邁博藥業

MABPHARM LIMITED

迈博药业有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2181

2019 INTERIM REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Qian Weizhu *(Chief Executive Officer)*
Dr. Wang Hao
Mr. Li Yunfeng
Dr. Li 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)*
Dr. Qian Weizhu
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
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

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Koutai Road West
China Medical City
Taizhou
PRC
225300

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 713 of 7th Floor of Lakeside 1
Phase 2, Hong Kong Science Park
Shatin, New Territories
Hong Kong

AUDITOR AND REPORTING ACCOUNTANT

Deloitte Touche Tohmatsu
Certified Public Accountants
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88 Queensway
Admiralty
Hong Kong

LEGAL ADVISORS

As to Hong Kong law

Stevenson, Wong & Co.
39/F, Gloucester Tower,
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As to PRC law

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23th Floor, Tower 1,
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Futian District
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As to Cayman Islands law

Walkers (Hong Kong)
15/F, Alexandra House
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Central
Hong Kong

COMPLIANCE ADVISOR

Red Solar Capital Limited
11th Floor, Kwong Fat Hong Building
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Hong Kong

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
Cayman Corporate Centre
27 Hospital Road
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 six months ended June 30,		
	2019	2018	Change
	RMB'000	*RMB'000*	*(%)*
	(unaudited)	(unaudited)	(unaudited)
Other income	**3,726**	10,187	(63.4)
Other expenses	**–**	(5,502)	(100.0)
Other gains and losses	**(1,322)**	(1,586)	(16.6)
Research and development expenses	**(58,703)**	(26,322)	123.0
Administrative expenses	**(27,882)**	(12,702)	119.5
Finance cost	**(3,973)**	(1,899)	109.2
Listing expenses	**(27,527)**	(5,282)	421.1
Loss before tax	**(115,681)**	(43,106)	168.4
Income tax expense	**–**	–	–
Loss and total comprehensive expense for the period	**(115,681)**	(43,106)	168.4
Total comprehensive expense attributable to:			
Owners of the Company	**(115,681)**	(28,066)	312.2
Non-controlling interests	**–**	(15,040)	(100.0)
	RMB	*RMB*	
Loss per share			
– Basic	**(0.03)**	(0.02)	
– Diluted	**(0.03)**	N/A	

	At June 30, 2019	At December 31, 2018	Change
	RMB'000	*RMB'000*	*(%)*
	(unaudited)	(audited)	(unaudited)
Non-current assets	**344,013**	212,469	61.9
Current assets	**1,063,289**	260,753	307.8
Current liabilities	**231,878**	156,450	48.2
Net current assets	**831,411**	104,303	697.1
Non-current liabilities	**41,677**	67,200	(38.0)
Net assets	**1,133,747**	249,572	354.3

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 nine monoclonal antibody drugs, three of which are our Core Products under phase III clinical trials: CMAB007 (omalizumab), CMAB009 (cetuximab) and CMAB008 (infliximab). Among our other drug candidates, CMAB809 (trastuzumab) entered phase I clinical trials and CMAB819 (nivolumab) will soon be put into clinical trials.

We have strong in-house capabilities in research, pre-clinical and clinical development, and manufacturing, and are building our sales and marketing team to prepare for the commercialization of our product candidates. We focus on the R&D of monoclonal antibodies. Our core R&D team members have more than 16 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. As disclosed in the Prospectus, our production site in Taizhou, currently equipped with a 3×1,500L monoclonal antibody bioreactor system, is one of the largest antibody drug production facilities in China in terms of production capacity.

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.

Management Discussion and Analysis

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 June 30, 2019:

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
Respiratory Disease	IgE	Asthma	CMAB007 (INN name: Omalizumab)	New Drug/ Core Product					NDA submission (Quarter 1, 2020)	Quarter 4, 2020	PRC and overseas (excluding Japan, North America and Europe)	Xolair®
Cancer	EGFR	Colorectal Cancer	CMAB009 (INN name: Cetuximab)	New Drug/ Core Product					NDA submission (Quarter 4, 2021)	Quarter 2, 2022	PRC and overseas (excluding Japan, North America and Europe)	Erbitux®
Autoimmune Disease	TNF-α	Rheumatoid Arthritis	CMAB008 (INN name: Infliximab)	New Drug/ Core Product					NDA submission (Quarter 4, 2019)	Quarter 2, 2020	PRC and overseas (excluding Japan, North America and Europe)	Remicade®、Humira®、Enbrel®、Simponi®、Yisaipu® and Anbainuo®
Cancer	PD1	Non-small cell lung cancer and hepatocellular carcinoma	CMAB819 (INN name: Nivolumab)	New Drug					Phase III (Quarter 1, 2020)	Quarter 2, 2026	Global	Opdivo®、Keytruda®、Tyvyt®、JS001
Cancer	HER2	Breast Cancer/ Gastric Cancer	CMAB809 (INN name: Trastuzumab)	Biosimilar					Phase III (Quarter 4, 2019)	Quarter 4, 2022	Global	Herceptin®
Autoimmune Disease	TNF-α	Rheumatoid Arthritis	CMAB815 (INN name: Adalimumab)	Biosimilar					Phase III (Quarter 2, 2020)	Quarter 2, 2022	Global	Qiangke®
Cancer	HER2	Breast Cancer	CMAB810 (INN name: Pertuzumab)	Biosimilar					Phase III (Quarter 3, 2021)	Quarter 2, 2024	Global	Perjeta®

Field	Target	Indication	Drug candidate code	Classification	Pre-clinical	Phase I	Phase II or Phase II/III	Phase III	Expected time to reach the next regulatory milestone	Anticipated completion of regulatory review	Commercial rights	Competitive marketed drugs
Respiratory Disease	RSV	Prevention of severe lower respiratory tract disease caused by RSV	CMAB813 (INN name: Palivizumab)	Biosimilar					Phase III (Quarter 3, 2021)	Quarter 4, 2024	Global	Synagis®
Autoimmune Disease	IL-1β	Periodic Fever Syndromes/ Systemic Juvenile Idiopathic Arthritis	CMAB816 (INN name: Canakinumab)	Biosimilar					Phase III (Quarter 1, 2021)	Quarter 4, 2023	Global	ILaris®

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.

CMAB007 (omalizumab)

CMAB007 (omalizumab), a recombinant humanized anti-IgE monoclonal antibody, is our new drug candidate for treatment of asthma patients who remain inadequately controlled despite med/high dose of ICS plus LABA. As of June 30, 2019, CMAB007 was the only mAb asthma therapy developed in China by a local Chinese company that had reached phase III clinical trial, and we believe that, once approved by the National Medical Products Administration (the "**NMPA**"), it will be the first mAb asthma therapy developed by a local Chinese company marketed in China. CMAB007 combines with free IgE to form an anti-IgE complex that inhibits the high affinity IgE receptor and thereby prevents the allergic response. The safety and efficacy of CMAB007 have been confirmed by the results of two completed clinical trials of a total of 665 subjects, which were the largest clinical trials of mAb treating asthma in China. Based on our clinical trial results, CMAB007 can improve asthma patients' conditions with lower-dose inhaled corticosteroids and reduce the incidence of acute asthma attacks.

During the period from January to June 2019, CMAB007 was under phase III clinical trials for allergic asthma. As of June 30, 2019, we had completed case recruitment for the clinic trials. We expect to file the drug marketing application with the NMPA at the beginning of 2020 upon completion of clinical observation and data analysis of all cases. We are also preparing for clinical trials of other indications of CMAB007. Currently, we expect that CMAB007 may be approved by the NMPA for marketing in the fourth quarter of 2020.

CMAB009 (cetuximab)

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

During the period from January to June 2019, CMAB009 was under phase III clinical trials for colorectal cancer.We expect to file the drug marketing application with the NMPA in 2021 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 second quarter of 2022.

CMAB008 (infliximab)

CMAB008 (infliximab), a recombinant anti-TNF-alpha chimeric monoclonal antibody, is our new drug candidate based on infliximab for moderate to severe active rheumatoid arthritis and is potentially one of the best in class of chimeric anti-TNF-alpha antibody in China. CMAB008 was the first NMPA approved chimeric anti-TNF-alpha antibody for clinical trial developed in China by a local Chinese company. CMAB008 uses the CHO expression system which reduces immunogenicity, according to our clinical results compared to published results of the currently marketed infliximab products. The safety and efficacy of CMAB008 have been confirmed by the results of three completed clinical trials of a total of 588 subjects, which were the largest clinical trials of infliximab in China. Based on our clinical results compared to published clinical results of currently marketed infliximab products, we believe that CMAB008 is safer than, and as effective as, the marketed infliximab products for treatment of moderate to severe active rheumatoid arthritis as of June 30, 2019. We are conducting a head-to-head study versus the currently marketed infliximab product to confirm better safety profile and immunogenicity of CMAB008 and its non-inferior efficacy.

During the period from January to June 2019, CMAB008 was under phase III clinical trials for rheumatoid arthritis. We expect to file the drug marketing application with the NMPA in late 2019 upon completion of clinical observation and data analysis of all cases. Currently, we expect that CMAB008 may be approved by the NMPA for marketing in the second quarter of 2020.

Other Product Candidates

CMAB819 (nivolumab) is our new drug candidate pending phase I clinical trial. CMAB819 was approved by the NMPA for clinical trial in September 2017. As of June 30, 2019, we have completed the preparation of clinical samples and are preparing the initiation of phase I clinical trial. CMAB819 is indicated for the treatment of metastatic non-small cell lung cancer and hepatocellular carcinoma.

CMAB809 (trastuzumab) is our phase I clinical trial biosimilar drug candidate. CMAB809 was approved by the NMPA for clinical trial in April 2017. As of June 30, 2019, we had launched subjects engagement and drug introduction of phase I clinical trial. CMAB809 is indicated for the (adjuvant) treatment of HER2 overexpressing breast cancer or metastatic gastric cancer.

CMAB815 (adalimumab) is our IND-filing-stage biosimilar drug candidate. It is under evaluation for clinical trial approval by China's Center for Drug Evaluation, which we expect to receive by December 2019. CMAB815 is indicated for the treatment of rheumatoid arthritis.

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. The pilot processes have been completed and the pre-clinical animal experiments will commence shortly. CMAB810 is indicated for the treatment of breast cancer.

CMAB813 (palivizumab) is our pre-clinical trial biosimilar drug candidate. The related screening processes and the establishment of a cell bank have been completed. The pilot processes are being developed. CMAB813 is indicated for the prevention of severe lower respiratory tract disease caused by RSV in pediatric patients.

CMAB816 (canakinumab) is our pre-clinical trial biosimilar drug candidate. The related screening processes and the establishment of cell bank have been completed. The pilot processes are being developed. CMAB816 is indicated for the treatment of periodic fever syndrome and systemic juvenile idiopathic arthritis.

Research and development of new drug candidates

We have launched a series of follow-up R&D of new antibody drugs for the treatment of 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 within the next year, thus further expanding our product line and providing 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, we currently have three Core Products under phase III clinical development and two other products approved for clinical trials. We 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 on our R&D teams possess strong academic background from leading institutions in immunology, molecular biology, oncology or monoclonal antibody development.

DRUG CANDIDATES COMMERCIALIZATION AND PRODUCTION FACILITIES CONSTRUCTION

Existing production facilities

Our production site in Taizhou has two buildings of 15,000 square meters each and houses our mAb production facilities. The first building is equipped with production facilities currently in operation, including (i) a 3×1,500L antibody bioreactor system 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. We have not commenced commercial manufacturing at our production facilities.

Construction of new production facilities

We plan to construct new production facilities in the second building of our Taizhou production site and on the parcel of industrial land of approximately 100,746 square meters in Taizhou Hi-tech Zone. Our expansion plan includes the construction of (i) three cGMP-certified workshops, each with a 3×1,500L stainless steel bioreactor system, and corresponding purification lines, which has kicked off construction and is expected to be put into operation in the first half of 2020; (ii) two large-scale monoclonal antibody drug substance production lines with production capacities of 2×18,000L and 3×7,500L, respectively, and (iii) two drug product filling lines which have obtained construction approval and kicked off construction.

Marketing and distribution

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

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

We expect to sell our products to (i) distributors that sell our products to hospitals and (ii) direct-to-patient pharmacies and others. We plan to build our network of distributors future when our products are approved to be marketed by the NMPA. We anticipate that our distribution model will be consistent with customary industry practice and serves to ensure efficient coverage of our sales network while controlling our cost of distribution and account receivables. We intend to select our distributors based on their qualifications, reputation, market coverage and sales experience. To distribute our products in the future, a distributor must maintain its business license and other requisite licenses and permits. A distributor must also maintain extensive hospital coverage in the designated region. A distributor must be capable of delivering our products to covered hospitals in a safe and timely manner. We plan to actively monitor the inventory levels of our distributors to increase the efficiency of our distribution network. To date, we have not entered into any distribution agreement with distributors.

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 that are 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 GMP management requirements.

Future and outlook

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

Over the short-term, we intend to focus on completing clinical trials and the eventual commercialization of our current pipeline of drug candidates, particularly our Core Products, CMAB007, CMAB009 and CMAB008. We are expected to file the drug marketing application for CMAB008 with the NMPA in late 2019. To bring our Core Products to market, we aim to reinforce our R&D teams, particularly the clinical medicine team, through the provision of regular professional training and pushing ahead with the clinical trials for CMAB007, CMAB009 and CMAB008. We are also in the process of establishing a sales team consisting of staff with strong academic promotion experience and capabilities. Our goal is to generate stable revenue and profits in the future by creating our own sales team in China and strengthening our commercialization capabilities by further building our sales team.

Continue to maintain investments in advanced technologies and product development

We believe R&D is the key element to support our future growth and our ability to maintain our competitiveness in a global biopharmaceutical market. We plan to upgrade the development of our integrated technological platforms from molecular design to commercialized production, and focus on the R&D of biologics with huge clinical demand and the potential for sustained and rapid growth in China. In order to capture new opportunities in the biopharmaceutical market, we plan to continue increasing our investment into innovative technologies for the development of drugs with improved curative effects and less toxic side effects in order to maintain our industry leading position. We also expect to invest in talent to expand and enhance our R&D team. It is expected that pre-clinical experiments will be launched for one to two antibody new drugs in late 2019.

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 sophisticate 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 to certain of our drug candidates to other pharmaceutical companies. We may also consider developing collaborative partnerships with global pharmaceutical companies in order to enter and expand our market share in markets outside of China and to further broaden the geographic coverage of our business. As part of this strategy, we may take advantage of strategic opportunities for merger and acquisition internationally to expand our pipeline of products for R&D development and sales in overseas markets.

FINANCIAL INFORMATION

The financial information set out below in this interim report represents an extract from the interim condensed consolidated financial information, which is unaudited but has been reviewed by the Audit Committee of the Company.

FINANCIAL REVIEW

The following table summarizes our results of operations for the six months ended June 30, 2019 and 2018:

	For the six months ended June 30,			
	2019	2018	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*(%)*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other income	**3,726**	10,187	(6,461)	(63.4)
Other expenses	**–**	(5,502)	5,502	(100.0)
Other gains and losses	**(1,322)**	(1,586)	264	(16.6)
Research and development expenses	**(58,703)**	(26,322)	(32,381)	123.0
Administrative expenses	**(27,882)**	(12,702)	(15,180)	119.5
Finance cost	**(3,973)**	(1,899)	(2,074)	109.2
Listing expenses	**(27,527)**	(5,282)	(22,245)	421.1
Loss before tax	**(115,681)**	(43,106)	(72,575)	168.4
Income tax expense	**–**	–	–	–
Loss and total comprehensive expense for the period	**(115,681)**	(43,106)	(72,575)	168.4
Total comprehensive expense attributable to:				
Owners of the Company	**(115,681)**	(28,066)	(87,615)	312.2
Non-controlling interests	**–**	(15,040)	15,040	(100.0)
	RMB	*RMB*		
Loss per share				
– Basic	**(0.03)**	(0.02)		
– Diluted	**(0.03)**	N/A		

OTHER INCOME

Other income of the Group decreased by 63.4% from RMB10.2 million for the six months ended June 30, 2018 to RMB3.7 million for the six months ended June 30, 2019, which was primarily due to the lack of income from provision of preparation process services during the Reporting Period as the Company was committed to the R&D of self-owned products and ceased to provide preparation process services to other companies.

Income from provision of preparation process services primarily represents the income from contract manufacturing, which provides support to the pharmaceutical industry in the form of manufacturing services outsourced on a contract basis.

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

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank interest income	**187**	19
Government grants	**3,539**	3,920
Income from preparation process service		
– Related parties	**–**	5,983
– Third parties	**–**	265
	3,726	10,187

OTHER EXPENSES

The Group did not incur other expenses for the six months ended June 30, 2019 (compared to RMB5.5 million for the six months ended June 30, 2018), which was primarily due to the Group ceased to provide preparation process services to other companies during the Reporting Period and therefore no corresponding cost was incurred.

Other expenses of the Group primarily consisted of cost from preparation process services to other companies.

OTHER GAINS AND LOSSES

Other losses of the Group decreased by 16.6% from RMB1.6 million for the six months ended June 30, 2018 to RMB1.3 million for the six months ended June 30, 2019, which was primarily due to foreign exchange losses denominated in U.S. dollars as a result of the significant depreciation of U.S. dollars against RMB held by the Group at the beginning of 2019.

Other gains and losses of the Group primarily consisted of foreign exchange gains and losses.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of pipelines of the Group increased by 123.0% from RMB26.3 million for the six months ended June 30, 2018 to RMB58.7 million for the six months ended June 30, 2019, which was primarily due to the increase in expenses on clinical trials, staff cost and depreciation of equipment with the progress of the clinical trials.

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

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

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Contracting costs	**21,935**	10,492
Raw materials and consumables	**11,833**	9,390
Staff Cost	**15,619**	4,272
Depreciation and amortization	**4,028**	418
Others	**5,288**	1,750
Total	**58,703**	26,322

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by 119.5% from RMB12.7 million for the six months ended June 30, 2018 to RMB27.9 million for the six months ended June 30, 2019, which was primarily due to the increase in staff salary and benefits as well as depreciation and amortization as a result of the continuous expansion of the Group's business.

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

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

	For the six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Staff Cost	**16,000**	5,562
Building rental fees	**17**	717
Depreciation	**7,022**	3,927
Others	**4,843**	2,496
Total	**27,882**	12,702

FINANCE COSTS

Finance costs of the Group increased by 109.2% from RMB1.9 million for the six months ended June 30, 2018 to RMB4.0 million for the six months ended June 30, 2019, which was primarily due to a higher interest rate on bank loans when compared it with the interest rate of related party loans.

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

LISTING EXPENSES

Listing expenses of the Group increased by 421.1% from RMB5.3 million for the six months ended June 30, 2018 to RMB27.5 million for the six months ended June 30, 2019 in line with the progress of Listing and it is expected that no such expenses will be incurred in the future.

LIQUIDITY AND CAPITAL RESOURCES

Our bank balances and cash increased by RMB811.2 million from RMB198.2 million at December 31, 2018 to RMB1,009.4 million at June 30, 2019, which was primarily due to the listing of our shares on the Stock Exchange on May 31, 2019 and the net proceeds from the Global Offering of approximately HK$1,144.5 million.

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

	At June 30, 2019 *RMB'000* **(unaudited)**	At December 31, 2018 *RMB'000* (audited)	Change *(%)* (unaudited)
Prepayments and other receivables	**18,482**	20,826	(11.3)
Amounts due from related parties	**9**	668	(98.7)
Inventories	**22,429**	27,551	(18.6)
Contract costs	**12,991**	12,991	0
Pledged bank deposits	**–**	522	(100.0)
Bank balances and cash	**1,009,378**	198,195	409.3
Total	**1,063,289**	260,753	307.8

INDEBTEDNESS

Borrowings

As of June 30, 2019, we had total borrowings of RMB95.2 million (inclusive of interest), non-trade amount due to a related party of RMB0.8 million and lease liabilities of RMB46.7 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 borrowings, non-trade payables to related parties and lease liabilities at the dates indicated:

	At June 30, 2019 *RMB'000* (unaudited)	At December 31, 2018 *RMB'000* (audited)
Unsecured and unguaranteed loans from Biomabs	–	40,000
Unsecured and unguaranteed loan from Ms. Guo Xiaoxin	–	65,000
Unsecured and unguaranteed amount due to Biomabs	830	13,051
Lease liabilities	46,702	–
Secured borrowings from the bank	95,235	–

As at June 30, 2019, we have repaid all principal and corresponding interests to Biomabs and Ms. Guo Xiaoxin, of which RMB89.6 million was repaid with the proceeds from our drawdowns between April 2019 and June 2019 of an aggregate amount of RMB95.1 million under a RMB100.0 million bank facility. The outstanding balance of the loans from Ms. Guo Xiaoxin was repaid by our own cash.

Upon application of International Financial Reporting Standards ("**IFRS**") 16 since January 1, 2019, we recognized right-of-use assets and corresponding lease liabilities in respect of all leases, except for short-term leases and leases of low value assets. As at June 30, 2019, 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 RMB46.7 million.

Contingent Liabilities, Charge of assets and Guarantees

As of June 30, 2019, we did not have any 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

On April 8, 2019, in preparing for the Global Offering, the then existing shareholders of the Company passed resolutions to conditionally approve, among other things, (i) to increase in the authorized share capital of the Company from 500,000,000 ordinary shares of US$0.0001 par value each to 50,000,000,000 ordinary shares of US$0.0001 par value each; (ii) to allot and issue at par 3,265,500,000 shares as fully paid, which shall rank pari passu in all respects with the then existing shares for allotment and issue, to the persons whose names appear on the register of members of the Company on the day preceding the Listing Date in proportion to their respective shareholdings (as nearly as possible without involving fractions) in the Company by way of capitalization of an amount of US$326,550 standing to the credit of the share premium account of the Company. On May 30, 2019, 3,265,500,000 shares of the Company were issued under the Capitalization Issue.

Subsequently, 783,580,000 shares of the Company were issued under the Global Offering and the shares of the Company were listed on the Main Board of the Stock Exchange on May 31, 2019. There were no changes in the capital structure of the Group since then. The share capital of the Group only comprises ordinary shares. As at June 30, 2019, 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 19.4% debt and 80.6% equity as at June 30, 2019, compared with 47.3% debt and 52.7% equity as at December 31, 2018.

FOREIGN EXCHANGE

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which our Group conducts business may affect our financial condition and results of operation.The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars and the U.S. dollars. The conversion of foreign currencies into RMB, including Hong Kong dollars and the U.S. dollars, has been based on rates set by the People's Bank of China. The Group seeks to limit our exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. During the Reporting Period, the Group did not enter into any currency hedging transactions. The foreign exchange loss denominated in foreign currencies represented 100% of other losses for the six months ended June 30, 2018 and the Reporting Period, respectively.

GEARING RATIO

Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. As at June 30, 2019, the gearing ratio of the Group was 19.4% (unaudited) (Compared to 47.3% (audited) as at December 31, 2018).

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

	At June 30, 2019 (unaudited) %	At December 31, 2018 (audited) %
Current ratio[1]	**458.6**	166.7
Quick ratio[2]	**448.9**	149.1

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 increased from 166.7% as of December 31, 2018 to 458.6% as of June 30, 2019, and our quick ratio increased from 149.1% as of December 31, 2018 to 448.9% as of June 30, 2019, primarily due to a significant increase in bank balances and cash as a result of proceeds from the offering of ordinary shares.

Other Information

INTERIM DIVIDEND

No dividend was paid, declared or proposed 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 net proceeds from the Global Offering (after deducting the underwriting fees and related expenses) were approximately RMB1,005.1 million, which included approximately RMB37.7 million which forms part of the Listing expenses payable settled after receipt of the proceeds from the Listing. By excluding this portion, the net proceeds planned for applications amount to approximately RMB967.4 million. As at the date of this interim report, the Company used a total of approximately RMB14.2 million of the proceeds, including RMB8.6 million for research and development of our Core Products, RMB5.6 million for working capital and general purpose. The Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus. The table below sets out the planned applications of the net proceeds of the Global Offering and actual usage up to June 30, 2019:

Use of proceeds[1]	**Allocation of net proceeds of the Global Offering** *(RMB million)*	**Percentage of total net proceeds**	**Utilized amount (as of June 30, 2019)** *(RMB million)*	**Unutilized amount (as of June 30, 2019)** *(RMB million)*
For R&D of our Core Products	180.9	18.7%	0.5	180.4
For production scale-up and construction of new production facilities in Taizhou, PRC	497.2	51.4%	8.1	489.1
For R&D of our other product candidates	194.4	20.1%	0.0	194.4
For working capital and other general corporate purposes	94.8	9.8%	5.6	89.2
Total	967.4	100%	14.2	953.2

Note:

(1) Net IPO proceeds were received in Hong Kong dollar and translated to Renminbi for application planning.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this interim report, as at the date of this interim report, there were no significant investments held by the Group or future plans regarding significant investment or capital assets. For the six months ended June 30, 2019, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

EMPLOYEE AND REMUNERATION POLICY

As of June 30, 2019, we had a total of 262 employees, of which 85 are located in Shanghai and 177 are located in Taizhou.

The table below sets forth a breakdown of our employees by function as of the date of this interim report.

Function	Number of Employees
Business units	41
R&D personnel[(1)]	148
Sales and marketing[(2)]	9
Administration	21
Management	43
Total	262

Notes:

(1) The number of R&D personnel here excludes 21 R&D team members who have been included in our management.

(2) The number of sales and marketing personnel here excludes our seven 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 interim report, 89, 12 and 5 of our scientists held a bachelor's degree or equivalent, a master's degree or equivalent, and a Ph.D. degree or equivalent in fields that are highly relevant to our business. In addition, as of the same date, 106 out of our 169 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. In addition, we have adopted an employee share option plan to provide an additional means to attract, motivate, retain and reward our employees.

We have established a labor union at Taizhou that represents employees with respect to the promulgation of bylaws and internal protocols. As of June 30, 2019, all of our employees at Taizhou were members of the labor union. We believe that we maintain a good working relationship with our employees. We had not experienced any material labor disputes or any material difficulty in recruiting employees for our operations during the Reporting Period and up to the date of this interim report.

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 June 30, 2019, 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 for Securities Transactions by Directors of Listed Issuers 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. Qian Weizhu (錢衛珠)	Beneficial owner (L) [3]	29,642,137	0.72%
Dr. Wang Hao (王皓)	Beneficial owner (L) [3]	24,827,006	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%

Notes:

(1) As at June 30, 2019, the total number of issued shares of the Company was 4,124,080,000.

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

(3) These interests represented the share options granted under the Pre-IPO Share Option Scheme. For details, please refer to Note 18 of this interim report.

Save as disclosed above, as at the date of this interim report, 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 June 30, 2019, 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 SFO, were as follows:

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

Notes:

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

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

(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 352 of the SFO, or as otherwise notified.

PRE-IPO SHARE OPTION SCHEME

Save as disclosed below and in Note 18 to the condensed consolidated financial statements in this interim report, the Company does not have other share option schemes.

On August 10, 2018, the Company adopted the Pre-IPO Share Option Scheme. 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. Subsequent to the granting of the share options, three of the grantees resigned from their respective positions within our Group. As such, the share options granted to these three grantees were lapsed and no longer exercisable. As of the date of this interim report, the number of Shares underlying the outstanding and unexercised share options granted under the Pre-IPO Share Option Scheme amounts to 83,237,781. None of the share options granted under the scheme has been exercised by any grantee. For details, please refer to Note 18 of this interim report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 interim 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 Companies 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 since the Listing Date and up to the date of this interim report. No incident of non compliance of the Model Code by the relevant employees was noted by the Company.

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.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL REPORT

The independent auditors of the Company, namely Deloitte Touche Tohmatsu, have carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has reviewed the interim consolidated financial statements of the Group for the six months ended June 30, 2019. The Audit Committee has also discussed matters with respect to the accounting principles and policies adopted by the Company and internal control with members of senior management and the external auditor of the Company, Deloitte Touche Tohmatsu. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

The Audit Committee consists of 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.

CHANGE IN INFORMATION OF DIRECTORS

As of June 30, 2019, there was no change in information of Directors subject to disclosure under Rule 13.51B(1) of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Our Directors have confirmed that as at June 30, 2019, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

IMPORTANT EVENTS AFTER THE REPORTING DATE

Save as disclosed in this interim report, no important events affecting the Company occurred since June 30, 2019 and up to the date of this interim report.

APPRECIATION

On behalf of the Board, I wish to express my sincere gratitude to our Shareholders and business partners for their continued support, and to our employees for their dedication and hard work.

By Order of the Board
Mabpharm Limited
Jiao Shuge
Chairman

Hong Kong, August 30, 2019

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF MABPHARM LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Mabpharm Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 33 to 73, which comprise the condensed consolidated statement of financial position as of June 30, 2019 and the related condensed consolidated statement of profit or loss and other comprehensive expense, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("**HKSRE 2410**") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

OTHER MATTER

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended June 30, 2018 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
August 30, 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Expense

For the six months ended June 30, 2019

	Notes	Six months ended June 30, 2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Other income	4	**3,726**	10,187
Other expenses		**–**	(5,502)
Other gains and losses	5	**(1,322)**	(1,586)
Research and development expenses		**(58,703)**	(26,322)
Administrative expenses		**(27,882)**	(12,702)
Finance cost	6	**(3,973)**	(1,899)
Listing expenses		**(27,527)**	(5,282)
Loss before tax	7	**(115,681)**	(43,106)
Income tax expense	8	**–**	–
Loss and total comprehensive expense for the period		**(115,681)**	(43,106)
Total comprehensive expense attributable to:			
Owners of the Company		**(115,681)**	(28,066)
Non-controlling interests		**–**	(15,040)
		(115,681)	(43,106)
		RMB	RMB
Loss per share	9		
– Basic		**(0.03)**	(0.02)
– Diluted		**(0.03)**	N/A

Condensed Consolidated Statement of Financial Position

At June 30, 2019

	Notes	At June 30, 2019 RMB'000 (unaudited)	At December 31, 2018 RMB'000 (audited)
Non-current assets			
Plant and equipment	11	132,635	122,833
Right-of-use assets	11	81,141	–
Other non-current assets	12	59,027	89,225
Rental deposit to a related party	20	411	411
Pledged bank deposits	14	70,799	–
		344,013	212,469
Current assets			
Prepayments and other receivables	13	18,482	20,826
Amounts due from related parties	20	9	668
Inventories		22,429	27,551
Contract costs		12,991	12,991
Pledged bank deposits	14	–	522
Bank balances and cash	14	1,009,378	198,195
		1,063,289	260,753
Current liabilities			
Trade and other payables	15	66,599	38,262
Amounts due to related parties	20	2,882	19,526
Lease liabilities		2,754	–
Lease liabilities to a related party	20	5,746	–
Contract liabilities		58,662	58,662
Borrowings	16	95,235	–
Loans from a related party	20	–	40,000
		231,878	156,450
Net Current Assets		831,411	104,303
Total Assets Less Current Liabilities		1,175,424	316,772

Condensed Consolidated Statement of Financial Position

At June 30, 2019

	Notes	At June 30, 2019 RMB'000 (unaudited)	At December 31, 2018 RMB'000 (audited)
Non-current liabilities			
Deferred income		**3,475**	2,200
Loan from a related party	*20*	**–**	65,000
Lease liabilities		**31,733**	–
Lease liabilities to a related party	*20*	**6,469**	–
		41,677	67,200
Net Assets		**1,133,747**	249,572
Capital and reserves			
Share capital	*17*	**2,804**	51
Reserves		**1,130,943**	249,521
Total Equity		**1,133,747**	249,572

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2019

	Attributable to owners of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Paid-in capital *RMB'000*	Other reserve *RMB'000*	Share option reserve *RMB'000*	Accumulated losses *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At January 1, 2019 (audited)	51	410,433	–	(32,763)	5,445	(133,594)	249,572	–	249,572
Shares issued upon initial public offerings	541	1,032,727	–	–	–	–	1,033,268	–	1,033,268
Transaction costs attributable to issue of new shares	–	(40,444)	–	–	–	–	(40,444)	–	(40,444)
Capitalization Issue *(Note 17 (b))*	2,212	(2,212)	–	–	–	–	–	–	–
Recognition of equity-settled share-based compensation	–	–	–	–	7,032	–	7,032	–	7,032
Loss and total comprehensive expense for the period	–	–	–	–	–	(115,681)	(115,681)	–	(115,681)
At June 30, 2019 (unaudited)	2,804	1,400,504	–	(32,763)	12,477	(249,275)	1,133,747	–	1,133,747
At January 1, 2018 (audited)	–	–	126,608	5,910	–	(32,705)	99,813	53,476	153,289
Net contribution by Biomabs *(Note a)*	–	–	–	7,775	–	–	7,775	4,165	11,940
Loss for the period from the Clinical Business transfer to other reserve *(Note b)*	–	–	–	(14,242)	–	14,242	–	–	–
Contribution from a related party *(Note c)*	–	–	–	10,418	–	–	10,418	5,582	16,000
Issue of ordinary shares *(Note 1.2)*	34	–	–	–	–	–	34	–	34
Loss and total comprehensive expense for the period	–	–	–	–	–	(28,066)	(28,066)	(15,040)	(43,106)
At June 30, 2018 (unaudited)	34	–	126,608	9,861	–	(46,529)	89,974	48,183	138,157

Notes:

(a) The net contribution from Shanghai Biomabs Pharmaceuticals Co., Ltd. ("**Biomabs**") represents the funding used in the clinical research and development activities carried out by Biomabs ("**Clinical Business**"), which was provided by Biomabs prior to the Business Transfer (as defined in Note 1.2).

(b) The loss in respect of the operations of the Clinical Business carried out by Biomabs prior to the Business Transfer legally belonged to Biomabs. Therefore, the net loss in respect of the Clinical Business was transferred to other reserve as such loss is non-distributable.

(c) The contribution represented the amounts paid by Biomabs to Taizhou Mabtech Pharmaceutical Limited (泰州邁博太科藥業有限公司) ("**Taizhou Pharmaceutical**") for the service rendered by Taizhou Pharmaceutical to the Clinical Business prior to the completion of the Business Transfer. Since the Clinical Business had been consolidated into the Group, these payments were accounted for as contribution from a related party to the Group.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2019

Prior to the Business Transfer in August 2018, the Clinical Business was operated under Biomabs and no separate bank accounts were maintained by the Clinical Business. The treasury and cash disbursement functions of the Clinical Business were centrally administrated by Biomabs. The net cash flows generated by the Clinical Business were kept in the bank accounts of Biomabs, which is reflected in "Cash injected for the Clinical Business by Biomabs" under the condensed consolidated statement of cash flows for the six months ended June 30, 2018. Accordingly, the funds provided for or withdrawn from Biomabs were presented as movements in the equity while there are no cash and cash equivalents balance for the Clinical Business.

For the purpose of presenting a completed set of condensed consolidated financial statements of the Group, the following comprises the information of cash inflow/outflow of the Group and the Clinical Business received/paid by Biomabs prior to the Business Transfer.

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(74,229)**	(48,178)
NET CASH USED IN INVESTING ACTIVITIES:		
Interest received from bank	**187**	19
Purchase of plant and equipment	**(17,958)**	(16,960)
Payment for acquisition of a land use right	**–**	(38,110)
Deposit paid for construction of production facilities	**–**	(3,000)
Advance to a related party	**(9)**	(3,384)
Repayment from a related party	**42**	–
Withdraw of pledged bank deposits	**522**	6,624
Placement of pledged bank deposits	**(70,799)**	(7,133)
	(88,015)	(61,944)

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2019

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
NET CASH FROM FINANCING ACTIVITIES:		
Interest paid	**(5,437)**	–
Loans obtained from a bank	**95,071**	–
Loans obtained from related parties	**–**	30,000
Repayments of loans from related parties	**(105,000)**	–
Repayments to a related party	**(12,221)**	–
Repayments of lease liabilities	**(2,732)**	–
Proceeds from the issue of the Company's ordinary shares	**1,033,268**	34
Issue costs paid	**(28,200)**	–
Contribution from a related party	**–**	16,000
	974,749	46,034
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**812,505**	(64,088)
Cash injected for the Clinical Business by Biomabs	**–**	11,940
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**198,195**	76,443
Effects of exchange rate changes on the balances of cash held in foreign currencies	**(1,322)**	(1,586)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**1,009,378**	22,709

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

1. GENERAL INFORMATION, GROUP REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 General Information

Mabpharm Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on June 1, 2018, and its shares are listed on The Stock Exchange of Hong Kong Limited on May 31, 2019 (the "**Listing Date**"). The address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the interim report.

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

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.

1.2 Group reorganization and basis of preparation and presentation of the condensed consolidated financial statements

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The functional currency of the Company is Renminbi ("**RMB**"), which is the same as the presentation currency of the condensed consolidated financial statements.

The companies and business comprising the Group underwent a group reorganization as described below (the "**Group Reorganization**").

1. GENERAL INFORMATION, GROUP REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Group reorganization and basis of preparation and presentation of the condensed consolidated financial statements (continued)

The major steps of the Group Reorganization comprised the following steps:

- On June 1, 2018, the Company was incorporated in the Cayman Islands with an authorized share capital of US Dollar ("**US$**") 50,000 divided into 500,000,000 shares of US$0.0001 each and 1 share of which was issued to a nominal shareholder and was subsequently transferred to Asia Mabtech Limited.

- On June 8, 2018, the Company incorporated Mabpharm Holdings Limited ("**Mabpharm Holdings**") in the British Virgin Islands with an issued capital of US$1.

- On June 27, 2018, the Company issued 46,249,999 and 3,750,000 shares to Asia Mabtech Limited and United Circuit Limited which are ultimately controlled by Mr. Guo Jianjun at US$0.0001 per share, respectively. The total cash consideration of such issue is US$5,000 (equivalent to RMB34,000).

- On July 5, 2018, Mabpharm Holdings incorporated Mabpharm (HK) Limited ("**Mabpharm HK**") in Hong Kong with an issued capital of Hong Kong Dollars ("**HK$**") 1.

- On July 20, 2018, the Company issued 25,000,000 shares to a group of non-controlling shareholders of the Company at a total cash consideration of approximately US$60.0 million (equivalent to RMB410,450,000).

- On July 25, 2018, Mabpharm HK entered into a share transfer agreement with Mabtech Holdings Limited, which is ultimately controlled by Mr. Guo Jianjun through the trust arrangement with Ms. Gu Nana. Pursuant to the agreement, Mabpharm HK acquired the entire equity interests of Taizhou Pharmaceutical and Taizhou Mabtech Biotechnology Limited (泰州邁博太科生物技術有限公司) ("**Taizhou Biotech**") from Mabtech Holdings Limited at a cash consideration of US$20,000,000 and US$8,700,000, respectively (totaling US$28,700,000 which is equivalent to RMB194,993,000). Such consideration was funded by the Company through a loan to Mabpharm HK.

1. GENERAL INFORMATION, GROUP REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Group reorganization and basis of preparation and presentation of the condensed consolidated financial statements (continued)

- On August 13, 2018, the Company and Taizhou Pharmaceutical entered into a business spin-off agreement with Sinomab Limited and its subsidiary, Biomabs, pursuant to which, Biomabs transferred its Clinical Business, which was principally engaged in clinical research and development of monoclonal antibody drugs, namely CMAB007 (omalizumab) and CMAB008 (infliximab) to the Company and Taizhou Pharmaceutical ("**Business Transfer**") at nil consideration. The transfer of the operations of the Clinical Business was completed on August 18, 2018.

- On August 13, 2018, the Company entered into an exclusive licensing agreement with Sinomab Limited, pursuant to which, Sinomab Limited exclusively licensed its interests in CMAB007 and CMAB008 in the People's Republic of China (the "**PRC**") to the Company at nil consideration.

- On August 13, 2018, the Company entered into a drug technology transfer agreement with Sinomab Limited, pursuant to which, Sinomab Limited shall transfer its rights and interests in CMAB007, CMAB008 and CMAB009 (cetuximab) in the overseas areas (excluding North America, Japan and Europe) to the Company at nil consideration.

- On August 28, 2018, Taizhou Pharmaceutical established Shanghai Shengheng Biotechnology Limited (上海晟珩生物技術有限公司) ("**Shengheng Biotech**") in the PRC with a paid-in capital of RMB5,000,000.

Taizhou Pharmaceutical, Taizhou Biotech, the Clinical Business and the Company are under common control of Mr. Guo Jianjun before and after the Group Reorganization. Therefore, the acquisition of Taizhou Pharmaceutical, Taizhou Biotech, the Clinical Business and the Company are accounted for as business combination under common control by applying the principles of merger accounting.

1. GENERAL INFORMATION, GROUP REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Group reorganization and basis of preparation and presentation of the condensed consolidated financial statements (continued)

The condensed consolidated statement of profit or loss and other comprehensive expense, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for six months ended June 30, 2018 include the results, changes in equity and cash flows of the entities comprising the Group and of the Clinical Business, on the basis stated below, as if Taizhou Pharmaceutical, Taizhou Biotech, the Clinical Business and the Company had been operated under a group since January 1, 2018 or the respective date of incorporation, where it is a shorter period with consideration of the controlling interest of Mr. Guo Jianjun in these entities and business.

To the extent the assets, liabilities, income and expenses that are specifically identified to the Clinical Business, such items are included in the condensed consolidated financial statements throughout the six months ended June 30, 2018. To the extent the assets, liabilities, income and expenses that are impracticable to identify specifically, these items are allocated to the Clinical Business on the basis set out below (such items include certain administrative expenses). Items that do not meet the criteria above are not included in the condensed consolidated financial statements of the Group.

Expenses which are impracticable to identify specifically to the Clinical Business are determined on the following basis: (1) included in the administrative expenses are administrative and support department staff salaries and staff welfare which were allocated based on the percentage of headcount of the Clinical Business to the total headcount of Biomabs; (2) income tax expense was calculated based on the tax rate of Biomabs as if the Clinical Business is a separate tax reporting entity. The directors of the Company believe that the method of allocation of the above expense items presents a reasonable basis of estimating what the Clinical Business's operating results would have been on a stand-alone basis for the six months ended June 30, 2018. Other than those items mentioned above, all other items of assets and liabilities, income and expenses of the Clinical Business are specifically identified.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2019 are the same as those followed in the preparation of the Group's financial statements for each of the two years ended December 31, 2018 underlying the preparation of historical financial information included in the Accountants' Report presented in the prospectus of the Company dated May 20, 2019 (the "**Prospectus**").

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the International Accounting Standards Board which are mandatory effective for the annual period beginning on or after January 1, 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs Standard 2015 – 2017 Cycle

Except as disclosed below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases ("**IAS 17**"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS16.

Definition of 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.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to 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 recognized as expense on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("**IFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Lease liabilities (continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Lease modifications (continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognized at initial recognition and over the lease terms due to application of the initial recognition exemption.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, January 1, 2019. Any difference at the date of initial application is recognized in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

ii. elected not to recognize right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

On transition, the Group has made the following adjustments upon application of IFRS 16:

At January 1, 2019, the Group recognized additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition.

The Group recognized lease liabilities of RMB43,840,000 (unaudited) and right-of-use assets of RMB42,611,000 (unaudited) at January 1, 2019.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The lessee's incremental borrowing rates applied for the lease contract is from 7.13% to 7.35%.

	Note	At January 1, 2019 *RMB'000* (unaudited)
Operating lease commitments disclosed at December 31, 2018		67,711
Less: Value added tax ("**VAT**") included in operating lease commitments		(6,154)
Operating lease commitments excluded VAT at December 31, 2018		61,557
Lease liabilities discounted at relevant incremental borrowing rates		42,633
Add: Accrued lease liabilities at January 1, 2019	*(a)*	1,229
Less: Recognition exemption – short-term lease		(22)
Lease liabilities at January 1, 2019		43,840
Analysed as		
Current		7,095
Non-current		36,745
		43,840

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

The carrying amount of right-of-use assets at January 1, 2019 comprises the following:

	Note	Right-of-use assets *RMB'000* (unaudited)
Right-of-use assets relating to operating leases recognized upon application of IFRS 16		43,840
Less: Accrued lease liabilities at January 1, 2019	*(a)*	(1,229)
		42,611
By class:		
Buildings		42,611

Note:

a. Accrued lease liabilities at January 1, 2019 were reclassified from amounts due to related parties and trade and other payables relating to accrued lease payments recognized in the statement of financial position immediately before the date of initial application.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognized in the condensed consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at December 31, 2018 *RMB'000* (audited)	Adjustments *RMB'000* (unaudited)	Carrying amounts under IFRS 16 at January 1, 2019 *RMB'000* (unaudited)
Non-current assets			
Right-of-use assets	–	42,611	42,611
Current Liabilities			
Amounts due to related parties	19,526	(374)	19,152
Trade and other payables	38,262	(855)	37,407
Lease liabilities	–	2,664	2,664
Lease liabilities to a related party	–	4,431	4,431
Non-current Liabilities			
Lease liabilities	–	32,399	32,399
Lease liabilities to a related party	–	4,346	4,346

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended June 30, 2019, movements in working capital have been computed based on opening statement of financial position at January 1, 2019 as disclosed above.

3. REVENUE AND SEGMENT INFORMATION

Intellectual property transfer agreement with a customer

In December 2016, the Group entered into an agreement with a third party customer for transferring of an intellectual property in relation to CMAB806 at a consideration of RMB65,180,000 ("**Intellectual Property Transfer Agreement**"). Upon the Group transfers the control of rights of the intellectual property to the customer, the Group will recognize revenue. The Group did not recognize revenue from this contract during the reporting period since the control of rights of the intellectual property had not been transferred to the customer. The research and development cost amounting to RMB10,407,000 incurred on this intellectual property before the Group entered into the Intellectual Property Transfer Agreement with the customer were all charged to profit or loss. While, after the inception of the Intellectual Property Transfer Agreement, the research and development cost incurred on this intellectual property, amounting to RMB12,991,000 at June 30, 2019 and December 31, 2018, were capitalized as cost to fulfil the contract and were included in contract costs in the condensed consolidated statement of financial position.

Unsatisfied performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied at June 30, 2019 and December 31, 2018:

	At June 30, 2019 *RMB'000* **(unaudited)**	At December 31, 2018 *RMB'000* (audited)
Intellectual property transfer	**65,180**	65,180

The Group expects that 100% of the transaction price allocated to the unsatisfied contract at June 30, 2019 will be recognized as revenue within one and a half year from June 30, 2019.

3. REVENUE AND SEGMENT INFORMATION (continued)

Unsatisfied performance obligations (continued)

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

The Group did not record any revenue during the six months ended June 30, 2019 and 2018 and the Group's non-current assets are substantially located in the PRC, accordingly, no analysis of geographical segment is presented.

4. OTHER INCOME

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank interest income	**187**	19
Government grants and subsidies related to income	**3,539**	3,920
Income from preparation process service *(Note a)*		
– related parties *(Note b)*	**–**	5,983
– third party	**–**	265
	3,726	10,187

Notes:

(a) Preparation process includes process parameters, process formulation and sample products prepared through the established process for drug manufacturing. The Group provided preparation process service to its related parties and a third party. Such income is recognized at a point in time upon the delivery of the process report and sample products to the counterparties and recorded in the "Other income" line item in profit or loss; and the relevant costs were included in "Other expenses" line item.

(b) Details of the related party service income are set out in Note 20.

5. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net foreign exchange loss	**(1,322)**	(1,586)

6. FINANCE COSTS

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on related party loans *(Note 20)*	**1,639**	1,899
Interest on bank loans	**900**	–
Interest on lease liabilities	**1,434**	–
	3,973	1,899

7. LOSS BEFORE TAX

Loss before tax for the period has been arrived at after charging:

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation for plant and equipment	**7,143**	5,967
Depreciation for right-of-use assets	**3,888**	–
Less: capitalized in contract costs	**–**	(1,504)
	11,031	4,463
Write downs of inventories recognized as an expense	**119**	–
Staff cost (including directors' emoluments):		
– Salaries and other benefits	**20,395**	13,527
– Retirement benefit scheme contributions	**2,229**	1,278
– Share-based payment expenses	**7,032**	–
– Consultation fee	**244**	240
	29,900	15,045
Less: capitalized in construction in progress/contract costs	**(321)**	(3,779)
	29,579	11,266
Auditors' remuneration	**600**	1,078
Minimum operating lease payment in respect of rented premises	**–**	979
Short-term lease payment	**17**	–
Less: capitalized in contract costs	**–**	(401)
	17	578
Cost of inventories recognized as expense (included in research and development cost)	**11,833**	9,390

8. INCOME TAX EXPENSE

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

No Hong Kong profit tax was provided for as there was no estimated assessable profit of the Group's Hong Kong subsidiary that was subject to Hong Kong profit tax during the periods presented in the condensed consolidated financial statements.

Under the Law of the PRC of Enterprise Income tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the estimated tax rate of the Group's PRC subsidiaries (other than Taizhou Pharmaceutical stated below) is 25% during the periods presented in the condensed consolidated financial statements. No PRC Enterprise Income tax was provided for as there was no estimated assessable profit of the Group's PRC subsidiaries during the periods presented in the condensed consolidated financial statements.

The enterprise income tax of the Clinical Business is estimated by treating the Clinical Business as a separate tax payer using the tax rate of Biomabs at 25% throughout the six months ended June 30, 2018.

Taizhou Pharmaceutical was accredited as a "High and New Technology Enterprise" in November 2018 and therefore is entitled to a preferential tax rate of 15% for a three-year period since 2018. The qualification as a High and New Technology Enterprise will be subject to review by the relevant tax authority in the PRC for every three years.

Deferred taxation had not been recognized on the unused tax losses and deductible temporary differences due to the unpredictability of future profit streams.

9. LOSS PER SHARE

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

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the purpose of calculating basic and diluted loss per share	**(115,681)**	(28,066)

	Six months ended June 30,	
	2019	2018
	(unaudited)	(unaudited)
Number of shares *('000)*:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**3,474,704**	1,450,100

The computation of basic loss per share for the six months ended June 30, 2018 and basic and diluted loss per share for the six months ended June 30, 2019 is based on weighted average number of shares assumed to be in issue after taking into account the retrospective adjustments on the assumption that the Group Reorganization as disclosed in Note 1.2 and the Capitalization Issue as disclosed in Note 17(b) had been in effect on January 1, 2018.

No diluted loss per share was presented for the six months ended June 30, 2018 as there were no potential dilutive ordinary shares in issue. The computation of diluted loss per share for the six months ended June 30, 2019 did not assume the exercise of the pre-IPO share options or the over-allocation option since their inclusion would be anti-dilutive.

10. DIVIDENDS

No dividends were paid, declared or proposed during the interim period.

11. MOVEMENTS IN PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS

During the six months ended June 30, 2019, the Group acquired RMB16,946,000 (unaudited) (six months ended June 30, 2018: RMB6,314,000 (unaudited)) of plant and equipment.

During the six months ended June 30, 2019, the Group obtained the title of land use right for 50 years. On lease commencement, the Group recognized RMB38,173,000 (unaudited) of right-of-use asset.

12. OTHER NON-CURRENT ASSETS

	At June 30, 2019 *RMB'000* (unaudited)	At December 31, 2018 *RMB'000* (audited)
Prepayment for acquisition of plant and equipment	**29,607**	28,239
Prepayment for acquisition of land use right *(Note)*	**–**	38,110
Deposit for construction of production facilities *(Note)*	**3,000**	3,000
VAT recoverable	**26,420**	19,813
Others	**–**	63
	59,027	89,225

Note: In March 2018, the Group entered into a purchase agreement with the land and resources bureau in Taizhou, the PRC to obtain a land use right located in Taizhou, with a total area of 100,746 square meters, for a total cash consideration of RMB37,000,000. Accordingly, the Group made a prepayment of RMB37,000,000 and relevant tax of RMB1,110,000 to secure the land use right. In addition, the Group paid a deposit of RMB3,000,000 related to the construction of production facilities. In January 2019, the Group obtained the title of land use right and therefore transferred the total sum of RMB38,110,000 to right-of-use asset.

13. PREPAYMENTS AND OTHER RECEIVABLES

	At June 30, 2019 RMB'000 (unaudited)	At December 31, 2018 RMB'000 (audited)
Other receivables	1,942	1,604
Prepayments for research and development services	13,478	12,924
Other deposits and prepayments	2,404	1,845
VAT recoverable	658	–
Deferred issue costs	–	4,453
	18,482	20,826

14. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits

The deposits at June 30, 2019 are pledged to a bank as collateral for the issue of euro letter of credit by the bank in connection with the purchase of plant and equipment by the Group, which carry interest at a fixed rate of 0.05% per annum (December 31, 2018: at a fixed rate of 0.01% per annum).

Bank balances and cash

Bank balances and cash comprise of cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank deposits carry interest at market rates which ranged from 0.05% to 0.35% per annum at June 30, 2019 (December 31, 2018: from 0.01% to 0.35% per annum).

15. TRADE AND OTHER PAYABLES

	At June 30, 2019 RMB'000 (unaudited)	At December 31, 2018 RMB'000 (audited)
Trade payables	**18,453**	11,677
Other payables	**4,627**	5,669
Salary and bonus payables	**6,836**	9,046
Other taxes payable	**247**	1,755
Accrued listing expenses and issue costs	**36,436**	10,115
	66,599	38,262

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 aging analysis of the trade payables presented based on the receipt of goods/services by the Group at June 30, 2019 and December 31, 2018 is as follows:

	At June 30, 2019 RMB'000 (unaudited)	At December 31, 2018 RMB'000 (audited)
Within 60 days	**16,757**	10,939
Over 60 days but within 1 year	**1,696**	668
Over 1 year	**–**	70
	18,453	11,677

16. BORROWINGS

During the six months ended June 30, 2019, the Group obtained bank loans amounting to RMB95,071,000 (unaudited) (December 31, 2018: nil (audited)). The loans carry interest at upfloat 30% over the benchmark interest rate published by the People's Bank of China and are repayable within one year. The loans are secured by the land use right amounting to RMB38,173,000 (unaudited).

17. SHARE CAPITAL

The details of the movement of the Company's authorized and issued ordinary shares during the six months ended June 30, 2019 are set out as below:

	Authorized number of shares	US$
Ordinary shares of US$0.0001 each		
At December 31, 2018 (audited)	500,000,000	50,000
Increase *(Note a)*	49,500,000,000	4,950,000
At June 30, 2019 (unaudited)	50,000,000,000	5,000,000

	Issued and fully paid number of shares	US$	Shown in the condensed consolidated statement of financial position as *RMB'000*
Ordinary shares of US$0.0001 each			
At December 31, 2018 (audited)	75,000,000	7,500	51
Issue of shares pursuant to Capitalization Issue *(Note b)*	3,265,500,000	326,550	2,212
Issue of shares upon initial public offering *(Note c)*	783,580,000	78,358	541
At June 30, 2019 (unaudited)	4,124,080,000	412,408	2,804

17. SHARE CAPITAL (continued)

Notes:

(a) On April 8, 2019, a shareholders' resolution was passed under which the authorized share capital of the Company was increased from 500,000,000 ordinary shares of US$0.0001 par value each to 50,000,000,000 ordinary shares of US$0.0001 par value each.

(b) In accordance with a shareholders' resolution passed on April 8, 2019, 3,265,500,000 ordinary shares of the Company were allotted and issued to the shareholders on the register of members of the Company on the day preceding the Listing Date in proportion to their then existing shareholdings in the Company by capitalizing the sum of US$326,550, equivalent to RMB2,212,000 from the share premium account of the Company (the "**Capitalization Issue**").

(c) On May 31, 2019, the Company issued a total of 783,580,000 ordinary shares of US$0.0001 each at the price of HK$1.5 per share by means of Global Offering (as defined in Note 18).

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

18. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's Pre-IPO Share Option Scheme (the "**Scheme**") were adopted pursuant to resolution passed on August 10, 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 August 18, 2018 to directors of the Company and eligible employees of the Group to subscribe for shares in the Company, which will expire on August 17, 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 anniversary 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 capitalization issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of the Company.

On April 8, 2019, a shareholders' resolution about Capitalization Issue was passed and after taking into account of the Capitalization Issue, the numbers of share options granted were changed to 83,512,500.

18. 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 six months ended June 30, 2019:

Category	Option type	Outstanding at January 1, 2019	Capitalization issue	Granted/ exercised during period	Forfeited during period	Outstanding at June 30, 2019
Category 1: Directors						
Dr. Qian Weizhu	August 18, 2018	665,518	28,976,619	–	–	29,642,137
Dr. Wang Hao	August 18, 2018	557,409	24,269,597	–	–	24,827,006
Mr. Li Yunfeng	August 18, 2018	72,659	3,163,575	–	–	3,236,234
Dr. Li Jing	August 18, 2018	72,659	3,163,575	–	–	3,236,234
	Total Directors	1,368,245	59,573,366	–	–	60,941,611
Category 2: Employees	August 18, 2018	506,755	22,064,134	–	(274,719)	22,296,170
	Total	1,875,000	81,637,500	–	(274,719)	83,237,781
	Exercisable at the end of the period	–				–
	Weighted average exercise price *(Note)*	HK$154.42				HK$1.5

Note: The exercise price as of January 1, 2019 represented the estimated Final Offer Price which was determined based on management's best estimate as of the grant date. The exercise price as of June 30, 2019 represented the Final Offer Price of the Global Offering.

18. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The fair value of the options granted was determined using the Binomial pricing model. The fair value and corresponding inputs into the model were as follows:

Grant date option fair value per share	RMB60.67
Grant date share price	RMB127.15 equivalent to HK$145.15
Estimated exercise price at grant date	HK$154.42
Expected volatility	40%
Expected life	10 years
Risk-free rate	2.19%
Expected dividend yield	0%

Estimated exercise price at grant date was determined based on management's best estimate. Volatility was estimated at grant date based on median of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Risk-free interest rate was determined based on the yield of Hong Kong Government debt with a maturity life close to the option life of the share option. Dividend yield is based on management estimation at the grant date.

The Group recognized the total expense of RMB7,032,000 for the six months ended June 30, 2019 in relation to share options granted by the Company.

19. CAPITAL COMMITMENTS

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

	At June 30, 2019 ***RMB'000*** **(unaudited)**	At December 31, 2018 *RMB'000* (audited)
Contracted but not provided for	**273,117**	239,017

20. RELATED PARTY TRANSACTIONS

(a) Related party transactions

i. Preparation Process service to related parties

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Shanghai Sinomab Biotechnology Co., Ltd. ("**MTJA**") *(Note 1)*	**–**	5,983

ii. Purchase of raw materials, research and development services from related parties

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
MTJA	**414**	5,987
Biomabs	**375**	–
	789	5,987

20. RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

iii. Interest on related party loans

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Ms. Guo Xiaoxin *(Note 2)*	**1,066**	1,552
Biomabs	**573**	347
	1,639	1,899

iv. Interest on lease liabilities to a related party

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Biomabs	**250**	–

20. RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

v. Rental paid to a related party

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Biomabs	**747**	140

Notes:

1. MTJA is ultimately controlled by Mr. Guo Jianjun.
2. Ms. Guo Xiaoxin is a supervisor of Taizhou Pharmaceutical and Taizhou Biotech.

(b) Related party balances

At June 30, 2019, the Group had balances with related parties as follows:

i. Amounts due from related parties

	At June 30, 2019	At December 31, 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Non-trade receivables		
Ms. Guo Xiaoxin	**9**	626
MTJA	**–**	42
	9	668

20. RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances (continued)

ii. Rental deposit to a related party

	At June 30, 2019 RMB'000 (unaudited)	At December 31, 2018 RMB'000 (audited)
Biomabs	**411**	411

iii. Amounts due to related parties

	At June 30, 2019 RMB'000 (unaudited)	At December 31, 2018 RMB'000 (audited)
Trade payables		
MTJA	**740**	2,938
Biomabs	**1,312**	1,123
	2,052	4,061
Non-trade payables		
Biomabs	**830**	13,051
Interest payables		
Ms. Guo Xiaoxin	**–**	875
Biomabs	**–**	1,539
	–	2,414
	2,882	19,526

20. RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances (continued)

iii. Amounts due to 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 aging analysis of the trade payables presented based on the receipt of goods/services by the Group at June 30, 2019 and December 31, 2018 is as follows:

	At June 30, 2019 ***RMB'000*** **(unaudited)**	At December 31, 2018 *RMB'000* (audited)
Within 60 days	**486**	1,277
Over 60 days but within 1 year	**826**	2,784
Over 1 year	**740**	–
	2,052	4,061

iv. Short-term loans from a related party

	At June 30, 2019 ***RMB'000*** **(unaudited)**	At December 31, 2018 *RMB'000* (audited)
Biomabs	**–**	40,000

The short-term loans from Biomabs are unsecured, repayable on demand and carry interest at the benchmark interest rate published by the People's Bank of China. The Group has repaid the short-term loans from Biomabs in 2019.

20. RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances (continued)

v. Long-term loan from a related party

	At June 30, 2019 RMB'000 (unaudited)	At December 31, 2018 RMB'000 (audited)
Ms. Guo Xiaoxin	–	65,000

The amount represented a five-year unsecured entrusted loan facility from Ms. Guo Xiaoxin from October 27, 2016 onwards and carries interest at the benchmark interest rate published by the People's Bank of China. The Group has early repaid the long-term loan from Ms. Guo Xiaoxin in 2019.

vi. Lease liabilities to a related party

	At June 30, 2019 RMB'000 (unaudited)	At December 31, 2018 RMB'000 (audited)
Biomabs-current	5,746	–
Biomabs-non-current	6,469	–
	12,215	–

The amount represented capitalization of a forty-month secured building lease entered with Biomabs, which commenced from September 1, 2018 with the monthly lease payment of RMB374,000.

20. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the reporting period were as follows:

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Salaries and other benefits	**2,290**	1,688
Retirement benefit scheme contributions	**172**	139
Share-based compensation	**5,628**	–
Consultation fee	**244**	240
	8,334	2,067

Definitions

In this interim report, the following expressions have the meanings set out below unless the context requires otherwise.

"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 interim report
"Board" or "Board of Directors"	the board of Directors of the Company
"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 Cayman Islands with limited liability on June 1, 2018 and whose Shares are listed on the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"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 interim 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
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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

Definitions

"IPO"	initial public offering
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange on May 31, 2019
"Listing Date"	May 31, 2019, being the date on which the Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"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 interim 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 six-month period from January 1, 2019 to June 30, 2019
"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)

"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 interim report
"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

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
"bronchiospasm"	a sudden constriction of the muscles in the walls of the bronchioles due to the release (degranulation) of substances from mast cells or basophils under the influence of anaphylatoxins, which causes breathing difficulties

"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
"chemotherapy"	a category of cancer treatment that uses one or more anti-cancer chemotherapeutic agents as part of its standardized regimen
"Chinese hamster ovary cell" or "CHO"	the ovary of the Chinese hamster, of which cell lines are derived from and often used in biological and medical research and commercial production of therapeutic proteins
"CMAB007"	one of our Core Products, a recombinant humanized anti-IgE monoclonal antibody and our new drug candidate based on omalizumab
"CMAB008"	one of our Core Products, a recombinant anti-TNF-alpha chimeric monoclonal antibody and our new drug candidate based on infliximab

Glossary of Technical Terms

"CMAB009"	one of our Core Products, a recombinant anti-EGFR chimeric monoclonal antibody and our new drug candidate based on cetuximab
"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
"CRC"	clinical research coordinator
"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

"head-to-head clinical trials"	clinical trials conducted to prove the similarities between drug candidates and the reference drugs, in order to support the safety and efficacy of such drugs
"HER2"	human epidermal growth factor receptor 2
"ICS"	inhaled corticosteroids
"ICS/LABA"	inhaled corticosteroid/long acting beta adrenoceptor agonists treatment
"IgE"	immunoglobulin E
"IgG1 κ "or "IgG1 kappa"	immunoglobulin G (IgG), a type of antibody. Representing approximately 75% of serum antibodies in humans, IgG is the most common type of antibody found in blood circulation. IgG molecules are created and released by plasma B cells. Each IgG has two antigen binding sites. There are four IgG subclasses (IgG1, 2, 3, and 4) in humans, named in order of their abundance in serum (IgG1 being the most abundant). IgG antibodies are large molecules of about 150 kDa made of four peptide chains. It contains two identical classheavy chains of about 50 kDa and two identical light chains of about 25 kDa, thus a tetrameric quaternary structure. There are two types of light chain in humans kappa (κ) chain and lambda (λ) chain. Only one type of light chain is present in a typical antibody, thus the two light chains of an individual antibody are identical. IgG1 κ is an antibody molecule which contains two γ 1 heavy chains and two κ light chains
"IL-1ra"	IL-1 receptor antagonist
"IL-1 β "	interleukin-1 β
"immunoglobulin" or "Ig"	an antibody (Ab), also known as an immunoglobulin (Ig). It is a large, Y-shaped protein produced mainly by plasma cells that is used by the immune system to neutralize pathogens such as pathogenic bacteria and viruses. The antibody recognizes a unique molecule of the pathogen, called an antigen, via the Fab's variable region

Glossary of Technical Terms

"infliximab"	a chimeric IgG1 κ monoclonal antibody (composed of human constant and murine variable regions) specific for human tumor necrosis factor-alpha used for adult patients with moderately to severely active rheumatoid arthritis in combination with methotrexate
"in vitro"	Latin for "in glass", studies in vitro are conducted using components of an organism that have been isolated from their usual biological surroundings, such a microorganisms, cells or biological molecules
"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 IgG1 κ 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

Glossary of Technical Terms

"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