only sterilization for 12 times, which greatly saves water, electricity and steam consumption.

Using 25L Stainless Steel Reactor

- G79 North Building uses six 25L stainless steel reactors for production instead of disposable WAVE reactors, which is expected to reduce the cost of disposable consumables by RMB15,000 per batch after being put into use. Based on the continuous production of 50 batches per workshop, the annual production cost can be reduced by more than RMB2 million.

In terms of production electricity consumption, the coverage rate of LED lighting reaches about 80%, and the new production lines achieve 100% coverage of LED lighting.; the chilled water system adopts frequency conversion control such as an automatic control system, a water pump and a cooling tower fan, and the automatic control system automatically controls the operation frequencies of the water chilling unit and the water pump according to actual requirements; air compressors all adopt frequency conversion equipment; large air volume purification air conditioning units adopt the form of fresh air centralized treatment and secondary return air to reduce energy consumption; the clean room area is minimized to reduce energy consumption on the basis of process conformity and function satisfaction.

In terms of office electricity consumption, dedicated personnel shall inspect the comfortable air-conditioners in all general areas, set up warning signs, control the turn-on and turn-off time and set the temperature; during the holiday, the personnel shall check if the office electrical appliances are turned off, and confirm that the plug is disconnected, so as to reduce risks and energy consumption.

In order to achieve the energy efficiency target, in combination with actual operation and relevant legal requirements, Mabpharm continuously explores the feasibility to improve energy efficiency of facilities and the development opportunities of renewable resources through innovative production and technology R&D, and adopts various measures such as strengthening control of reasonable electricity use and lighting time to further improve energy efficiency, shouldering the social responsibility of building a green and low-carbon enterprise.

Consumption of Packaging Materials

During the packaging process of finished products, the Company counts and distributes the labels, instructions, small boxes and medium boxes according to the requirements of documents such as Standard Management Procedures for Material Balance, Standard Operating Procedures for Packaging Posts in Vial Line, and Technological Procedures for Infliximab Preparation for Injection (for example). The unqualified ones shall be counted and destroyed. The material balance and yield of each batch should be kept within the prescribed range.

Most of the packaging materials provided by the Company during its R&D and operation are cartons, only a few of packaging materials are wooden cases and plastics. The discarded packaging materials shall be recycled for use on a centralized basis. Packaging material waste involves active plastic, which shall be delivered to third party qualified company for centralized processing.

We select recyclable equipment in the production process, such as bioreactors used in the workshop and three-stage seed tanks. In the circulation of vial after being capped in a preparation workshop, the PVC trays which are unpacked at the vial washing post are reused, thus enhancing the utilization rate of the packaging trays and reducing waste. In addition, the Company prefers to use environmental-friendly stainless steel material instead of disposable bags.

Packaging Materials for New Marketed Drug

In 2021, the Company adopted the carton plus instruction form for the packaging of our marketed product, i.e., infliximab for injection. All the paper materials used are environmental-friendly materials which can be recycled or decomposed; small box and medium box adopt the process of glazing oil, which is decomposable, pollution-free to the environment and meet the requirements of environmental protection.

产品名称	注射用英夫利西单抗小盒
版本编号	
尺　寸	40x40x75mm
材　质	350g 白卡纸
工艺处理	上光油

7.4 Response to Climate Change

Mabpharm has actively responded to China's goal of carbon peaking and carbon neutrality by upholding the concept of green and low-carbon development in practice. With reference to the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), we have clearly recognized the risks that climate change may present to enterprises. Through fully identifying risks and combining the Company's operation, industry and geographical factors, a series of response measures have been taken, and the physical risks and transition risks are divided into three grades. On the other hand, the new production base in Taizhou Hi-tech Zone, which is close to being put into use, has further strengthened our industrialization system and supply chain transportation, reducing the Company's physical risks arising from climate change to a certain extent.

Risk Type			Risk Response Measures	Risk Impact Grade
Transition risk	Technology	Low-emission technology investment failure	Strengthen pre-investment risk assessment to ensure that risks are controllable	Low
		Low emission technology transformation cost	Carry out a comprehensive evaluation, strengthen the feasibility analysis	Low
	Purchase	Cost increase	Pay close attention to the market dynamics, analyze the price trend, and actively communicate with suppliers	Middle
	Market	Consumer habits change	Pay attention to the market dynamics, grasp the market development trend in advance	Low
		Market signal uncertainty		Middle
	Policies and Law	Stricter emissions reporting obligations and compliance requirements	Improve the Company's environmental management system and the quality of information disclosure, and timely grasp the relevant regulatory requirements	Low
	Reputation	Stakeholders' ongoing concerns and their negative feedback	Strengthen communication with stakeholders and understand their concerns and needs in a timely manner	Low
Physical risk	Extreme Weather	Operation site affected by typhoon or high temperature	• Develop contingency plans to deal with the impact of unexpected events • Pay close attention to extreme weather warning signs for being well prepared all the time	Middle

Mabpharm constantly improves its carbon emission management system, and continuously explores technical means to reduce carbon emissions by improving the energy efficiency of equipment and increasing the use of renewable resources and materials. We proactively advocate the concept of low-carbon and environmental protection, and practice the concept of low-carbon development together with employees.

8. CARE FOR THE COMMUNITY

Mabpharm attaches importance to promoting community development, actively fulfill corporate social responsibility, and gives back to society through public service and community practice activities to build a beautiful home.

Boost the Development of the Zone

The production and R&D base of Mabpharm is located in Taizhou City, Jiangsu Province. The Company actively participates in the activities of the Zone. The Company maintains good two-way communication with the community, listens to the needs and suggestions of the community public, and encourages employees to actively participate in community volunteer activities, striving to build a community environment that advocates mutual support and mutual benefit as well as a good and harmonious social atmosphere.

Special Training Course of "Improving the Ability of First-line Managers"

In October 2021, upon the invitation of the Organization and Personnel Bureau of the Medical High-tech Zone, Mabpharm jointly funded and participated in the special training course of "Improving the Ability of First-line Managers" organized by the Zone, bringing together the first-line managers of enterprises in the Zone to discuss the important role, status and mission of enterprise management. Through the course, the first-line managers will be able to systematically master the skills of time management and the methods of finding, analyzing and solving problems, the ability to quickly solve conflicts and abnormal cases on the site, and the skills of effective communication and efficient motivation, enhancing the leadership of the management of enterprises and reinforcing the cohesion of enterprises in the Zone.

"Happy Water Paradise" Concert

The "Happy Water Paradise" concert sponsored by the Publicity Division of Taizhou Municipal Party Committee and co-sponsored by Mabpharm was played in Taizhou Grand Theater. Labor models, moral models, anti-epidemic pioneers, entrepreneurs, medical staff, public security polices, urban management frontline staff, people in difficulty, college teachers and students, literary workers and other representatives from various communities in Taizhou were invited to watch the performance. The Company extended its gratefulness to ordinary workers from all walks of life by presenting them with a symphony cultural experience.

APPENDIX I KEY PERFORMANCE INDICATORS

Indicator	2021	2020	2019
Total greenhouse gas emissions (Scope 1 & Scope 2) *(ton)*	**8,104.02**[1]	5,005.37	4,067.67
Direct greenhouse gas (Scope 1)	**12.89**	9.66	11.10
Indirect greenhouse gas (Scope 2)	**8091.13**	4,995.71	4,056.57
Total greenhouse gas emissions per employee (excluding contractors) *(ton/person)*	**16.74**	14.87	13.17
Sulfur dioxide (ton)	**0.00**	/	/
Nitrogen compounds (tons)	**0.00**	/	/
Non-methane total hydrocarbon (ton)	**0.020**	/	/
Total hazardous wastes releases *(ton)*	**15.37**[2]	4.79	4.64
Total hazardous wastes releases per employee (excluding contractors) *(tons/person)*	**0.03**	0.01	0.02
Total non-hazardous wastes releases *(ton)*	**37.50**[3]	8,784.91	16,726.00
Total non-hazardous wastes releases per employee (excluding contractors) *(ton/person)*	**0.08**	26.15	54.31
Water consumption *(m^3)*	**155,132.10**	81,197.80	43,461.00
Fresh water	**145,528.10**	75,897.80	42,161.00
Recycling water	**9,604.00**	5,300.00	1,300.00
Total water consumption per employee (excluding contractors) *(m^3/person)*	**320.52**	241.66	141.11
Total energy consumption *(1,000 KWh)*	**13,722.95**	8,878.69	7,376.17
Diesel and gasoline	**50.53**	37.81	43.63
Electricity	**7,019.76**	4,860.88	3,749.21
Steam	**6,652.67**	3,980.00	3,583.33
Total energy consumption per employee (excluding contractors) *(1,000 KWh/person)*	**28.35**	26.42	23.95

Notes:

(1) Increase in carbon emissions in 2021 was primarily due to the increase in production output.

(2) Increase in hazardous waste in 2021 was primarily due to the increase in waste liquid produced in the production process as a result of increase in production output.

(3) The larger amount in 2019 and 2020 as compared with 2021 was due to the significant amount of construction waste produced in Taizhou infrastructure projects in 2019 and 2020.

Indicator	2021	2020	2019
Total packaging materials consumed for finished products *(ton)*	**1.87**	2.45	2.80
Packaging materials consumed per production unit	**Not applicable**	Not applicable	Not applicable
Total contractors	**80**	347	233
Total employees (excluding contractors)	**484**	336	308
By gender			
Female	**251**	189	137
Male	**233**	147	171
By employment type			
Full-time	**484**	336	308
Part-time	**0**	0	0
By age group			
Aged under 30	**166**	135	137
Aged 30-50	**307**	193	164
Aged over 50	**11**	8	7
By region			
China	**483**	336	308
Overseas	**1**	0	0
By employee category			
Senior management	**5**	5	6
Middle management	**43**	38	34
General staff	**436**	293	268
Employee turnover rate	**23.90%**	25.89%	17%
By gender			
Female	**20.91%**	22.75%	16%
Male	**27.37%**	29.93%	18%
By age group			
Aged under 30	**29.90%**	37.04%	22%
Aged 30-50	**20.80%**	19.17%	12%
Aged over 50	**10.53%**	0.00%	14%
By region			
China	**23.93%**	25.89%	17%

Indicator	2021	2020	2019
Work-related fatalities	0	0	0
Fatality rate	0	0	0
Lost days due to work injury	0	0	0
Average lost days due to work injury	0	0	0
Percentage of trained employees[1]	85.54%	89.58%	93%
By gender			
Female	51.21%	90.48%	94%
Male	48.79%	88.44%	93%
By employee category			
Senior management	0.24%	40.00%	83%
Middle management	5.80%	81.58%	97%
General staff	93.96%	93.86%	97%
Average training hours completed per employee	19.94	29.5	23
By gender			
Female	20	32	23
Male	20	26	23
By employee category			
Senior management	2	3	10
Middle management	13	17	20
General staff	21	40	23
Number of suppliers by geographical region			
China	643	603	529
Others	3	4	4
Percentage of total products sold or shipped subject to recalls for safety and health reasons	0	Not applicable	Not applicable
Number of products and service related complaints received	Not applicable	Not applicable	Not applicable
Number of concluded legal cases regarding corrupt practices brought against the Company or our employees	0	0	0

Note:

(1) The formula for calculating the percentage of employees trained by gender and employee category is as follows: the number of employees trained in a given category/the total number of employees trained.

APPENDIX II – HKEX INDEX

INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Subject areas, aspects, general disclosure and key performance indicators			Section
Environmental			
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.	Environmental Management
	A1.1	The types of emissions and respective emissions data.	Pollution Control and Emission Reduction
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total and intensity	Response to Climate Change
	A1.3	Total hazardous waste produced and intensity.	Pollution Control and Emission Reduction
	A1.4	Total non-hazardous waste produced and intensity.	Pollution Control and Emission Reduction
	A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental Management
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Pollution Control and Emission Reduction

Subject areas, aspects, general disclosure and key performance indicators			Section
A2 : Use of Resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Energy Conservation and Consumption Reduction
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity).	Energy Conservation and Consumption Reduction
	A2.2	Water consumption in total and intensity.	Energy Conservation and Consumption Reduction
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Conservation and Consumption Reduction
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Energy Conservation and Consumption Reduction
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Energy Conservation and Consumption Reduction
A3: Environmental and Natural Resources	General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Energy Conservation and Consumption Reduction
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Energy Conservation and Consumption Reduction
A4: Climate Change	General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Response to Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.	Response to Climate Change

Subject areas, aspects, general disclosure and key performance indicators			Section
Society			
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.	Employment and Labor Rights and Interests
	B1.1	Total work force by gender, employment type, age group and geographical region.	Employment and Labor Rights and Interests
	B1.2	Employee turnover rate by gender, age group and geographical region.	Employment and Labor Rights and Interests
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.	Occupational Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	Occupational Health and Safety
	B2.2	Lost days due to work injury.	Occupational Health and Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety

Subject areas, aspects, general disclosure and key performance indicators			Section
B3: Development and Training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Training and Development
	B3.1	The percentage of employees trained by gender and employee category.	Training and Development
	B3.2	The average training hours completed per employee by gender and employee category.	Training and Development
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.	Employment and Labor Rights and Interests
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	Employment and Labor Rights and Interests
	B4.2	Description of steps taken to eliminate such practices when discovered.	Employment and Labor Rights and Interests
B5: Supply Chain Management	General disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
	B5.1	Number of suppliers by geographical region.	Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Subject areas, aspects, general disclosure and key performance indicators			Section
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.	Compliance Operation and Business Ethics
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Quality and Safety
	B6.2	Number of products and service related complaints received and how they are dealt with.	Product Quality and Safety
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Quality and Safety
	B6.4	Description of quality assurance process and recall procedures.	Product Quality and Safety
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Quality and Safety
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.	Corporate Governance
	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.	Corporate Governance
	B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Corporate Governance
	B7.3	Description of anti-corruption training provided to directors and staff.	Corporate Governance
B8: Community Investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Care for the Community
	B8.1	Focus area of contribution.	Care for the Community
	B8.2	Resources contributed to the focus area.	Care for the Community

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, 2021.

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, 2021 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 42 to 48. The "Management Discussion and Analysis" and the "Environmental, Social and Governance Report" form part of this report of Directors.

RESULTS

Details of the consolidated loss of the Group for the Reporting Period and the Group's financial position as at December 31, 2021 are set out in the Consolidated Financial Statements on pages 168 to 170.

FINAL DIVIDENDS

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

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 34 to 106.

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 147 to 151 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. Wang Hao
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

In accordance with article 108 of the Articles of Association, Mr. Jiao Shuge, Dr. Wang Hao and Dr. Liu Linqing will retire from office by rotation at the forthcoming AGM, among whom Mr. Jiao Shuge and Dr. Wang Hao are eligible and will offer themselves for re-election, and Dr. Liu Linqing will leave office after the AGM. The Company will appoint a new independent non-executive Director to fill the vacancy left by Dr. Liu Linqing.

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. The Nomination Committee has conducted an annual review and considers that all Independent Non-executive Directors are independent, taking into account of the independence guidelines set out in Rule 3.13 of the Listing Rules in the context of the length of service of each independent non-executive Director. The Board believes that the balance between the Executive Directors and the Independent Non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group.

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 EXECUTIVE 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, 2021. 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

Sales to the Group's five largest customers and the largest customer accounted for 99.9% and 98.0%, respectively, of the Group's total sales during the Reporting Period. The Group attaches great importance to the long-term relationship with its customers. The Group strives to build mutual trust with customers, strengthen communication and commitment with them, provide customers with high-quality products and maintain sustainable development.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 51.8% and 16.8%, 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 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 customers and five largest suppliers during the Reporting Period.

During the Reporting Period, the Group did not experience any significant disputes with its customers and 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 five financial years is set out on page 249 of this annual report. This summary does not form part of the 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, 2021 are set out on page 171 to the Consolidated Financial Statements. The distributable reserves of the Company as at December 31, 2021 were RMB1,335.9 million (2020: RMB1,345.7 million).

BANK LOANS AND OTHER BORROWINGS

As at December 31, 2021, the Group did not have any bank loans or other borrowings.

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, 2021, 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, 2021, 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 100% 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, 2021, 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 100% 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 16 of the grantees resigned from their respective positions within our Group. As such, the share options granted to these 16 grantees were lapsed and no longer exercisable. As of December 31, 2021, the number of Shares underlying the outstanding and unexercised share options granted under the Pre-IPO Share Option Scheme amounts to 78,376,447 Shares and 1.90% 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, 2021	Number of Share Options During the Reporting Period			Outstanding at December 31, 2021
			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	45,511,193	–	–	(1,670,454)	43,840,739
	Total	80,046,901	–	–	(1,670,454)	78,376,447

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.

Connected Transactions

Acquisition of CMAB 807

On March 1, 2021, Biomabs, as licensor, and Taizhou Pharmaceutical, as licensee, entered into the license agreement ("**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, for a total consideration of RMB70 million (the "**Acquisition**"). The transaction was approved by the shareholders at the extraordinary general meeting of the Company on April 30, 2021. The Directors are of the view that the License Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group, and that the terms of the License Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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.

For details of the Acquisition, please refer to 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.

Continuing Connected Transactions

During the Reporting Period, the Group has carried out the following continuing connected transactions (as defined in the Listing Rules) 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 for CMAB007

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.

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 a supplemental clinical trials agreement ("**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 payable by Taizhou Pharmaceutical.

The total amount incurred by Taizhou Pharmaceutical under the Supplemental Clinical Trials Agreement for the year ended December 31, 2021 was approximately RMB4,068,000 (including value added tax of RMB230,000).

Clinical Trials Agreement for CMAB807

On March 1, 2021, Biomabs and Taizhou Pharmaceutical entered into the clinical trials agreement pursuant to which Biomabs will continue and complete the phase III clinical trials of CMAB807 in the PRC ("**807 Clinical Trials Agreement**").

Pursuant to the 807 Clinical Trials Agreement, Taizhou Pharmaceutical shall engage Biomabs to continue to develop and complete phase III clinical trials of CMAB807. The scope of services to be provided by Biomabs includes, but not limited to: (i) continue to act as the applicant of the phase III clinical trials of CMAB807; (ii) enter into agreements with other clinical trial institutions (e.g. hospitals and CROs); (iii) continue to perform its obligations under agreements relating to the clinical trials of CMAB807 which Biomabs has already entered into before entering into the 807 Clinical Trials Agreement; and (iv) conduct other activities which should be conducted by the applicant of the clinical trials of CMAB807.

On or before the 10th day of each calendar month, (i) both parties to the 807 Clinical Trials Agreement shall confirm the amount of the expenses to be reimbursed in relation to the clinical trials of CMAB807, which have been paid by Biomabs on behalf of Taizhou Pharmaceutical for the previous calendar month; and (ii) Taizhou Pharmaceutical shall pay Biomabs such agreed reimbursements.

The term of the 807 Clinical Trials Agreement will expire on December 31, 2023 or completion of the phase III clinical trial of CMAB807, whichever is earlier.

The annual cap for the aggregate agreed reimbursements payable by Taizhou Pharmaceutical under the 807 Clinical Trials Agreement for the year ending December 31, 2021 was RMB10 million.

The total amount incurred by Taizhou Pharmaceutical under the 807 Clinical Trials Agreement for the year ended December 31, 2021 was approximately RMB5,663,000 (including value added tax of RMB336,000).

CDMO Agreement for CMAB807

On March 1, 2021, Biomabs and Taizhou Pharmaceutical also entered into the CDMO agreement ("**CDMO Agreement**") pursuant to which Biomabs will develop and manufacture CMAB807 in the PRC for Taizhou Pharmaceutical.

Pursuant to the CDMO Agreement, Taizhou Pharmaceutical shall engage Biomabs to develop and manufacture CMAB807 in accordance with the marketing authorization holder system under the Pharmaceutical Administration Law (《藥品管理法》) in the PRC including but not limited to (a) obtaining validation of the manufacturing process; (b) preparing all relevant documentation; and (c) applying to the NMPA for the new drug application.

The fees payable under the CDMO Agreement is RMB48 million in total and will be payable in five instalments with each payable within 20 days upon the occurrence of certain agreed milestones of the commercialization of CMAB807, starting from the effective date of the CDMO agreement. In addition, Biomabs can request for an additional fees of up to RMB5 million to be paid by Taizhou Pharmaceutical in respect of additional works and expenses incurred due to changes in, among others, relevant laws and rules or as agreed between Taizhou Pharmaceutical and Biomabs.

The term of the CDMO Agreement will expire on December 31, 2023 or completion of the phase III clinical trial of CMAB807, whichever is earlier.

The annual cap for fees payable by Taizhou Pharmaceutical under the CDMO Agreement for the year ending December 31, 2021 was RMB20 million.

The total amount incurred by Taizhou Pharmaceutical under the CDMO Agreement for the year ended December 31, 2021 was approximately RMB10,000,000 (including value added tax of RMB1,151,000).

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, 2021 was RMB4,934,000.

The total amount paid by Shengheng Biotech under the Tenancy Agreement for the year ended December 31, 2021 was approximately RMB4,522,000 (including value added tax of RMB373,000).

As the Tenancy Agreement will expire on December 31, 2021, Biomabs and Shengheng Biotech have on December 10, 2021 entered into a tenancy agreement ("**2021 Tenancy Agreement**") to renew the terms of tenancy for a term of three (3) years commencing from January 1, 2022 and ending on December 31, 2024. The terms of the 2021 Tenancy Agreement were negotiated on an arm's length basis. The rent chargeable under the 2021 Tenancy Agreement was agreed by making reference to (i) the monthly rental rate under the Tenancy Agreement of RMB411,099.50 per calendar month; (ii) the prevailing market rate for similar premises in the vicinity; and (iii) the current economic environment.

In accordance with IFRS 16 "Leases", the Group is required to recognise the tenancy of the premises as right-of-use assets. Hence the entering into of the 2021 Tenancy Agreement and the transaction contemplated thereunder will be regarded as an acquisition of assets by the Group.

For details of the 2021 Tenancy Agreement, please refer to the announcement of the Company dated December 10, 2021 published on the websites of the Stock Exchange and the Company.

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 entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(3) 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 report, the Company used a total of approximately RMB851.1 million of the proceeds, including approximately RMB169.2 million for research and development of our Core Products, approximately RMB404.5 million for production scale-up and construction of new production facilities in Taizhou, PRC, approximately RMB182.6 million for research and development of our other candidate products, approximately RMB74.8 million for working capital and general purpose and approximately RMB20.0 million for acquisition of CMAB807 License. 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, 2021[1][2]:

Use of proceeds	Allocation of the Net Proceeds *(RMB million)*	Utilized amount up to December 31, 2021 *(RMB million)*	Unutilized amount up to December 31, 2021 *(RMB million)*	Expected timeline for fully utilizing the unutilized amount
For R&D of our Core Products	180.9	169.2	11.7	By June 30, 2022
For production scale-up and construction of new production facilities in Taizhou, PRC	497.2	404.5	92.7	By December 31, 2022
For R&D of our other product candidates	194.5	182.6	11.9	By June 30, 2022
For working capital and other general corporate purposes	74.8	74.8	0.0	–
For acquisition of CMAB807 License[3]	20.0	20.0	0.0	–
Total	967.4	851.1	116.3	

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 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 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

The consolidated financial statements of the Group for the year ended December 31, 2021 was audited by Ernst & Young who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company.

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, 2021, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

EMPLOYEE AND REMUNERATION POLICY

As of December 31, 2021, we had a total of 484 employees, of which 85 are located in Shanghai and 399 are located in Taizhou. The table below sets forth a breakdown of our employees by function:

Function	Number of Employees
Business units	63
R&D personnel [(1)]	261
Sales and marketing [(2)]	83
Administration	29
Management	48
Total	484

Notes:

(1) The number of R&D personnel here excludes 27 R&D team members who have been included in our management.

(2) The number of sales and marketing personnel here excludes our 5 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 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, 178 out of our 288 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, 2021, 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 difficulty in recruiting employees for our operations during the Reporting Period and up to the date of this report.

IMPORTANT EVENTS AFTER THE REPORTING DATE

No significant event of the Group occurred after the Reporting Period and up to the date of this report.

Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Wang Hao (王皓), aged 53, 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 22 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 45, 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 18 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 55, 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 18 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 49, 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 70, 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 56, 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 once served as an independent non-executive director of China Mengniu Dairy Company Limited (stock code: 2319) and China Southern Airlines Company Limited (stock code: 1055) (both of the above companies are listed on the Stock Exchange) and 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, a company listed on the Shenzhen Stock Exchange). Mr. Jiao also serves as a non-executive director of WH Group Limited (stock code: 0288) and 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 Hainan Poly Pharm Co. Ltd. (海南普利制藥股份有限公司) (stock code: 300630), which is listed on the Shenzhen Stock Exchange and the general manager and legal representative 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 57, is an Independent Non-executive Director of our Company and was appointed as a Director on August 10, 2018 with effect from 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 66, is an Independent Non-executive Director of our Company and was appointed as a Director on August 10, 2018 with effect from 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 47, is an Independent Non-executive Director of our Company and was appointed as a Director on August 10, 2018 with effect from 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 Humanwell Healthcare (Group) 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. Dr. Liu served as an independent non-executive director of Wuhan P&S Information Co., Ltd. (武漢力源信息技術股份有限公司) (stock code: 300184, a company listed on the Shenzhen Stock Exchange) from 2016 to 2021. He is currently an independent non-executive director of Humanwell Healthcare (Group) Co.,Ltd (stock code: 600079, a company listed on the Shanghai Stock Exchange), Hubei Sanfeng Intelligent Conveying Equipment Co., Ltd. (湖北三豐智能輸送裝備股份有限公司) (stock code: 300276, a company listed on the Shenzhen Stock Exchange), J.S. Corrugating Machinery Co., Ltd (湖北京山輕工機械股份有限公司) (stock code: 000821, a company listed on the Shenzhen Stock Exchange) and Keymed Biosciences Inc. (康諾亞生物醫藥科技有限公司) (stock code: 02162, a company listed on the Hong Kong 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 55, 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 36, 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

As of December 31, 2021, 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. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the Senior Management on the Company's behalf. The Senior Management reports to the Board on a regular basis and communicates with the Board whenever required.

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 clearly understand the delegation arrangements in place. The Company will review the delegation arrangements periodically to ensure that they remain appropriate to the Company's needs.

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. There is no financial, business, family or other material/relevant relationship between any members of the Board. 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.

In order to take advantage of the skills, experiences and diversity of perspectives of the Directors and in order to ensure that the Directors give sufficient time and attention to the Group's affairs, we request each of the Directors to disclose to the Company, upon appointment and on a semi-annual basis thereafter, the number and nature of offices held in public companies or organisations and other significant commitments, together with the identity of such public companies or organisations and the time involved in such commitments.

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

As part of the Company's corporate governance practice to provide transparency to the investor community and in compliance with the Listing Rules and the CG Code, the Independent Non-executive Directors are clearly identified in all corporate communications containing the names of the Directors. In addition, an up-to-date list of Directors identifying the Independent Non-executive Directors and the roles and functions of the Directors is maintained on the Company's website and the Stock Exchange's website.

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. Wang Hao. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. He is primarily responsible for drawing up and approving the agenda for each Board meeting, taking into account any matters proposed by the other Directors for inclusion in the agenda. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

The Independent Non-executive Directors play a significant role in the Board and the development of the Company's strategy and policies by virtue of their independent judgment and constructive and informed views, which carry significant weight in the Board's decision. The functions of independent non-executive Directors include (i) bringing an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct, (ii) taking the lead where potential conflicts of interests arise, (iii) scrutinising the Company's performance in achieving agreed corporate goals and objectives and (iv) monitoring performance reporting.

In the year ended December 31, 2021, all Independent Non-executive Directors have given the Board and the committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation in Board and relevant committee meetings. They have also attended all general meetings to gain and develop a balanced understanding of the views of the Shareholders.

Continuous Professional Development of Directors

Pursuant to the code provision C.1.4 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 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. Wang Hao	✔
Mr. Li Yunfeng	✔
Dr. Li Jing	✔
Mr. Tao Jing	✔
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. Jiao Shuge, Dr. Wang Hao and Dr. Liu Linqing shall retire at the AGM, among whom Mr. Jiao Shuge and Dr. Wang Hao are eligible and will offer themselves for re-election, and Dr. Liu Linqing will leave office after the AGM. The Company will appoint a new independent non-executive Director to fill the vacancy left by Dr. Liu Linqing.

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

The Company has adopted the practice of holding Board meetings regularly in person for at least four times a year at approximately quarterly intervals, with active participation of the majority of the Directors entitled to be present.

The Board has established the following mechanisms to ensure that independent views and input are available to the Board: (i) the Chairman will have regular gatherings with other Directors, and at least annually hold meetings with Independent Non-executive Directors and without the presence of other Directors. The Independent Non-executive Directors can freely provide their independent views to the Board; and (ii) the Independent Non-executive Directors participate in board committees (including Audit Committee, Nomination Committee and Remuneration Committee) meetings to bring independent views, advice and judgment on important issues relating to the Company's strategy, policy, financial performance, and take the lead on matters where potential conflicts of interests arise. They will also attend annual general meetings of the Company to understand the view of shareholders. The Board reviews the implementation and effectiveness of such mechanisms on an annual basis.

Since the December 31, 2020, four Board meetings were held during the Reporting Period, one of which was to approve the Company's annual results and annual report for the year ended December 31, 2020 and review the Company's risk management and internal control systems, another one of which was to approve the Company's interim results and interim report for the six months ended June 30, 2021 and the remaining were to discuss matters including, among other things, (i) approving the renewal of the Tenancy Agreement; and (ii) approving the CMAB807 License Agreement , CMAB807 Clinical Trial Agreement and the CMAB807 CDMO Agreement. Apart from the four 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 Company will continue to comply with code provision C.5.1 of the CG Code to hold at least four Board meetings each year, about once every quarter, and code provision C.2.7 of the CG Code for the Chairman to hold at least one meeting with the independent non-executive Directors without the presence of other Directors each year.

A summary of the attendance record of the Directors at Board meetings, committee meetings and general 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, 2021				
Directors	**Board**	**Audit Committee[1]**	**Remuneration Committee[2]**	**Nomination Committee[3]**	**General Meetings[4]**
Executive Directors					
Dr. Wang Hao	4	N/A	1	N/A	2
Mr. Li Yunfeng	4	N/A	N/A	N/A	2
Dr. Li Jing	4	N/A	N/A	N/A	2
Mr. Tao Jing	4	N/A	N/A	1	2
Non-executive Directors					
Mr. Guo Jianjun	4	N/A	N/A	N/A	2
Mr. Jiao Shuge	4	2	N/A	N/A	2
Independent Non-executive Directors					
Mr. Guo Liangzhong	4	2	1	1	2
Dr. Zhang Yanyun	4	N/A	1	1	2
Dr. Liu Linqing	4	2	N/A	N/A	2

Notes:

1. The Audit Committee held a meeting on March 26, 2021 and August 27, 2021, respectively, and all members of the Audit Committee attended the meetings.

2. The Remuneration Committee held a meeting on December 10, 2021 and all members of the Remuneration Committee attended the meetings.

3. The Nomination Committee held a meeting on March 26, 2021 and all members of the Nomination Committee attended the meetings.

4. The Company held its annual general meeting on June 18, 2021 and an extraordinary general meeting on April 30, 2021.

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 D.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 two meetings, in which the Audit Committee has performed the following major tasks:

- reviewed the audited annual results and annual report for the year ended December 31, 2020;
- reviewed the interim results and interim report for the six months ended June 30, 2021;
- the Company's continuing connected transactions;
- in relation to the external auditor, reviewed their plans, reports and management letter, fees, involvement in non-audit services, and their terms of engagement;
- made recommendations to the Board for the re-appointment of the external auditor;
- discussed with the management and the external auditor on the issues concerning accounting policies and practices which may affect the Group, along with financial reporting matters;
- reviewed, determined and made recommendations to the Board on the Company's policies and practices on corporate governance;
- reviewed and monitored the training and continuous professional development of the Directors and the senior management;
- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- developed, reviewed and monitored the code of conduct and compliance manual applicable to employees and the Directors;
- reviewed the Company's status of compliance with the CG Code and disclosures in the Corporate Governance Report;
- reviewed the effectiveness of the Company's financial reporting system and associated procedures within the Group; and
- reviewed the risk management and internal control systems and the effectiveness of the Company's internal audit function.

The Auditor was invited to attend the Audit Committee meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. The Audit Committee also met with the Auditor without the presence of management. The Audit Committee is satisfied with the independence and engagement of the Auditor. As such, the Audit Committee has recommended the re-appointment of the Auditor. During the Reporting Period, the Audit Committee complied with the code provision D.3.3(e)(i) of the CG Code and meet with the Company's auditors twice.

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 E.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 once 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 provision B.3.1 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 Mr. Tao Jing. 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, gender, 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 once 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%
Mr. Tao Jing	100%
Dr. Zhang Yanyun	100%

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. The Nomination Committee will also report annually on the Board's composition and make appropriate disclosures regarding the Board Diversity Policy in the Corporate Governance Report of the Company's annual reports.

DIVERSITY

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, law and accounting. Furthermore, our Directors range from 45 years old to 70 years old. Our Nomination Committee will review and assess the composition of the Board and make recommendations to the Board on the appointment of members of the Board.

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.

Gender Diversity

Gender Diversity at Board Level

We recognize that the gender diversity at the Board level can be improved. Gender diversity is achieved in respect of the Board as it is not a single gender board. That said, we will strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to stakeholders' expectation and international and local recommended best practices. We will also ensure that there is gender diversity when recruiting staff at mid to senior level and we are committed to provide career development opportunities for female staff so that we will have a pipeline of female Senior Management and potential successors to our Board in a few years' time.

The Company plans to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development.

The Company is of the view that this strategy will offer chances for the Board to identify capable female employees to be nominated as a member of the Board in the future with an aim to providing the Board with a pipeline of female candidates to achieve gender diversity in the Board in the long run. The Board currently has one female Director. The Nomination Committee will use its best endeavors and on suitable basis, within three years after the Listing, to identify and recommend at least one female candidate to our Board for its consideration on appointment of a Director with the goal to maintain at least one female Director in our Board, subject to the Directors (i) being satisfied with the competence and experience of the relevant candidate based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of the Company and its Shareholders as a whole when considering the appointment. The Company believes that such merit-based selection process with reference to the Board Diversity Policy and the nature of our business will be in the best interests of the Company and its Shareholders as a whole.

Gender Diversity at the Company

The Company also attaches great importance to gender diversity of employees, and delegates the Nomination Committee of the Company to review the gender diversity of employees on a regular basis. As of the end of the Reporting Period, female employees accounted for 52% of the total number of employees, of whom females accounted for 11% of the total number of Directors, and 46% of the total number of mid-level management members.

The Company plans to provide more opportunities to female employees in terms of recruitment and talent cultivation, so as to achieve a more balanced gender mix within the Company.

The Company believes that achieving gender diversity at the Company will be in the best interests of the Company and its Shareholders as a whole.

CORPORATE GOVERNANCE FUNCTION

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

The Board would (i) develop and review the Company's corporate governance policies and practices; (ii) review and monitor training and continuous professional development of the Directors and senior management; (iii) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and (v) review 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, 2021. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 166 to 167.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Ernst & Young for the year ended December 31, 2021 are set out in the table below:

Services rendered for the Company	**Fees paid and payable** *RMB'000*
Audit services	**2,976**
Non-audit services	**520**
– Internal Control Consulting Service	350
– ESG Report Consulting Service	170
Total	**3,496**

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 launch investigation into 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, 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. Pursuant to code provision E.1.5 of the CG Code, 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 132 to 139 of this annual report, for the Reporting Period are set out below:

Remuneration band	Number of individuals
Below RMB1,000,000	7
RMB1,000,001 to RMB1,500,000	3
Above RMB1,500,000	1

JOINT COMPANY SECRETARIES

Mr. Li Yunfeng, the executive Director and 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 117 to 118 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 and other general meetings, 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. On March 25, 2022, the Board proposed to amend the Memorandum and Articles of Association of the Company to conform with the core shareholder protections standards set out in Appendix 3 of the Listing Rules which became effective on January 1, 2022. The proposed amendments to the Memorandum and Articles of Association are subject to the approval of the Shareholders by way of a special resolution at the annual general meeting of the Company to be held on or about June 17, 2022. For further details, please refer to the announcement and circular of the Company dated March 25, 2022 and April 22, 2022, respectively, published on the websites of the Stock Exchange and the Company.

Independent Auditor's Report

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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 168 to 248, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") 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 2021, the Group incurred significant research and development ("**R&D**") expenses amounting to approximately RMB264 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

25 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	82,882	–
Cost of sales		(16,777)	–
Gross profit		66,105	–
Other income	6	14,818	32,237
Other gains and losses	7	(6,637)	(26,714)
Selling and distribution expenses		(9,423)	–
Research and development expenses		(263,572)	(120,418)
Administrative expenses		(90,632)	(65,795)
Finance costs	9	(2,403)	(3,942)
Loss before tax	8	(291,744)	(184,632)
Income tax expense	12	–	–
Loss and total comprehensive expense for the year		(291,744)	(184,632)
Attributable to:			
Owners of the Company		(291,744)	(184,632)
Loss per share attributable to ordinary equity holders of the Company	14		
– Basic		RMB (0.07)	RMB (0.04)
– Diluted		RMB (0.07)	RMB (0.04)

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Plant and equipment	15	483,673	438,408
Right-of-use assets	16	77,374	74,209
Other non-current assets	17	90,674	81,294
Rental deposit to a related party	31	411	–
Total non-current assets		652,132	593,911
Current assets			
Trade receivables	19	793	–
Prepayments and other receivables	20	58,846	31,673
Amounts due from a related party	31	9,452	–
Inventories	18	53,211	33,427
Contract costs	21	9,164	16,769
Pledged bank deposits	22	34,748	2,000
Rental deposit to a related party	31	–	411
Cash and bank balances	22	81,556	484,846
Total current assets		247,770	569,126
Current liabilities			
Trade and other payables	23	139,827	113,297
Amounts due to a related party	31	47,964	75
Lease liabilities to third parties	16	5,084	4,146
Lease liability to a related party	16	4,199	4,386
Contract liabilities	24	21,440	70,058
Deferred income	25	16,490	10,665
Total current liabilities		235,004	202,627
Net current assets		12,766	366,499
Total assets less current liabilities		664,898	960,410

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Deferred income	*25*	**10,000**	47,109
Contract liabilities	*24*	**16,510**	–
Lease liabilities to third parties	*16*	**27,926**	31,816
Lease liability to a related party	*16*	**8,481**	–
Total non-current liabilities		**62,917**	78,925
Net assets		**601,981**	881,485
Capital and reserves			
Share capital	*26*	**2,804**	2,804
Reserves	*28*	**599,177**	878,681
Total equity		**601,981**	881,485

Wang Hao
Director

Li Yunfeng
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	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 2020	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
Loss and total comprehensive expense for the year	–	–	–	–	(291,744)	(291,744)
Recognition of equity-settled share-based compensation *(note 27)*	–	–	–	12,240	–	12,240
At 31 December 2021	2,804	1,400,504	(32,763)	43,935	(812,499)	601,981

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(291,744)	(184,632)
Adjustments for:			
Bank interest income	6	(1,954)	(9,458)
Finance costs	9	2,403	3,942
Depreciation of plant and equipment	8	34,739	16,280
Depreciation of right-of-use assets	8	9,138	8,117
Loss on disposal of plant and equipment	8	73	–
Net foreign exchange losses	7	6,591	31,902
Write-down of inventories	8	9	23
Share-based payment expenses	8	12,240	12,406
		(228,505)	(121,420)
Increase in inventories		(19,793)	(11,226)
Decrease/(increase) in contract costs		7,605	(3,529)
Increase in trade receivables		(793)	–
Increase in prepayments and other receivables		(27,173)	(13,206)
Decrease/(increase) in other non-current assets		25,403	(6,304)
Increase in amounts due from a related party		(8,849)	–
Increase in amounts due to a related party		55,733	2,622
Increase/(decrease) in trade and other payables		27,185	(5,514)
(Decrease)/increase in contract liabilities		(32,108)	11,396
Increase/(decrease) in deferred income		1,825	(50)
Net cash flows used in operating activities		(199,470)	(147,231)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from banks		1,954	12,896
Purchase of plant and equipment		(148,666)	(197,243)
Disposal of plant and equipment		42	–
Placement of a time deposit		–	(45,012)
Withdrawal of a time deposit		–	224,350
Placement of pledged bank deposits		(34,748)	(2,000)
Withdrawal of pledged bank deposits		2,000	153,008
Government grants relating to assets received		–	10,000
Net cash flows(used in)/from investing activities		(179,418)	155,999

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(2,432)	(4,208)
Issue costs paid	29(b)	–	(1,280)
Repayment of bank loans		–	(63,086)
Payment to a related party	29(b)	(8,447)	(5,085)
Repayments of the principal portion of lease liabilities		(6,902)	(6,819)
Net cash flows used in financing activities		(17,781)	(80,478)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(396,669)	(71,710)
Cash and cash equivalents at beginning of year		484,846	588,720
Effects of foreign exchange rate changes, net		(6,621)	(32,164)
CASH AND CASH EQUIVALENTS AT END OF YEAR		81,556	484,846

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 the research, development and production of monoclonal antibody drugs for cancers and autoimmune diseases and the 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$210,000,000	–	100%	Research and development, technical consulting, technology transfer and technical services of biological products, diagnostic reagents, chemical biological reagents and drugs
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

* Taizhou Pharmaceutical is registered as a wholly-foreign-owned enterprise under PRC law.

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

During the year, pursuant to the board resolution dated 31 March 2021, Taizhou Mabtech Biotechnology Limited ("**Taizhou Biotech**") (泰州邁博太科生物技術有限公司), a previous subsidiary of the Company, was merged into Taizhou Pharmaceutical.

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 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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 following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. In April 2021, the IASB issued another amendment to IFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* to extend the availability of the practical expedient for any reduction in lease payments that affects only payments originally due on or before 30 June 2022 (the "**2021 Amendment**"). The 2021 Amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

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

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*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,4]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to 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
5 The IASB amends IFRS 17 to permit a classification overlay for financial assets presented in comparative periods on initial application of IFRS 17

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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to 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 party is considered to be related to the Group if:

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

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

(ii) has significant influence over the Group; or

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

or

(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
Furniture, fixtures and machinery	9.5% to 20% per annum
Buildings	4.75% per annum
Leasehold improvements	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	3 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 profit or loss 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 except for trade receivables which apply the simplified approach as detailed below.

Stage 1	– Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	– Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	– Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, or making reference to the credit loss experience of similar companies in the market where the Group has not had sufficient credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, 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 and amounts due to a related party.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the specific identification 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 sale of pharmaceutical products

Revenue from the sale of pharmaceutical products is recognised at the point in time when control of the asset is transferred to the customer, generally when the products are delivered and accepted by the customers.

Some contracts for the sale of pharmaceutical products provide customers with rights of return and sales rebates. The rights of sales rebates give rise to variable consideration.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from sale of pharmaceutical products (continued)

(i) Rights of return

For contracts which provide a customer with a right to return the goods, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Sales rebates

Retrospective sales rebates may be provided to certain customers once the products are sold to special sales terminals agreed in the contract. Rebates are offset against amounts payable by the customer arising from its purchase. The most likely amount method is used to estimate the variable consideration. The selected method that best predicts the amount of variable consideration is primarily driven by the volume of products sold to special sales terminals contained in the contract. The requirements on constraining estimates of variable consideration are applied and a liability for the expected future rebates is recognised in contract liabilities.

Revenue from exclusive right for the commercialisation

The revenue will be recognised overtime during the expected commercialisation period after the commercialisation authorisation from the local authorities is obtained.

Revenue from intellectual property transfer agreements

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 and acceptance by the customer.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contract development and manufacturing agreement

The Group will recognise the revenue from contract development and manufacturing agreement at a point in time upon delivery of the control of rights of the deliverables and acceptance by the customer.

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.

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 for contract development and manufacturing. Other than the costs which are capitalised as inventories and plant and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

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

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

(c) the costs are expected to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract costs (continued)

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**").

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Determining the timing of satisfaction of performance obligation of the intellectual property transfer (continued)

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 does 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.

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 as it is uncertain whether future economic benefits can be generated.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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 the number of patient enrolments, time elapsed and milestone achieved.

4. OPERATING SEGMENT INFORMATION

Segment information

For the purpose of resource 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

During the reporting period, all of the Group's revenue was derived from customers located in the PRC 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.

Information about a major customer

Revenue of approximately RMB81,246,000 (2020: Nil) was derived from an intellectual property transfer agreement to a single customer.

5. REVENUE

An analysis of revenue is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Revenue from contracts with customers		
Revenue from the sale of pharmaceutical products		
– at a point in time	1,636	–
Revenue from the transfer of an intellectual property		
– at a point in time *(note a)*	81,246	–
	82,882	–

Note:

a. In January 2017, the Group entered into an agreement with an independent third-party customer to transfer an intellectual property in relation to CMAB806, at a consideration of RMB65,180,000 which was further increased to RMB82,180,000 (including value added tax) pursuant to two supplementary agreements signed in September 2019 and February 2020 (collectively the "**Intellectual Property Transfer Agreement on CMAB806**"). The Group recognised revenue from this contract during the reporting period since the control of rights of the intellectual property had been transferred to the customer.

Revenue from contracts with customers

(a) Disaggregated revenue information

	2021 *RMB'000*	2020 *RMB'000*
Geographical market		
Mainland China	82,882	–
Timing of revenue recognition		
At a point in time	82,882	–

5. REVENUE (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2021 *RMB'000*	2020 *RMB'000*
Revenue from the transfer of an intellectual property	70,058	–

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of pharmaceutical products

The performance obligation is satisfied upon delivery of the products and acceptance by the customer, and payment is generally due within 30 to 60 days from delivery. Some contracts provide customers with rights of return and sales rebates which give rise to variable consideration subject to constraint.

Exclusive right for the commercialisation

The performance obligation is satisfied overtime during the expected commercialisation period after the commercialisation authorisation from the local authorities is obtained.

5. REVENUE (continued)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

Exclusive right for the commercialisation (continued)

In June 2021, the Group entered into an agreement with an independent third-party customer, pursuant to which the Group granted the customer an exclusive right for the commercialisation of CMAB008 in the countries and regions other than Mainland China, Japan, Europe and North America, at a consideration of RMB20,000,000 (including value added tax), while RMB17,500,000 (including value added tax) has been received as at 31 December 2021. Under the agreement, the Group has an exclusive right to manufacture and supply CMAB008 to the customer for further commercialisation to ultimate customers. The Group will recognise revenue over the period of CMAB008 product life cycle with reference to the budgeted manufacture order from the customer (i.e. when the customer receives and consumes the benefits during the commercialisation stage).

Intellectual property transfer agreement with a customer

The performance obligation is satisfied upon delivery of the control of rights of the intellectual property and acceptance by the customer.

In December 2020, the Group entered into an agreement with an independent third-party customer to transfer an intellectual property in relation to CMAB809, at a consideration of RMB50,000,000 (including value added tax) ("**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.

5. REVENUE (continued)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

Contract development and manufacturing agreement with a customer

The performance obligation is satisfied upon delivery of the control of rights of the deliverables and acceptance by the customer.

In May 2021, the Group entered into an agreement with an independent third-party customer for contract development and manufacturing in relation to CMAB806, at a consideration of RMB43,860,000 (including value added tax), while RMB24,216,000 (including value added tax) has been received as at 31 December 2021. The Group did not recognise revenue from this contract during the reporting period since the control of rights of the deliverables had not been transferred to the customer.

The amounts of transaction prices allocated to the unsatisfied performance obligations as at 31 December are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	88,547	132,180
Over one year	16,510	–
	105,057	132,180

6. OTHER INCOME

	2021 *RMB'000*	2020 *RMB'000*
Bank interest income	1,954	9,458
Government grants and subsidies related to income *(note 25)*	12,864	22,779
	14,818	32,237

7. OTHER GAINS AND LOSSES

	2021 *RMB'000*	2020 *RMB'000*
Net foreign exchange losses	(6,591)	(31,902)
Loss on disposal of plant and equipment	(73)	–
Others	27	5,188
	(6,637)	(26,714)

8. LOSS BEFORE TAX

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

	2021 *RMB'000*	2020 *RMB'000*
Depreciation for plant and equipment	**34,739**	16,280
Depreciation for right-of-use assets	**9,138**	8,117
Write-down of inventories to net realisable value	**9**	23
Loss on disposal of plant and equipment	**73**	–
Staff cost (including directors' emoluments):		
– Independent non-executive directors' fee	**294**	321
– Salaries and other benefits	**78,524**	57,682
– Pension scheme contributions	**7,479**	731
– Share-based payment expenses	**12,240**	12,406
– Consultation fee	**534**	533
	99,071	71,673
Auditors' remuneration	**2,976**	2,683
Short-term lease payment	**305**	104
Government grants and subsidies related to income	**(12,864)**	(22,779)
Expense incurred on intellectual property transfer agreement on CMAB807	**66,038**	–
Cost of Intellectual Property Transfer Agreement on CMAB806	**16,769**	–
Cost of inventories recognised as expense (included in research and development expenses)	**26,131**	20,724

9. FINANCE COSTS

	2021 *RMB'000*	2020 *RMB'000*
Interest on bank loans	**–**	1,236
Interest on lease liabilities	**2,403**	2,706
	2,403	3,942

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:

	2021 *RMB'000*	2020 *RMB'000*
Fees	294	321
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	3,567	3,051
Pension scheme contributions	228	16
Share-based payment expenses	5,686	8,992
Consultation fee	534	533
	10,015	12,592
	10,309	12,913

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 during the year.

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:

	2021 *RMB'000*	2020 *RMB'000*
Mr. Guo Liangzhong	98	107
Dr. Zhang Yanyun	98	107
Dr. Liu Linqing	98	107
	294	321

There were no other emoluments payable to the independent non-executive directors during the year (2020: 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 2021					
Executive directors:					
Dr. Wang Hao *(note i)*	1,025	57	4,087	–	5,169
Dr. Li Jing	828	57	533	–	1,418
Mr. Li Yunfeng	880	57	533	–	1,470
Mr. Tao Jing *(note i)*	834	57	533	–	1,424
	3,567	228	5,686	–	9,481
Non-executive directors:					
Mr. Jiao Shuge	–	–	–	–	–
Mr. Guo Jianjun	–	–	–	534	534
	–	–	–	534	534
	3,567	228	5,686	534	10,015
Year ended 31 December 2020					
Executive directors:					
Dr. Wang Hao *(note i)*	921	4	3,948	–	4,873
Dr. Li Jing	620	4	515	–	1,139
Dr. Qian Weizhu *(note i)*	465	4	3,928	–	4,397
Mr. Li Yunfeng	798	4	515	–	1,317
Mr. Tao Jing *(note i)*	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

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

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

Note:

i. 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 or the chief executive waived or agreed to waive any remuneration during the year.

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

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors including the chief executive (2020: five directors including 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. Details of the remuneration for the year of the remaining one (2020: Nil) highest paid employee who was neither a director nor chief executive of the Company are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Salaries, bonuses, allowances and benefits in kind	945	–
Pension scheme contributions	53	–
Share-based payment expenses	–	–
	998	–

11. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director and non-chief executive highest paid employee whose remuneration fell within the following band is as follows:

	Number of employees	
	2021	2020
HK$1,000,001 to HK$1,500,000	1	–

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% (2020: 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 the 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, therefore is entitled to a preferential tax rate of 15% for a three-year period since 2018. In December 2021, Taizhou Pharmaceutical was reaccredited as a "High and New Technology Enterprise", therefore is entitled to a preferential tax rate of 15% for a three-year period since 2021. 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.

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 a super deduction of 200% and 175% on qualifying research and development expenditures during the years ended 31 December 2021 and 2020, respectively.

12. INCOME TAX (continued)

Shengheng Biotech meets the criteria of "Small Low-Profit enterprise", therefore is entitled to a preferential tax rate of 20% during the years ended 31 December 2021 and 2020.

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:

	2021 *RMB'000*	2020 *RMB'000*
Loss before tax	(291,744)	(184,632)
Income tax expense calculated at 25%	(72,936)	(46,158)
Effect of different tax rates of subsidiaries operating in other jurisdictions and enacted by local authority	28,365	17,169
Tax effect of expenses not deductible for tax purposes	3,223	3,497
Effect of research and development expenses that are additionally deducted	(23,785)	(10,080)
Utilisation of tax losses previously not recognised	(223)	–
Tax effect of tax losses and deductible temporary differences not recognised	65,356	35,572
Income tax expense recognised in profit or loss	–	–

The Group has unused tax losses of RMB892,899,000 available for offset against future profits as of 31 December 2021 (2020: RMB501,964,000). 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 RMB111,488,000 at 31 December 2021 (2020: RMB85,163,000), which are mainly related to deferred income and accrued expenses. The unused tax losses of RMB3,477,000 were expired due to that Taizhou Biotech was merged into Taizhou Pharmaceutical during the year ended 31 December 2021.

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 2021, nor has any dividend been proposed since the end of the reporting period (2020: 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:

	2021 *RMB'000*	2020 *RMB'000*
Loss attributable to ordinary equity holders of the Company for the purpose of calculating basic and diluted loss per share	**(291,744)**	(184,632)

	2021 *'000*	2020 *'000*
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**4,124,080**	4,124,080

The calculation of diluted loss per share for the years ended 31 December 2021 and 2020 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*	Furniture, fixtures and machinery *RMB'000*	Leasehold improvements *RMB'000*	Buildings *RMB'000*	Construction in progress ("CIP") *RMB'000*	Total *RMB'000*
31 December 2021						
At 1 January 2021:						
Cost	1,165	149,283	34,949	–	310,721	496,118
Accumulated depreciation	(567)	(49,469)	(7,674)	–	–	(57,710)
Net carrying amount	598	99,814	27,275	–	310,721	438,408
At 1 January 2021, net of accumulated depreciation	598	99,814	27,275	–	310,721	438,408
Additions	–	4,746	446	–	108,036	113,228
Disposals	(7)	(108)	–	–	–	(115)
Depreciation provided during the year	(178)	(23,200)	(7,178)	(4,183)	–	(34,739)
Transfer from CIP	–	126,092	43,237	151,027	(320,356)	–
Asset-related grants deduction *(note)*	–	–	–	(33,109)	–	(33,109)
At 31 December 2021, net of accumulated depreciation	413	207,344	63,780	113,735	98,401	483,673
At 31 December 2021:						
Cost	1,027	279,927	78,632	117,918	98,401	575,905
Accumulated depreciation	(614)	(72,583)	(14,852)	(4,183)	–	(92,232)
Net carrying amount	413	207,344	63,780	113,735	98,401	483,673

15. PLANT AND EQUIPMENT (continued)

	Transportation equipment *RMB'000*	Furniture, fixtures and machinery *RMB'000*	Leasehold improvements *RMB'000*	Buildings *RMB'000*	Construction in progress ("CIP") *RMB'000*	Total *RMB'000*
31 December 2020						
At 1 January 2020:						
Cost	1,165	116,611	34,432	–	144,271	296,479
Accumulated depreciation	(354)	(35,172)	(5,904)	–	–	(41,430)
Net carrying amount	811	81,439	28,528	–	144,271	255,049
At 1 January 2020, net of accumulated depreciation	811	81,439	28,528	–	144,271	255,049
Additions	–	11,485	393	–	187,762	199,640
Disposals	–	(1)	–	–	–	(1)
Depreciation provided during the year	(213)	(14,297)	(1,770)	–	–	(16,280)
Transfer from CIP	–	21,188	124	–	(21,312)	–
At 31 December 2020, net of accumulated depreciation	598	99,814	27,275	–	310,721	438,408
At 31 December 2020:						
Cost	1,165	149,283	34,949	–	310,721	496,118
Accumulated depreciation	(567)	(49,469)	(7,674)	–	–	(57,710)
Net carrying amount	598	99,814	27,275	–	310,721	438,408

Note: During the year ended 31 December 2021, the grants related to the construction of plant in Taizhou of RMB33,109,000 received in 2019 were deducted from the carrying amount of the assets upon the compliance of the Group with the conditions attached to the grants and the government acknowledged acceptance (2020: Nil).

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 periods 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 3 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 2020	37,402	39,944	77,346
Additions	–	4,980	4,980
Depreciation charge	(771)	(7,346)	(8,117)
As at 31 December 2020 and 1 January 2021	**36,631**	**37,578**	**74,209**
Lease modification	**–**	**12,303**	**12,303**
Depreciation charge	**(771)**	**(8,367)**	**(9,138)**
As at 31 December 2021	**35,860**	**41,514**	**77,374**

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:

	2021 *RMB'000*	2020 *RMB'000*
Carrying amount at 1 January	**35,962**	33,560
New lease	**–**	4,980
Accretion of interest recognised during the year	**2,263**	2,275
Payments	**(5,185)**	(4,769)
Exchange gain	**(30)**	(84)
Carrying amount at 31 December	**33,010**	35,962
Analysed into:		
Current portion	**5,084**	4,146
Non-current portion	**27,926**	31,816

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 the lease liability to a related party and the movements during the year are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Lease liability to Biomabs *(note)*:		
Carrying amount at 1 January	4,386	8,858
Lease modification	12,303	–
Accretion of interest recognised during the year	140	431
Payments	(4,149)	(4,903)
Carrying amount at 31 December	12,680	4,386
Analysed into:		
Current portion	4,199	4,386
Non-current portion	8,481	–

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

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

16. LEASES (continued)

The Group as a lessee (continued)

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

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities to third parties	2,263	2,275
Interest on lease liability to a related party	140	431
Depreciation for right-of-use assets	9,138	8,117
Expense relating to a short-term lease	305	104
Total amount recognised in profit or loss	11,846	10,927

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

17. OTHER NON-CURRENT ASSETS

	2021 RMB'000	2020 RMB'000
Prepayment for acquisition of plant and equipment *(note a)*	78,853	44,070
Deposit for construction of production facilities	3,000	3,000
VAT recoverable *(note b)*	8,821	34,224
	90,674	81,294

Notes:

a. Prepayment for acquisition of plant and equipment is mainly related to the new production facilities on the parcel of industrial land of approximately 100,746 square metres in the Taizhou Hi-tech Zone.

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

18. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials and consumables	49,157	33,427
Work in progress	4,054	–
	53,211	33,427

19. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	793	–
Impairment	–	–
	793	–

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30-60 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group has certain concentrations of credit risk as the Group's trade receivables are mainly due from several customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The ageing of the trade receivables as at the end of each reporting period, based on the invoice date, is less than three months and the expected credit loss is assessed to be minimal.

20. PREPAYMENTS AND OTHER RECEIVABLES

	2021 *RMB'000*	2020 *RMB'000*
Other receivables	**2,435**	1,224
Prepayments for research and development services	**13,112**	11,177
Other deposits and prepayments	**4,261**	4,185
VAT recoverable *(note)*	**39,038**	15,087
	58,846	31,673

Note: VAT recoverable is presented in prepayments and other receivables and other non-current assets based on 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 2021 and 2020, the loss allowance was assessed to be minimal.

21. CONTRACT COSTS

	2021 *RMB'000*	2020 *RMB'000*
Cost to fulfil contracts in relation to Intellectual Property Transfer Agreement on CMAB806	**–**	16,769
Cost to fulfil contracts in relation to contract development and manufacturing agreement	**9,164**	–
	9,164	16,769

22. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES

Pledged bank deposits

There were current pledged bank deposits of RMB34,748,000 (2020: RMB2,000,000) at 31 December 2021. The current pledged bank deposits at 31 December 2021 were pledged to a bank as collateral for the issue of euro ("**EUR**") letter of credit by the bank in connection with the purchase of plant and equipment by the Group, which were interest-bearing at a fixed rate of 0.01% per annum. 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.

Cash and bank balances

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

	2021 *RMB'000*	2020 *RMB'000*
RMB	**41,699**	41,523
Hong Kong dollar ("**HK$**")	**39,035**	143,975
US dollar ("**US$**")	**35,561**	301,339
Singapore dollar ("**SG$**")	**9**	9
	116,304	486,846

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.

23. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	12,860	4,466
Accrued expenses for research and development services	41,643	25,334
Other payables for purchases of plant and equipment	53,433	54,088
Salary and bonus payables	16,256	11,185
Other taxes payable	1,203	594
Accrued listing expenses and issue costs	10,103	10,646
Other payables	4,329	6,984
	139,827	113,297

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:

	2021 RMB'000	2020 RMB'000
Within 60 days	11,315	2,997
Over 60 days but within 1 year	1,545	1,469
	12,860	4,466

Trade and other payables are unsecured, non-interest-bearing and repayable on demand.

24. CONTRACT LIABILITIES

	2021 *RMB'000*	2020 *RMB'000*
Amounts received in advance for intellectual property transfer on CMAB806	–	70,058
Amounts received in advance for contract development and manufacturing agreement	21,430	–
Amounts received in advance for exclusive license for the commercialisation of CMAB008	16,510	–
Amounts received in advance for the sale of products	10	–
	37,950	70,058
Analysed into:		
Current portion	21,440	70,058
Non-current portion	16,510	–

25. DEFERRED INCOME

	2021 *RMB'000*	2020 *RMB'000*
Income-related government grants	16,490	14,665
Asset-related government grants	10,000	43,109
	26,490	57,774
Analysed into:		
Current portion	16,490	10,665
Non-current portion	10,000	47,109

25. DEFERRED INCOME (continued)

Movements of income-related government grants:

	2021 RMB'000	2020 RMB'000
At 1 January	14,665	14,715
Government grants received	14,689	22,729
Credited to profit or loss *(note 6)*	(12,864)	(22,779)
At 31 December	16,490	14,665

Movements of asset-related government grants:

	2021 RMB'000	2020 RMB'000
At 1 January	43,109	33,109
Government grants received	–	10,000
Deduction from the calculation of the carrying amount of the assets	(33,109)	–
At 31 December	10,000	43,109

During the year ended 31 December 2021, the Group received government grants of RMB14,689,000 (2020: RMB32,729,000) 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 charges over the remaining lives of the depreciable assets.

26. SHARE CAPITAL

	2021 *RMB'000*	2020 *RMB'000*
Issued and fully paid:		
4,124,080,000 (2020: 4,124,080,000) ordinary shares	**2,804**	2,804

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 the capitalisation issue was passed and after taking 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 2021:

	2021		2020	
	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	80,047	HK$1.5	81,417
Forfeited during the year		(1,671)		(1,370)
At 31 December	HK$1.5	78,376	HK$1.5	80,047

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

2021

Number of options *'000*	**Exercise price** *per share*	**Exercise period**
78,376	HK$1.5	31-5-2023 to 17-8-2028

2020

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

27. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The Group recognised the total expense of RMB12,240,000 during the year ended 31 December 2021 (2020: RMB12,406,000) in relation to share options granted by the Company.

At the end of the reporting period, the Company had 78,376,000 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 78,376,000 additional ordinary shares of the Company and additional share capital of US$7,838 and reserve of HK$117,503,000 (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 171 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 RMB12,303,000 (2020: additions to right-of-use assets of RMB4,980,000) and RMB12,303,000 (2020: additions to lease liabilities of RMB4,980,000), respectively, in respect of lease arrangements for leasehold land and buildings.

(b) Changes in liabilities arising from financing activities

	Amounts due to a related party *RMB'000*	Accrued listing expenses and issue costs *RMB'000*	Amounts due from a related party *RMB'000*	Lease liabilities to third parties and lease liability to a related party *RMB'000*	Total *RMB'000*
At 1 January 2021	21	10,646	–	40,348	51,015
Changes from operating cash flows	–	(543)	–	–	(543)
Changes from financing cash flows	(7,844)	–	(603)	(9,334)	(17,781)
Interest on lease liabilities	–	–	–	2,403	2,403
Lease modification	–	–	–	12,303	12,303
Unrealised exchange gains	–	–	–	(30)	(30)
Expenses incurred in clinical business and CMAB807 paid by a related party on behalf of the Group	8,562	–	–	–	8,562
At 31 December 2021	739	10,103	(603)	45,690	55,929

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*	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)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Within operating activities	**305**	104
Within financing activities	**9,334**	9,672
	9,639	9,776

30. CAPITAL COMMITMENTS

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

	2021 *RMB'000*	2020 *RMB'000*
Contracted but not provided *(note)*	**138,649**	138,014

Note: The capital commitments are mainly related to the new production facilities on the parcel of industrial land of approximately 100,746 square metres in the Taizhou Hi-tech Zone.

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:

	2021 *RMB'000*	2020 *RMB'000*
Expenses incurred in clinical business and CMAB807 paid by a related party on behalf of the Group:		
Shanghai Biomabs Pharmaceuticals Co., Ltd. ("**Biomabs**")	8,562	2,675
Repayments to a related party regarding the expenses incurred in clinical business and CMAB807 paid by a related party on behalf of the Group		
Biomabs	7,844	5,085
Expense incurred on intellectual property transfer agreement:		
Biomabs *(note a)*	66,038	–
Prepayments to a related party regarding the contract development and manufacturing agreement *(note b)*	8,849	–
Prepayments to a related party regarding the purchase of raw materials paid by a related party on behalf of the Group		
Biomabs	603	–

Notes:

a. In March 2021, the Group entered into an agreement with Biomabs in relation to the acquisition of the intellectual property in connection with CMAB807 from Biomabs at a consideration of RMB66,038,000 (excluding value added tax). Till 31 December 2021, the outstanding payable balance was accrued to RMB47,170,000. For further details regarding the acquisition of CMAB807, please refer to the announcement of the Company dated 1 March 2021, and the circular dated 13 April 2021 published on the websites of the Stock Exchange and the Company.

b. In March 2021, the Group entered into an agreement with Biomabs in relation to contract development and manufacturing in relation to CMAB807, at a consideration of RMB42,478,000 (excluding value added tax), while RMB8,849,000 (excluding value added tax) has been prepaid as at 31 December 2021. For further details regarding the contract development and manufacturing of CMAB807, please refer to the announcement of the Company dated 1 March 2021, and the circular

dated 13 April 2021 published on the websites of the Stock Exchange and the Company.

31. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

	2021 *RMB'000*	2020 *RMB'000*
Rental deposit to a related party:		
Biomabs	**411**	411
Amounts due from a related party:		
Prepayments – trade nature		
Biomabs	**8,849**	–
Prepayments – non-trade nature		
Biomabs	**603**	–
	9,452	–
Amounts due to a related party:		
Trade payables		
Biomabs	**47,225**	54
Non-trade payables		
Biomabs	**739**	21
	47,964	75

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

31. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties: (continued)

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:

	2021 *RMB'000*	2020 *RMB'000*
Within 60 days	**55**	39
Over 60 days but within 1 year	**47,170**	15
	47,225	54

(c) Compensation of key management personnel of the Group

	2021 *RMB'000*	2020 *RMB'000*
Salaries, bonuses, allowances and benefits in kind	**4,208**	4,016
Pension scheme contributions	**283**	24
Directors' fee	**294**	321
Share-based compensation	**5,871**	9,601
Consultation fee	**534**	533
	11,190	14,495

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 2021

Financial assets

	Financial assets at amortised cost *RMB'000*
Financial assets included in prepayments and other receivables and other non-current assets	5,435
Rental deposit to a related party	411
Trade receivables	793
Pledged bank deposits	34,748
Cash and bank balances	81,556
	122,943

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in trade and other payables	122,368
Amounts due to a related party	47,964
	170,332

32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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
Amounts due to a related party	75
	101,593

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise pledged bank deposits 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, trade receivables, 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 and pledged bank deposits are denominated in foreign currencies of the respective group entities which are exposed to foreign currency risk. The Group currently does 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	Increase/ (decrease) in equity
	%	*RMB'000*	*RMB'000*
31 December 2021			
If RMB weakens against US$	**5**	**1,778**	**1,778**
If RMB strengthens against US$	**(5)**	**(1,778)**	**(1,778)**
If RMB weakens against HK$	**5**	**1,952**	**1,952**
If RMB strengthens against HK$	**(5)**	**(1,952)**	**(1,952)**
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)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The credit risk of the Group's other financial assets, which comprise pledged bank deposits, 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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging

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

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Financial assets included in prepayments and other receivables and other non-current assets *(note a)*	5,435	–	–	–	5,435
Rental deposit to a related party	411	–	–	–	411
Trade receivables (note b)	–	–	–	793	793
Pledged bank deposits	34,748	–	–	–	34,748
Cash and bank balances	81,556	–	–	–	81,556
	122,150	–	–	793	122,943

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments and other receivables and other non-current assets *(note a)*	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	–	–	–	484,846
	491,481	–	–	–	491,481

Notes:

a. The credit quality of the financial assets included in prepayments and other receivables and other non-current assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

b. For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix and further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables is disclosed in note 19 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

As at 31 December 2021, the Group had certain concentrations of credit risk as the Group's trade receivables were mainly due from several customers. The Group sets a maximum credit limit for each customer. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

	2021			
	Less than 1 year or on demand *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Amounts due to a related party	47,964	–	–	47,964
Financial liabilities included in trade and other payables	122,368	–	–	122,368
Lease liabilities to third parties	7,114	18,279	19,667	45,060
Lease liability to a related party	4,903	9,052	–	13,955
	182,349	27,331	19,667	229,347

	2020			
	Less than 1 year or on demand *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Amounts due to a related party	75	–	–	75
Financial liabilities included in 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

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 shares 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 2021 and 31 December 2020.

	2021	2020
	RMB'000	*RMB'000*
Total liabilities	**297,921**	281,552
Total assets	**899,902**	1,163,037
Gearing ratio	**33.1%**	24.2%

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Non-current assets		
Plant and equipment	40	50
Right-of-use assets	940	1,237
Other non-current assets	54	54
Investments in subsidiaries	1,378,946	1,269,690
	1,379,980	1,271,031
Current assets		
Prepayments and other receivables	405	405
Amounts due from a subsidiary	6,541	–
Cash and bank balances	32,442	144,637
	39,388	145,042
Current liabilities		
Trade and other payables	5,500	13,077
Amounts due to subsidiaries	30,322	21,649
Lease liability to a third party	273	274
	36,095	35,000
Net current assets	3,293	110,042
Total assets less current liabilities	1,383,273	1,381,073
Non-current liabilities		
Lease liability to a third party	619	919
Net assets	1,382,654	1,380,154

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2021 *RMB'000*	2020 *RMB'000*
Capital and reserves		
Share capital	**2,804**	2,804
Reserves *(note)*	**1,379,850**	1,377,350
Total equity	**1,382,654**	1,380,154

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 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 and 1 January 2021	**1,400,504**	**31,695**	**(54,849)**	**1,377,350**
Loss and total comprehensive expense for the year	**–**	**–**	**(9,740)**	**(9,740)**
Recognition of equity-settled share-based compensation	**–**	**12,240**	**–**	**12,240**
At 31 December 2021	**1,400,504**	**43,935**	**(64,589)**	**1,379,850**

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2022.

Five Year Financial Summary

	For the year ended December 31,				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)		
Revenue	**82,882**	–	–	–	–
Cost of sales	**(16,777)**	–	–	–	–
Gross profit	**66,105**	–	–	–	–
Other income	**14,818**	32,237	17,999	24,059	4,798
Other expenses	**–**	–	(4,127)	(12,507)	(307)
Other gains and losses	**(6,637)**	(26,714)	15,962	(2,427)	(2,337)
Selling and distribution expenses	**(9,423)**	–	–	–	–
Research and development expenses	**(263,572)**	(120,418)	(134,189)	(88,983)	(21,632)
Administrative expenses	**(90,632)**	(65,795)	(62,952)	(42,128)	(24,900)
Finance costs	**(2,403)**	(3,942)	(7,695)	(4,481)	(3,328)
Listing expenses	**–**	–	(27,527)	(26,126)	–
Loss before tax	**(291,744)**	(184,632)	(202,529)	(152,593)	(47,706)
Income tax credit	**–**	–	–	2,834	–
Loss and total comprehensive expense for the year	**(291,744)**	(184,632)	(202,529)	(149,759)	(47,706)
Total comprehensive expense attributable to:					
Owners of the Company	**(291,744)**	(184,632)	(202,529)	(124,883)	(31,064)
Non-controlling interests	**–**	–	–	(24,876)	(16,642)
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Loss per share					
– Basic	**(0.07)**	(0.04)	(0.05)	(0.06)	(0.02)
– Diluted	**(0.07)**	(0.04)	(0.05)	(0.06)	N/A

	As at December 31, 2021	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*	*RMB'000*
	(audited)	(audited)	(audited)		
Non-current assets	**652,132**	593,911	441,338	212,469	134,207
Current assets	**247,770**	569,126	955,139	260,753	154,935
Current liabilities	**235,004**	202,627	270,334	156,450	70,853
Net current assets	**12,766**	366,499	684,805	104,303	84,082
Non-current liabilities	**62,917**	78,925	72,432	67,200	65,000
Net assets	**601,981**	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

"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
"Memorandum"	the memorandum of association of the Company, as amended, modified or otherwise supplemented from time to time
"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, 2021 to December 31, 2021
"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
"CDMO"	Contract Development and Manufacturing Organization
"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

"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
"CMAB809"	a phase I clinical trial biosimilar drug candidate based on Herceptin for the treatment of metastatic breast cancer and metastatic gastric cancer
"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
"IBD"	inflammatory bowel disease
"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 IgG1κ 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
"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
"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