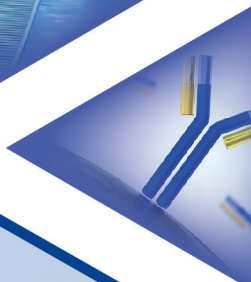
邁博藥業
MABPHARM LIMITED
迈博药业有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2181

2019 ANNUAL 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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China Medical City Taizhou
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AUDITOR

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Admiralty
Hong Kong

LEGAL ADVISORS

As to Hong Kong law

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As to PRC law

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

COMPLIANCE ADVISOR

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HONG KONG SHARE REGISTRAR

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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 year ended December 31,		
	2019	2018	Change
	RMB'000	*RMB'000*	*(%)*
	(audited)	(audited)	
Other income	**17,999**	24,059	(25.2)
Other expenses	**(4,127)**	(12,507)	(67.0)
Other gains and losses	**15,962**	(2,427)	(757.7)
Research and development expenses	**(134,189)**	(88,983)	50.8
Administrative expenses	**(62,952)**	(42,128)	49.4
Finance costs	**(7,695)**	(4,481)	71.7
Listing expenses	**(27,527)**	(26,126)	5.4
Loss before tax	**(202,529)**	(152,593)	32.7
Income tax credit	**–**	2,834	(100.0)
Loss and total comprehensive expense for the year	**(202,529)**	(149,759)	35.2
Total comprehensive expense attributable to:			
Owners of the Company	**(202,529)**	(124,883)	62.2
Non-controlling interests	**–**	(24,876)	(100.0)
	RMB	*RMB*	
Loss per share – Basic and diluted	**(0.05)**	(0.06)	(16.7)

	At December 31, 2019	At December 31, 2018	Change
	RMB'000	*RMB'000*	*(%)*
	(audited)	(audited)	
Non-current assets	**441,338**	212,469	107.7
Current assets	**955,139**	260,753	266.3
Current liabilities	**270,334**	156,450	72.8
Net current assets	**684,805**	104,303	556.6
Non-current liabilities	**72,432**	67,200	7.8
Net assets	**1,053,711**	249,572	322.2

Chairman Statement

Dear Shareholders:

We are grateful to your continued support and care extended to us since our official listing on the Main Board of the Stock Exchange on May 31, 2019. You have been the great driving force behind the leapfrog development of Mabpharm Limited ("**Mabpharm**"). With expectations from the Shareholders and the entire society, Mabpharm is steadily pressing ahead in great strides.

As a leading biopharmaceutical company in China, over the years, Mabpharm has been committed to the research, development and production of new biologics for the treatment of cancers and autoimmune diseases. The year of 2019 marked a milestone in the development of Mabpharm: we went public on the Stock Exchange in May, CMAB008 (infliximab) successfully completed phase III clinical trials and applied for new drug marketing in December, CMAB007 (omalizumab) came to the final stage of phase III clinical trials with new drug marketing application pending in 2020 and CMAB009 (cetuximab) witnessed smooth roll-out of phase III clinical trials. In addition, our product offerings increased from nine at the beginning of 2019 to 12, including 11 antibody drugs and one strong antibody drug, forming an innovative and synergetic product system. In particular, CMAB809 (trastuzumab) completed phase I clinical trials, pending to kick off phase III clinical trials in 2020; CMAB819 (nivolumab) will be put into clinical trials; CMAB816, with a sound prospect in the treatment and prevention of tumors, especially lung cancer, will apply for clinical trials shortly; and CMAB017, a new "strong antibody" drug developed by us, promises better safety and efficacy in treating tumors. Amid the havoc wreaked globally by COVID-19 in early 2020, leveraging our innovation and experience throughout the years and our efficient research and development platform, we developed a global innovative bispecific drug targeted at CoV within a short period of time and submitted a patent application to the China National Intellectual Property Administration. This demonstrated our profound technical strength and strong capabilities of our R&D team and R&D system. We believe that, with our experienced R&D team and the internationally first-class efficient R&D system, Mabpharm will continue to unveil more blockbuster innovative drugs in the fields of cancers and autoimmune diseases.

Chairman Statement

Capitalizing on years of cultivation in the biopharmaceutical field, Mabpharm has maintained in possession the core technology for mass industrialization of new antibody drugs and established a sophisticated comprehensive R&D innovative platform. The amplified development results of the new antibody drug process completed at our production site in Taizhou, the PRC, show that the blockbuster new antibody drugs developed by us boast significant advantages in cost and quality. In 2019, we launched construction of three 3×1,500L and 20,000L antibody industrialization base and four large-scale antibody drug production lines will be available in 2020, so as to provide continuous high-quality and low-cost capacity support for CMAB008 and other products to be marketed. We are building a professional, competent and efficient high-end drug sales team. In 2020, we will focus on the autoimmune disease market, commit ourselves to forging innovative and quality-oriented products and enterprise brands, and seize the opportunity of explosive development of China's antibody drug market with multiple policy support.

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

Mabpharm Limited
Jiao Shuge
Chairman of the Board

March 27, 2020

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 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 11 monoclonal antibody drugs and one strong antibody drug, three of which are our Core Products:

- ✓ **CMAB008 (infliximab)**: completed clinical trial and is in the process of new drug marketing application. We have launched the "Phase I comparative study of randomized, double-blind, parallel-controlled, single-dose pharmacokinetics, safety and immunogenicity of CMAB008 and infliximab for injection in healthy male volunteers", which is expected to be directly admitted to the markets for treating (i) rheumatoid arthritis, (ii) adult and pediatric patients with Crohn's disease, (iii) patients with fistulizing Crohn's disease, (iv) ankylosing spondylitis, (v) psoriasis and (vi) adult patients with ulcerative colitis;

- ✓ **CMAB007 (omalizumab)**: currently under phase III clinical trials;

- ✓ **CMAB009 (cetuximab)**: currently under phase III clinical trials (together, the "**Core Products**").

Among our other drug candidates, CMAB809 (trastuzumab) completed phase I clinical trial and CMAB819 (nivolumab) will soon be put into clinical trials. The latest research results show that CMAB816 developed by us has a sound prospect in the treatment and prevention of tumors, especially lung cancer, as such we will give priority to the development of CMAB816. In addition, we also successfully developed a new "strong antibody" drug CMAB017 for treating cancer. It is expected that CMAB017 will have better safety and efficacy in treating tumors than other similar antibody drugs.

We have strong in-house capabilities in pharmaceutical research, pre-clinical and clinical development, and manufacturing, and are building our sales and marketing team to prepare for the commercialization of our product candidates. We focus on the R&D of monoclonal antibodies. Our core R&D team members have more than 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. 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.

Corporate Profile

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.

With the current pandemic caused by 2019 Novel Coronavirus ("**COVID-19**"), we have newly developed a recombinant bispecific fusion protein, CMAB020, which is expected to be used for prevention and treatment of SARS-CoV/-2 (SARS-CoV and SARS-CoV-2) infections and SARS/COVID-19 diseases (pneumonia caused by SARS-CoV/-2). We have submitted a patent application for the invention of CMAB020 to China National Intellectual Property Administration on March 23, 2020 (Application No.: 202010208906.8/PCT No.: PCT/CN2020/080859). The drug consists of two functional arms, one of which has an antibody that targets the spike protein of coronavirus and the other consists of a protein which can preserve enzyme activity to reduce vasoconstriction and increase blood flow to the infected lung tissue. It is expected that the drug can effectively treat pneumonia caused by SARS-CoV and SARS-CoV-2, and reduce lung inflammation and cytokine storms. At present, the Company has completed the lab-scale preparation and in vitro function evaluation of CMAB020, and will commence the in vivo experiment for further technical evaluation.

BUSINESS REVIEW

Research and development of our drug candidates

Set out below is an overview of our drug candidates and their R&D status as of December 31, 2019[1]:

Field	Target	Indication	Drug candidate code	Classification	Pre-clinical	Phase I	Phase II or Phase II/III	Phase III	Expected time to reach the next regulatory milestone	Anticipated completion of regulatory review	Commercial rights	Competitive marketed drugs
Respiratory Disease	IgE	Asthma	CMAB007 (INN name: Omalizumab)	New Drug/ Core Product					Pending new drug application submission (Quarter 3, 2020)	Quarter 2, 2021	PRC and overseas (excluding Japan, North America and Europe)	Xolair®
Cancer	EGFR	Colorectal Cancer	CMAB009 (INN name: Cetuximab)	New Drug/ Core Product					Pending new drug application submission (Quarter 1, 2022)	Quarter 3, 2022	PRC and overseas (excluding Japan, North America and Europe)	Erbitux®
Autoimmune Disease	TNFα	Rheumatoid Arthritis	CMAB008 (INN name: Infliximab)	New Drug/ Core Product					New drug application submitted in Quarter 4, 2019	Quarter 4, 2020	PRC and overseas (excluding Japan, North America and Europe)	Remicade®, Humira®, Enbrel®, Simponi®, Yisaipu®, Anbainuo®
Cancer	PD1	Non-small cell lung cancer, hepatocellular carcinoma and squamous cell carcinoma of the head and neck	CMAB819 (INN name: Nivolumab)	New Drug					Phase III (Quarter 3, 2021)	Quarter 2, 2026	Global	Opdivo®, Keytruda®, Tyvyt®, JS001
Cancer	HER2	Breast Cancer/ Gastric Cancer	CMAB809 (INN name: Trastuzumab)	Biosimilar					Phase III (Quarter 2, 2020)	Quarter 2, 2023	Global	Herceptin®
Cancer	HER2	Breast Cancer	CMAB810 (INN name: Pertuzumab)	Biosimilar					Phase III (Quarter 4, 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 1, 2022)	Quarter 4, 2024	Global	Synagis®
Cancer/Autoimmune Disease	IL-1 β	Periodic Fever Syndromes/ Systemic Juvenile Idiopathic Arthritis/ Lung cancer	CMAB816 (INN name: canakinumab)	Biosimilar					Phase III (Quarter 1, 2022)	Quarter 3, 2024	Global	ILaris®
Cancer	EGFR	KRAS wild-type colorectal cancer	CMAB017	Innovative drug					Phase III (Quarter 4, 2023)	Quarter 4, 2026	Global	Vectibix®
Autoimmune Disease	IL-17A	Plaque psoriasis, psoriatic arthritis and ankylosing spondylitis	CMAB015 (INN name: Secukinumab)	Biosimilar					Phase III (Quarter 2, 2022)	Quarter 4, 2024	Global	Cosentyx®
Allergy, Inflammatory Disease	IL-5	Asthma and eosinophilic granulomatous polyangitis	CMAB018 (INN name: Mepolizumab)	Biosimilar					Phase III (Quarter 4, 2021)	Quarter 4, 2025	Global	Nucala®
New drug candidate developed after December 31, 2019												
Infection	SARS-CoV SARS-CoV-2	Pneumonia infected by novel coronavirus	CMAB020	Innovative drug					Phase III (Quarter 1, 2021)	Quarter 1, 2022	PRC and overseas (excluding North America and Europe)	

Note:

1. The development of CMAB815 was suspended in March 2020.

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

Core Product Candidates

CMAB007 (omalizumab)

CMAB007 (omalizumab), a recombinant humanized anti-IgE monoclonal antibody, is our new drug candidate for treatment of asthma patients who remain inadequately controlled despite med/high dose of ICS plus LABA. As of December 31, 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 Reporting Period, CMAB007 was under phase III clinical trials for allergic asthma. As of December 31, 2019, we had completed case recruitment for the clinic trials. Due to the current outbreak of COVID-19, being a respiratory disease, the time which the respiratory researchers can spend on this project has been greatly reduced due to illness, external transfer, outpatient closure and even quarantine. Therefore, we expect the filing of the drug marketing application with the NMPA will be delayed to the third quarter 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 second quarter of 2021.

CMAB009 (cetuximab)

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

During the Reporting Period, CMAB009 was under phase III clinical trials for colorectal cancer. Due to the current outbreak of COVID-19, there will be a delay in our research and development on CMAB009. We expect that the filing of the drug marketing application with the NMPA will be delayed to the first quarter of 2022 upon completion of clinical observation and data analysis of all cases. We are also preparing for clinical trials of other indications of CMAB009. Currently, we expect that CMAB009 may be approved by the NMPA for marketing in the third quarter of 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 December 31, 2019. The completed phase III head-to-head tests also show that CMAB008 and marketed infliximab products have similar safety and effectiveness.

During the Reporting Period, CMAB008 completed the clinical trial for the treatment of rheumatoid arthritis and an application was made to the NMPA on December 30, 2019 for marketing the drug. Due to the current outbreak of COVID-19, we expect there to be a delay in obtaining approval from the NMPA. Currently, we expect that CMAB008 may be approved by the NMPA for marketing in the fourth quarter of 2020. We are conducting a head-to-head study versus the currently marketed infliximab product to confirm similar pharmacokinetic profile and immunogenicity of CMAB008 ("**phase I comparative study CTR20200314 of CMAB008 and Infliximab for injection in healthy male volunteers featuring randomized, double-blind, parallel control, single-dose pharmacokinetics, safety and immunogenicity**"). We expect that upon completion of the trials, CMAB008 will be granted admission to target six indications, (including (i) rheumatoid arthritis, (ii) adult and pediatric patients with Crohn's disease, (iii) patients with fistulizing Crohn's disease, (iv) ankylosing spondylitis, (v) psoriasis and (vi) adult patients with ulcerative colitis) and be included in the medical insurance drug list.

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 December 31, 2019, we have completed the preparation of clinical samples and are preparing the initiation of phase I clinical trial. We expect that CMAB819 may be approved by the NMPA for marketing in the second quarter of 2026. CMAB819 is indicated for the treatment of metastatic non-small cell lung cancer, hepatocellular carcinoma and head and neck squamous cell carcinomas (HNSCC).

CMAB809 (trastuzumab) is our biosimilar drug candidate which has completed phase I clinical trial. CMAB809 was approved by the NMPA for clinical trial in April 2017. As of December 31, 2019, we have completed the phase I clinical trial for CMAB809. As the phase I results confirmed that its pharmacokinetic characteristics are similar to those of the reference drug (Herceptin), we are launching the phase III clinical trial directly without the need to go through phase II clinical trial. We expect that CMAB809 may be approved by the NMPA for marketing in the second quarter of 2023. CMAB809 is indicated for the (adjuvant) treatment of HER2 overexpressing breast cancer and metastatic gastric cancer.

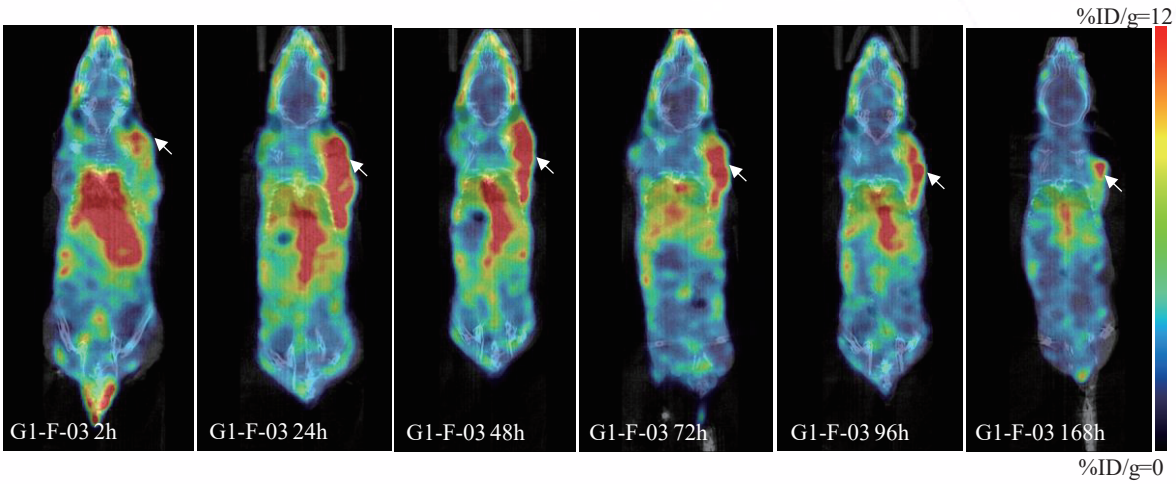
CMAB815 (adalimumab) was our IND-filing-stage biosimilar drug candidate. We suspended the development of CMAB815 in March 2020 in view of (i) the satisfactory results achieved in phase III clinical trials of CMAB008 which shares the same market with CMAB815, (ii) the substantial price reduction of the originator drugs of CMAB815 and (iii) the marketing of several new generic drugs with similar indications in China. CMAB815 was 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. We are carrying out preclinical animal experiments for CMAB810 and expect to apply for clinical trials in the third quarter of 2020. We expect that CMAB810 may be approved by the NMPA for marketing in the second quarter of 2024. 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. We expect to apply for clinical trials in the first quarter of 2022 and CMAB813 may be approved by the NMPA for marketing in the fourth quarter of 2024. 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 process has been developed. It is expected to apply for clinical trials in the third quarter of 2021. We expect that CMAB816 may be approved by the NMPA for marketing in the third quarter of 2024. CMAB816 is indicated for the treatment of periodic fever syndrome and systemic juvenile idiopathic arthritis. According to the study results of "Effect of interleukin-1β inhibition with canakinumab on incident lung cancer in patients with atherosclerosis: exploratory results from a randomized, double-blind, placebo-controlled trial (CANTOS, NCT01327846)" published in The Lancet in August 2017, the total cancer mortality was significantly lower in the (including all dosages) canakinumab group than those in the placebo group. The 300 mg dose was statistically significant in its effect on total cancer mortality. Furthermore, both the 150 mg and 300 mg groups had significantly less frequent incidents of lung cancer when compared to the placebo group. Additionally, lung cancer mortality was significantly less frequent in the 300 mg group and the canakinumab group compared to the placebo group. Therefore, it is suggested that CMAB816 therapy could be beneficial in reducing incident lung cancer and lung cancer-associated mortality by targeting the interleukin-1β pathway.

CMAB017 is an innovative candidate in preclinical research stage and an innovative strong antibody drug. At present, the screening of high expression engineering cells and the establishment of engineering cell bank have been completed. The research on production process and formulation selection has been concluded. Results of the completed experimental study on tissue distribution of tumor-bearing mice show that CMAB017 concentrates locally in tumor 24-72 hours after administration (see picture below). We expect to apply for clinical trial in the third quarter of 2021. We expect that CMAB017 may be approved by the NMPA for marketing in the fourth quarter of 2026. Regarding CMAB017, the design of blocking peptide is expected to significantly reduce adverse reactions of skin, gastrointestinal mucosa, etc. The selection of IgG1 constant region can enhance the effect mediated by Fc fragment of antibody and thus improve the curative effect. Based on the advantages of safety and curative effect, the cost of case medication is far lower than CMAB009, and it is expected that more new strong antibody drugs will be developed leveraging the research and development platform of CMAB017. CMAB017 is indicated for the treatment of KRAS wild-type colorectal cancer.



CMAB015 is a biosimilar candidate for secukinumab, which is under preclinical study. At present, the screening of high expression engineering cells and the establishment of engineering cell bank have been completed. The research on production process is in progress and it is expected that we will apply for clinical trial in the second quarter of 2022. We expect that CMAB015 may be approved by the NMPA for marketing in the fourth quarter of 2024. CMAB015 targets interleukin 17A (IL-17A) for treating plaque psoriasis, psoriatic arthritis and ankylosing spondylitis.

CMAB018 is a biosimilar candidate for mepolizumab, which is under preclinical study. At present, the screening of high expression engineering cells and the establishment of engineering cell bank have been completed, the research on production process is in progress and it is expected that we will apply for clinical trial in the fourth quarter of 2021. We expect that CMAB018 may be approved by the NMPA for marketing in the fourth quarter of 2025. CMAB018 targets interleukin 5 (IL-5) for treating severe asthma and eosinophilic granulomatous polyangiitis.

New Product Candidate developed after the Reporting Period

With the current outbreak of COVID-19, we started to develop a recombinant bispecific fusion protein, CMAB020, which is expected to be used for prevention and treatment of SARS-CoV/-2 (SARS-CoV and SARS-CoV-2) infections and SARS/COVID-19 diseases (pneumonia caused by SARS-CoV/-2) in the first quarter of 2020.

CMAB020 is designed with two functional arms: (1) one of the arms is a fully human monoclonal antibody ("**Ab**") targeting the spike protein of SARS-CoV, SARS CoV-2 and some other SARS-like CoV with high affinity; and (2) the other arm is a truncated angiotensin converting enzyme 2 ("**ACE2**") protein. The binding epitopes of the Ab and ACE2 to the spike protein are different. The truncated ACE2 preserves the enzyme activity in converting angiotensin II to angiotensin 1-7, resulting in reduced vasoconstriction and increased blood flow to the infected lung tissue. It could potentially confer organ protection and lessen severe acute respiratory distress syndrome caused by COVID-19. In addition, CMAB020 could potentially antagonize the binding of receptor binding domain with CD147 and mitigate lung inflammation and cytokine storm.

While CMAB020's primary functionality is to interfere with the viral infection cycle, our current research and development result suggests that the fusion protein with an active ACE2 enzyme may have therapeutic potential for late-stage COVID-19 infections. Such dual functionality of the fusion protein may have a synergistic effect and CMAB020 could help generate passive immunity and shield people, in particular healthcare workers, elderlies and patients with compromised immune systems, from coronavirus such as SARS-CoV/-2. Our current research and development result also shows that the bispecific fusion protein could bind with spike protein with much tighter affinity as compared to that of the individual Ab or ACE2 protein.

We have submitted a patent application for the invention of CMAB020 to China National Intellectual Property Administration on March 23, 2020 (Application No.: 202010208906.8/PCT No.: PCT/CN2020/080859). At present, the Company has completed the lab-scale preparation and in vitro function evaluation of CMAB020, and will commence the in vivo experiment for further technical evaluation.

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 by the end of 2020, thus further expand our product line and provide sufficient drug candidate pipeline expansion for our long-term development.

Research and development system

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

Drug candidates commercialization and production facilities construction

Existing production facilities

Our production site in Taizhou has two buildings of 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 second 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 when our products are approved by the NMPA for commercialization. We anticipate that our distribution model will be consistent with customary industry practice and serves to ensure efficient coverage of our sales network while controlling our cost of distribution and account receivables. We intend to select our distributors based on their qualifications, reputation, market coverage and sales experience. To distribute our products in the future, a distributor must maintain its business license and other requisite licenses and permits. A distributor must also maintain extensive hospital coverage in the designated region. A distributor must be capable of delivering our products to covered hospitals in a safe and timely manner. We plan to actively monitor the inventory levels of our distributors to increase the efficiency of our distribution network. 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. It is also responsible for the approval, organization and coordination of quality control and quality assurance procedures within each subsidiary. Facilities and equipment are subject to inspection measures such as united registrar systems, factory acceptance testing, site acceptance testing, installation qualification, operator qualification, performance qualification, and regular maintenance throughout their entire life cycles. Our manufacturing business lines are inspected in accordance with the PRC national laboratory quality control standard and the GMP management requirements; our research and development business lines are also inspected in accordance with the GMP management requirements.

FUTURE AND OUTLOOK

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

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

Continue to maintain investments in advanced technologies and product development

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

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

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

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

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

FINANCIAL INFORMATION

The financial information set out below in this annual report represents an extract from the audited consolidated financial statements for the year ended December 31, 2019 with comparative figures for the corresponding period in the previous year, which is audited and has been reviewed by the audit committee of the Company ("**Audit Committee**").

FINANCIAL REVIEW

The following table summarizes our results of operations for the years ended December 31, 2019 and 2018:

	For the year ended December 31,			
	2019	2018	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*(%)*
Other income	**17,999**	24,059	(6,060)	(25.2)
Other expenses	**(4,127)**	(12,507)	8,380	(67.0)
Other gains and losses	**15,962**	(2,427)	18,389	(757.7)
Research and development expenses	**(134,189)**	(88,983)	(45,206)	50.8
Administrative expenses	**(62,952)**	(42,128)	(20,824)	49.4
Finance costs	**(7,695)**	(4,481)	(3,214)	71.7
Listing expenses	**(27,527)**	(26,126)	(1,401)	5.4
Loss before tax	**(202,529)**	(152,593)	(49,936)	32.7
Income tax credit	**–**	2,834	(2,834)	(100.0)
Loss and total comprehensive expense for the year	**(202,529)**	(149,759)	(52,770)	35.2
Total comprehensive expense attributable to:				
Owners of the Company	**(202,529)**	(124,883)	(77,646)	62.2
Non-controlling interests	**–**	(24,876)	24,876	(100.0)
	RMB	*RMB*	*RMB*	
Loss per share – Basic and diluted	**(0.05)**	(0.06)	0.01	(16.7)

OTHER INCOME

Other income of the Group decreased by 25.2% from approximately RMB24.1 million for the year ended December 31, 2018 to approximately RMB18.0 million for the year ended December 31, 2019, which was primarily due to the absence 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. During the Reporting Period, the Group recorded an amount for sales of raw materials to an independent third party, which was one-off in nature.

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

	For the year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Bank interest income	**3,925**	132
Government grants and subsidies related to income	**9,013**	9,694
Income from preparation process service		
– Related parties	**–**	13,968
– Third party	**–**	265
Income from sales of raw materials	**5,061**	–
	17,999	24,059

OTHER EXPENSES

Other expenses of the Group decreased by 67.0% from approximately RMB12.5 million for the year ended December 31, 2018 to approximately RMB4.1 million for the year ended December 31, 2019, 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 for the year ended December 31, 2019 primarily represent cost of raw materials sold to an independent third party.

OTHER GAINS AND LOSSES

Other gains and losses of the Group increased by 757.7% from approximately RMB2.4 million losses for the year ended December 31, 2018 to approximately RMB16.0 million gains for the year ended December 31, 2019, which was primarily due to foreign exchange gains generated from the continuous appreciation of US dollar and Hong Kong dollar denominated deposits held by the Group against Renminbi.

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

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of pipelines of the Group increased by 50.8% from approximately RMB89.0 million for the year ended December 31, 2018 to approximately RMB134.2 million for the year ended December 31, 2019, which was primarily due to the increase in contracting costs, staff cost and depreciation of equipment with the progress of clinical trials.

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

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

	For the year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Contracting costs	**55,361**	32,897
Raw materials and consumables	**25,092**	32,959
Staff Cost	**34,241**	14,805
Depreciation and amortization	**7,824**	2,907
Others	**11,671**	5,415
Total	**134,189**	88,983

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by 49.4% from approximately RMB42.1 million for the year ended December 31, 2018 to approximately RMB63.0 million for the year ended December 31, 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 of staff salary and benefit costs of our non-R&D personnel, utilities, rental and general office expenses, depreciation and agency and consulting fees.

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

	For the year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Staff Cost	**34,418**	22,878
Building rental fees	**22**	2,944
Depreciation	**14,373**	8,067
Others	**14,139**	8,239
Total	**62,952**	42,128

FINANCE COSTS

Finance costs of the Group increased by 71.7% from approximately RMB4.5 million for the year ended December 31, 2018 to approximately RMB7.7 million for the year ended December 31, 2019, which was primarily due to a higher interest rate on bank borrowings when compared it with the interest rate of related party loans and the initial application of International Financial Reporting Standards ("**IFRS**") 16.

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

A portion of subsidies included in other income are discount on loans offered by the government. Taking into account such loan discounts, the effective interest rate on our bank borrowings is relatively low.

LISTING EXPENSES

Listing expenses of the Group increased by 5.4% from approximately RMB26.1 million for the year ended December 31, 2018 to approximately RMB27.5 million for the year ended December 31, 2019 which is in line with the progress of Listing.

LIQUIDITY AND CAPITAL RESOURCES

Our bank balances and cash increased by approximately RMB390.5 million from approximately RMB198.2 million at December 31, 2018 to approximately RMB588.7 million at December 31, 2019, which was primarily due to the listing of our shares on the Main Board of The Stock Exchange of Hong Kong Limited ("**The Stock Exchange**") and the net proceeds received by the Company from the Global Offering.

Current pledged bank deposits increased by RMB129.4 million from approximately RMB0.5 million as at December 31, 2018 to RMB129.9 million as at December 31, 2019, which was primarily attributable to bank deposits pledged by the Company in order to secure bank borrowings for Taizhou Mabtech Pharmaceutical Limited, a subsidiary of the Company.

Time deposit increased by RMB179.2 million from nil as at December 31, 2018 to RMB179.2 million as at December 31, 2019, which was primarily attributable to time deposits placed by the Company to improve capital yields.

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

	At December 31,		
	2019	2018	Change
	RMB'000	*RMB'000*	*(%)*
Prepayments and other receivables	**21,904**	20,826	5.2
Amounts due from related parties	**–**	668	(100.0)
Inventories	**22,224**	27,551	(19.3)
Contract costs	**13,240**	12,991	1.9
Pledged bank deposits	**129,891**	522	24,783.3
Time deposit	**179,160**	–	–
Bank balances and cash	**588,720**	198,195	197.0
Total	**955,139**	260,753	266.3

INDEBTEDNESS

Borrowings

As of December 31, 2019, we had bank borrowings of approximately RMB63.2 million, non-trade amount due to a related party of approximately RMB2.4 million and lease liabilities of approximately RMB42.4 million. As of the same date, none of our existing indebtedness included any material covenants or covenants that could potentially limit our ability to incur new indebtedness.

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

	At December 31,	
	2019	2018
	RMB'000	*RMB'000*
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	**2,431**	13,051
Lease liabilities	**42,418**	–
Secured borrowings from the bank	**63,205**	–

As at December 31, 2019, we have repaid all principal and corresponding interests to Shanghai Biomabs Pharmaceuticals Co., Ltd. (上海百邁博製藥有限公司) ("**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 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. As at December 31, 2019, we, as a lessee, had outstanding lease liabilities for the remaining terms of relevant lease agreements in an aggregate amount of approximately RMB42.4 million.

CONTINGENT LIABILITIES, CHARGE OF ASSETS AND GUARANTEES

As of December 31, 2019, the Group has outstanding bank borrowings of approximately RMB63,205,000. Such bank borrowings are secured by the land use right amounting to RMB37,402,000 and pledged bank deposit amounting to RMB129,891,000. Save as disclosed, the Group did not have any other outstanding debt securities, charges, mortgages, or other similar indebtedness, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are guaranteed, unguaranteed, secured or unsecured, any guarantees or other material contingent liabilities.

CAPITAL STRUCTURE

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 ordinary shares of the Company were issued under the Global Offering and the shares 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 Company only comprises ordinary shares. As at December 31, 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 24.5% debt and 75.5% equity as at December 31, 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 primarily limits our exposure to foreign currency risk by closely monitoring the foreign exchange market. During the Reporting Period, the Group did not enter into any currency hedging transactions. The foreign exchange loss and gain denominated in foreign currencies represented 100% of other losses and gains for the year ended December 31, 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 December 31, 2019, the gearing ratio of the Group was 24.5% (as at December 31, 2018: 47.3%).

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

	At December 31,	
	2019	2018
Current ratio[(1)]	**3.5**	1.7
Quick ratio[(2)]	**3.5**	1.5

Notes:

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

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

Our current ratio increased from 1.7 as of December 31, 2018 to 3.5 as of December 31, 2019, and our quick ratio increased from 1.5 as of December 31, 2018 to 3.5 as of December 31, 2019, primarily due to a significant increase in bank balances and cash as a result of the proceeds received from the Global Offering.

EMPLOYEE AND REMUNERATION POLICY

As of December 31, 2019, we had a total of 308 employees, of which 102 are located in Shanghai and 206 are located in Taizhou.

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

Function	Number of Employees
Business units	47
R&D personnel[(1)]	181
Sales and marketing[(2)]	16
Administration	23
Management	41
Total	308

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 annual report, Dr. Qian Weizhu, Dr. Li Jing and Dr. Wang Hao of our scientists held a Ph.D. degree or equivalent in fields that are highly relevant to our business. In addition, as of the same date, 124 out of our 202 R&D personnel (including those who are our management) held a bachelor's degree or above.

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

We have established a labor union at Taizhou that represents employees with respect to the promulgation of bylaws and internal protocols. As of December 31, 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 annual report.

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

The total remuneration cost incurred by the Group for the year ended December 31, 2019 was RMB66.9 million, as compared to RMB43.1 million for the year ended December 31, 2018.

Environmental, Social and Governance Report

ABOUT THE REPORT

The Environmental, Social and Governance Report (hereinafter referred to as the "**Report**" or the "**ESG Report**") describes the performance of Mabpharm Limited (hereinafter referred to as "**Mabpharm**", "**we**", "**our**", "**us**", or the "**Company**") in fulfilling environmental and social responsibilities during the period from January 1, 2019 to December 31, 2019.

This report has been prepared with reference to the Environmental, Social and Governance Reporting Guide (hereinafter referred to as the "**Guide**") issued by Hong Kong Exchanges and Clearing Limited ("**HKEX**") in December 2015. The Company has complied with the "comply or explain" provisions set out in the Guide. The information and data of the Report are from Mabpharm's documents and statistical reports as well as the summaries and statistics of our subsidiaries. The Reporting Period for all data and information used in the Report is from January 1, 2019 to December 31, 2019.

ABOUT MABPHARM

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

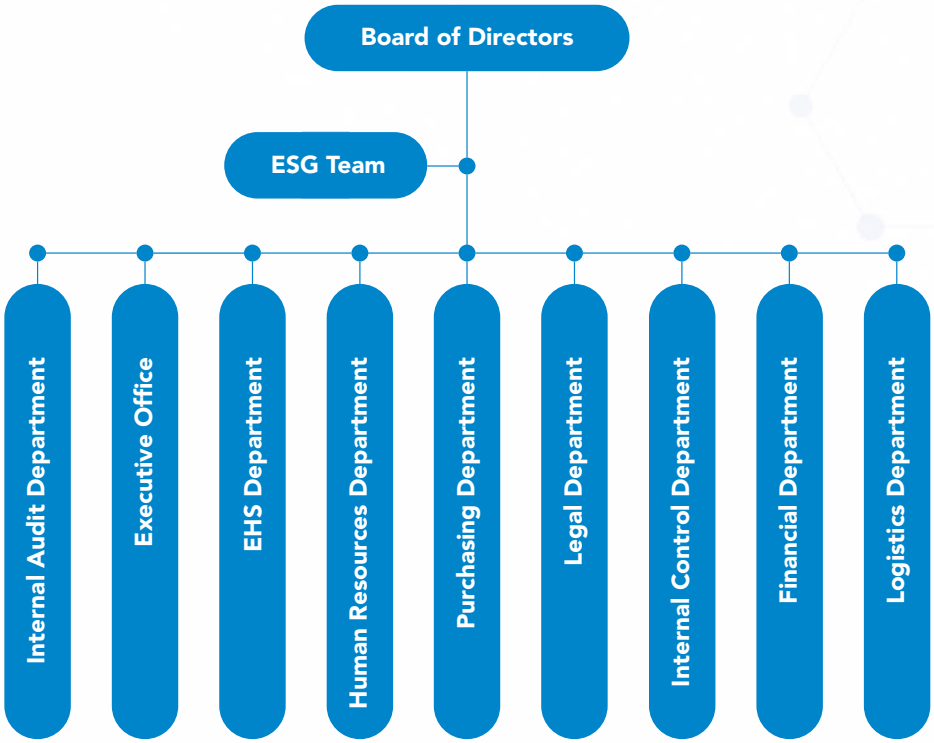
Mabpharm's pipeline of candidate drugs currently consists of 11 monoclonal antibody drugs and one strong antibody drug, three of which are our core products: CMAB008 (infliximab) has completed phase III clinical trials and is in the process of new drug marketing application; and CMAB007 (omalizumab) and CMAB009 (cetuximab) are under phase III clinical trials. Additionally, the Company's CMAB809 (trastuzumab) has completed phase I clinical trials and CMAB819 (nivolumab) has been approved for clinical trials.

Mabpharm follows the International Accounting Standards to consolidate annual report data. As of the end of the Reporting Period, the Company had 308 employees (contractors were excluded), including 137 men and 171 women, women accounted for about 56%.

ESG MANAGEMENT APPROACH

The Company's sustainable development and harmonious coexistence with the environment and society is a key issue in Mabpharm's development strategy. The Company's Board of Directors (Board) monitors the environmental and social risks, and this responsibility is shared by the ESG team set up in 2019. The team's working instructions were also established in 2019, including discussing, identifying and managing the adequacy of countermeasures for significant environmental and social risks, as well as reviewing these risks and reporting them to the Board.

Mabpharm's ESG organizational structure:

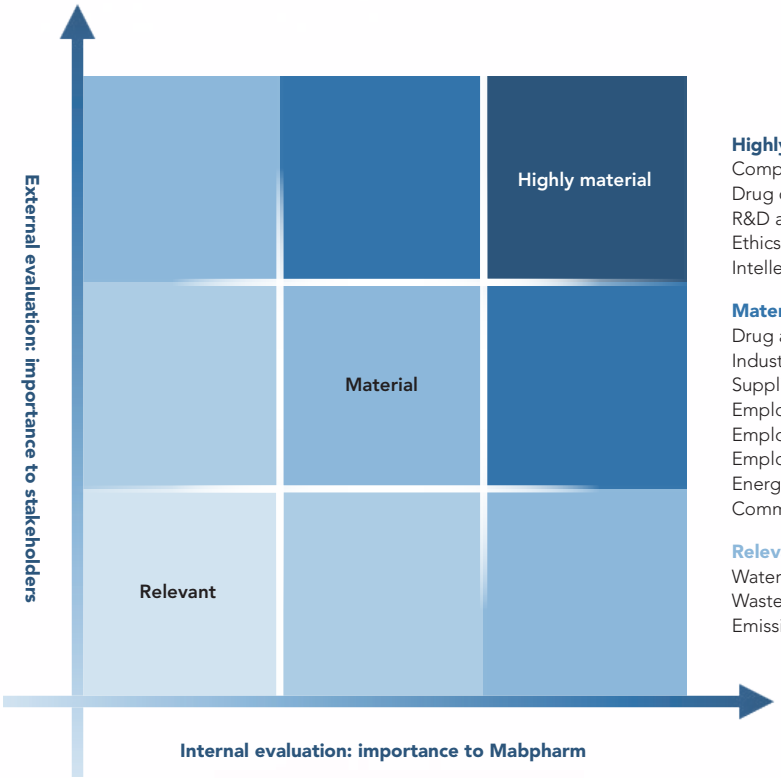


Material issues

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

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

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



Highly material
Compliance & business ethics
Drug quality & safety
R&D and innovation
Ethics
Intellectual property protection

Material
Drug affordability
Industry development
Supplier management
Employee training and development
Employee benefits and care
Employee health and safety
Energy management
Community construction

Relevant
Water resources management
Wastes management
Emissions management

Communication with stakeholders

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

	Stakeholders	Expectations for the Company	Means of communication
	Shareholder	• Compliance & business ethics • Perfect corporate governance • R&D and innovation	• Shareholders meeting • Information disclosure
	Patient	• R&D and innovation • Drug quality & safety • Drug affordability	• Adverse drug event feedback • Customer hotline
	Government	• Compliance & business ethics • Drug quality & safety • R&D and innovation • Drug accessibility • Drug affordability	• Regulation & inspection • Policy implementation • Information disclosure • Government project cooperation

	Stakeholders	Expectations for the Company	Means of communication
	Employee	• Employee diversity • Employee development • Occupational health & safety • Welfare & care	• Staff meeting • Team building activities • Staff training
	Community	• Environmental protection • Energy & climate change • Water resource management • Chemicals & emissions	• Community activities • Volunteer service • Environmental management
	Suppliers	• Sustainable supply chain • R&D and innovation	• Supplier management • Industrial exchanges activities

Compliance & business ethics

Mabpharm sticks to a high standard of business ethics, unswervingly operates by the principle of compliance and integrity, and observes relevant local laws and regulations, such as the *Criminal Law of the People's Republic of China* and the *Law of the People's Republic of China against Unfair Competition*. The Company has formulated the Anti-Fraud Management System. The internal control department, as a permanent body of the Company's anti-fraud work, supervises and inspects various internal sensitive issues of the Company in accordance with this system.

The Company has set up hotlines and mailboxes for all employees as well as external parties directly or indirectly involved in economic relationships with the Company to report actual or suspected fraud cases. In addition, the Company usually enters into service contracts with anti-bribery provisions that require us to comply with the *Foreign Corrupt Practices Act* and other anti-bribery laws of the relevant jurisdiction.

We also organize compliance training to continuously enhance employees' compliance awareness and capabilities. In 2019, we invited external consultants to conduct compliance training for the Company's directors, senior management, and core staff, which focused on comprehensive risk management, key points of internal control and compliance management, and sustainable development management.

The Company's directors, senior management and core staff were taking compliance training.

During the Reporting Period, the Company did not find any corruption, bribery, extortion, fraud, or money laundering through the legal team or other communication channels, nor was there any litigation caused by such cases.

R&D RESPONSIBILITY

As a leading biopharmaceutical company in China, Mabpharm is committed to bringing to the market high quality and affordable innovative biologics through our efficient R&D system and low-cost pharmaceutical production capacity, and developing differentiated therapeutic products by fully utilizing extensive R&D experience. During the R&D and testing processes, the Company respects and constantly reviews and improves the bioethical standards that we always follow. The Company also attaches great importance to intellectual property protection, and has established a complete intellectual property management system.

Efficient R&D

Mabpharm strives to create an efficient R&D system, with our excellent R&D team and advanced R&D facilities. The Company was honoured as "Good China Technology" by China Association of Productivity Promotion Center in 2017 to recognize its leading R&D team and the efficient R&D system that its technology platform has achieved.

- ***Excellent R&D team***

  The Company's core R&D team has over 16 years of experience in monoclonal antibody development, 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. Currently, we have an R&D team of 202 personnel (including those who are our management) , among whom 124 employees hold bachelor's degrees or above.

- ***Advanced R&D facilities***

  Our production site is equipped with a 3x1,500L antibody bioreactor system, which is one of the largest antibody drug production facilities in China in terms of production volume and capable of meeting our current clinical and commercial production needs. 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 second 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.

- ***Joint R&D with the government***

  Mabpharm has been actively cooperating with local governments to promote the implementation of R&D achievements. In 2019, the Company's CMAB009 R&D project was approved to be included in the list of transformation projects of scientific and technological achievements of Jiangsu province. This project will contribute to providing a safer, more effective, and affordable targeted drug for patients with colorectal cancer, which is also expected to be the first to replace imports and fill in the gaps in China. The project is undertaken by a R&D team of 70 people, including 3 doctors, 5 postgraduates and 33 undergraduates. The team members possess rich experience covering the upstream and downstream areas of antibody drug development process.

Low-cost production

Mabpharm has made every effort to increase our low-cost drug production capacity. Reducing the costs during the drug production process enables the Company to provide patients with more affordable biologics.

The Company has established the antibody engineering center, which will develop the key production of raw materials for antibody drugs such as animal origin-free cell culture mediums and new recombinant alkali-tolerant Protein A affinity chromatography purification mediums–the two types of raw materials collectively account for two-thirds of the production costs of antibody drugs. The Company endeavours to break the overseas monopoly on the key raw materials and boost domestically-produced raw materials through independent R&D to lower the production costs.

Adherence to ethics

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

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

Intellectual property protection

Mabpharm attaches great importance to enterprise intellectual property management, since we understand that intellectual property is the core competitiveness of enterprises. The Company has formulated the *Intellectual Property Management Manual* in conformity with the *National Standards for the Administrative Practice on Enterprise Intellectual Property*, forming a sound management system to protect intellectual property.

The Company has established a dedicated intellectual property management department. All intellectual property management personnel must receive relevant training of local government and pass all examinations. In 2019, two employees participated in the patent practitioner training in Shanghai and obtained the qualification certificates.

The Company values intellectual property training and education. In 2019, the Company conducted five intellectual property training activities. In addition, the Company has designated intellectual property advocates in all departments to regularly communicate intellectual property knowledge and concepts in departmental meetings, strengthening the awareness of intellectual property protection and technological confidentiality.

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

In 2019, the Company basically established the patent document database for the convenience of searching and analysing the patents of the Company's existing products, to know the latest patent information and safeguard the Company's legitimate rights and interests.

INDUSTRIAL RESPONSIBILITY

Mabpharm always keeps a responsible attitude towards patients. From supply chain to production, we strictly controls the drug quality and eventually deliver safe and high-quality products to patients. Mabpharm vigorously fulfils our industrial responsibilities.

Responsibility for patients

"Quality first, with a high standard of quality system, to provide our customers and patients with safe and effective products" is the core values of Mabpharm. It is Mabpharm's sacred responsibilities to guarantee drug safety and care for patients.

- ***Quality management system***

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

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

- ***GMP and drug regulation training***

  The Company organizes aperiodic GMP training to promote scientific management and enhance our staff's quality as well as their quality awareness, to ultimately guarantee drug quality. In 2019, the Company carried out company-wide GMP training 8 times, benefitting 1,185 participants. The training mainly focused on the themes of deviation, facilities and equipment, quality risk management, validation and verification, record management, materials management, production management, and data integrity.

In addition, according to the requirements of laws and regulations such as *Drug Administration Law of the People's Republic of China*, the Company organizes regular training on these laws and regulations, and convert some of their content into quality system documents for standardized management.

- ***Product recall***

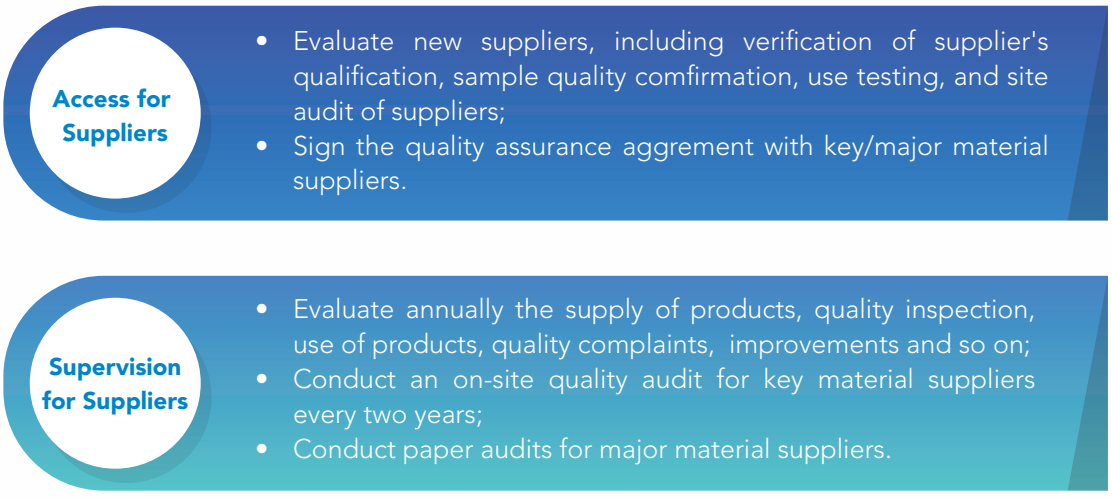
To ensure drug safety for patients, the Company has formulated *Administrative Procedures of Recalls* to standardize product recalls. Currently, products are recalled mainly because of control group medicine expire, rather than safety or health issues.

- ***Complaint management***

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

Supplier management

Mabpharm implements the *Material Supplier Standard Administrative Procedures* to ensure that qualified suppliers meet the policy and regulatory requirements in terms of their business reputation, technical competence and so on.



The Company tends to purchase from suppliers nearby. In 2019, we had about 529 suppliers, among whom 99% were from our operating location, China.

Boosting industry development

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

- ***Participation in the formulation of industry standards***

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

- ***Industry exchange and learning***

  In 2019, as a high-tech enterprise in China Medical Industry Zone, the Company participated in the 10th China International Pharmaceuticals Expo, an authoritative and influential event in the biomedical industry domestically and overseas. 33 seminars and forums were held during this expo, attracting over 4,000 domestic and overseas entrepreneurs and scientists of the biomedical industry.

The Company participated in the 10th China International Pharmaceuticals Expo.

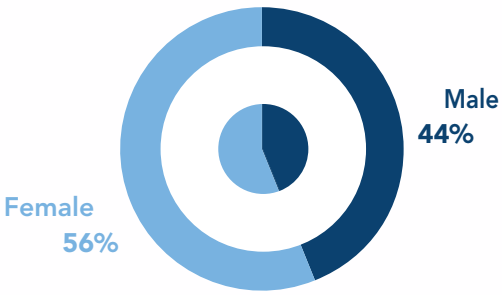
EMPLOYEE RESPONSIBILITY

Talent is the core and important wealth of the Company, and also the driving force for our sustainable development. The Company is committed to providing employees with a sound training system and a clear career promotion path, creating a positive work environment and attaching great importance to employee's occupational health and safety.

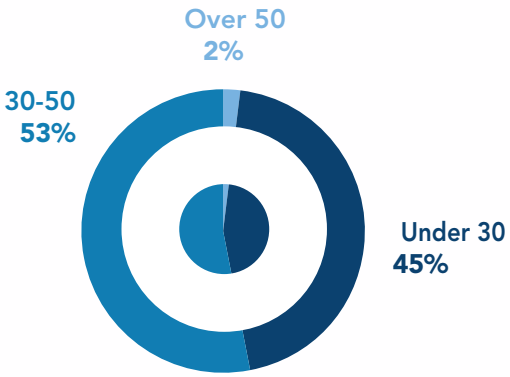
Laying emphasis on protecting employees' rights and interests, the Company signs labor contracts or agreements with employees according to the *Labor Law of the People's Republic of China* and provides equal opportunities in employment, regardless of people's race, religious believe, gender, age, marital status, disability and nationality. The Company employs people according to the provisions of laws. There was no child labor or forced labor.

In 2019, the Company had 308 employees in total, among whom female accounted for about 56%, and employees under the age of 30 accounted for 45%, presenting a youthful trend. In addition, the Company had 233 contractors.

Percentage of Employees by Gender (Excl. contractor personnel)



Percentage of Employees by Age (Excl. contractor personnel)



Training and development

To cultivate a high-quality talent team, the Company has established a scientific training management system, including general courses, special business training, and training for improving staff quality and capability. The training content focuses on a wide range of themes such as the Company's systems, corporate culture, business development, business knowledge and so on. In 2019, the Company organized various training courses amounting to 7,102 hours and reaching a per capita training time of 23 hours. About 93% of the employees received the training.

Employees were receiving skill training.

To promote talent development, the Company has established a two-channel career development path – technological channel and management channel, where employees can choose a suitable growth channel based on their career planning. In addition, based on their performance and capability as well as the job vacancies, employees can have job transfer within the Company to achieve their personal value and career development in the right position.

Welfare and care

Mabpharm has established a relatively complete compensation and welfare system that provides employees with salaries and benefits in line with the market standards. In addition to paying social insurance and housing fund for employees according to the local regulations, the Company buys additional commercial insurance for employees. Meanwhile, the Company provides employees with holiday bonus and gifts, high-temperature subsidies, and other benefits. We also give financial and emotional support to employees in difficult situations.

The Company set up a fitness centre in 2016 to enrich employees' spare time and improve their physical quality. The fitness centre is equipped with badminton courts, ping pong tables, and other fitness equipment to encourage employees to do exercise. Moreover, the Company organizes group travel, sports meetings, and Women's Day activities every year to help employees relax and enjoy a happier life.

Employees were playing badminton at the fitness centre.

The Company organised a Huangshan Mountain climbing activity in 2019.

Health and safety

Mabpharm has formulated the *EHS Management Manual* and established the EHS framework, setting the EHS goal of "preventing and curing pollution, eliminating major accidents and occupational diseases, and trying to achieve a minor injury accident rate no higher than 3‰".

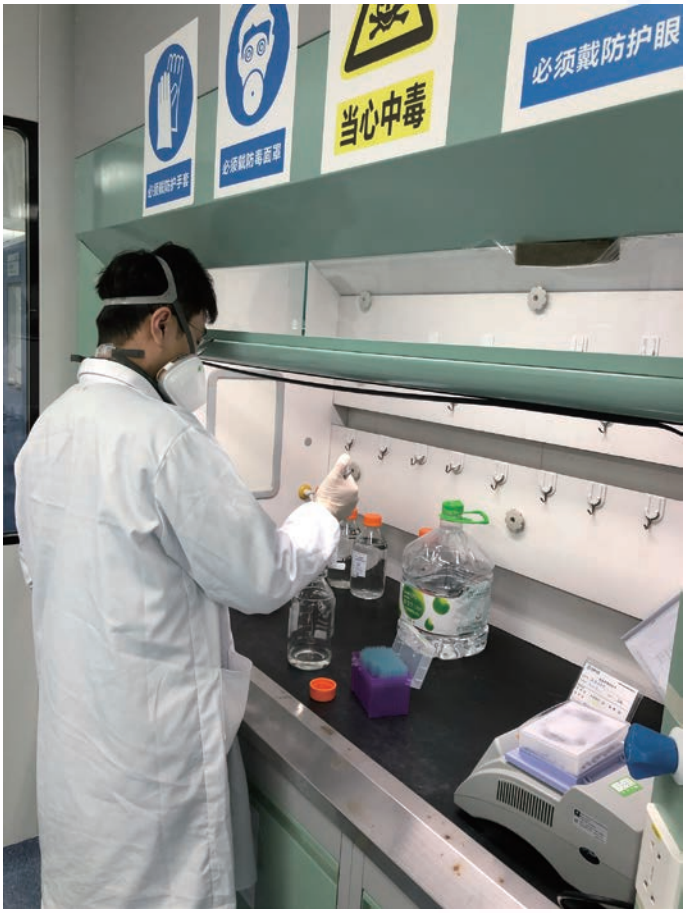
- ***Guarantee occupational health***

Mabpharm attaches great importance to employees' health. The Company mitigates the impact of occupational hazards, such as chemicals, dust, noise and high temperature during the production process, mainly through occupational health risk assessments, occupational hazard detection, provision of labor protection appliance, and regular employee medical examinations.

- ***Create a safe work environment***

Mabpharm especially values employees' life, and has formed a scientific safety management system. We actively conduct safety training to raise employees' attention to safety. The Company has introduced a series of safe production precautions, including safe operation, fire and explosion protection, firefighting and hazardous chemicals management, etc. The Company also has a registered safety engineer in charge of EHS work. In addition, the Company has made emergency plans and conducts emergency drills every year.

The Company pays much attention to safety culture construction to heighten employees' safety awareness. Mabpharm makes annual plans for safety training, and conducts regular safety knowledge training and evaluation, including safety education for new employees, special operation education, and other types of safety education.



Employees wear gas masks while working in environment with safety hazards, and relevant operations should be done in a environment with good ventilation.

Mabpharm has two industrial projects under construction in Taizhou. To strengthen safety management for contracting and promote production safety, the Company has formulated the contractor safety management system. Every contractor shall be strictly reviewed by the EHS department and sign the safety agreement; all contractor personnel shall receive safety training prior to starting construction; contractors shall conduct relevant safety inspection and inform the Company's EHS department before starting the project.

In 2019, the Company had no major safety accidents, and the lost days due to work injury was 0.

ENVIRONMENTAL AND COMMUNITY RESPONSIBILITY

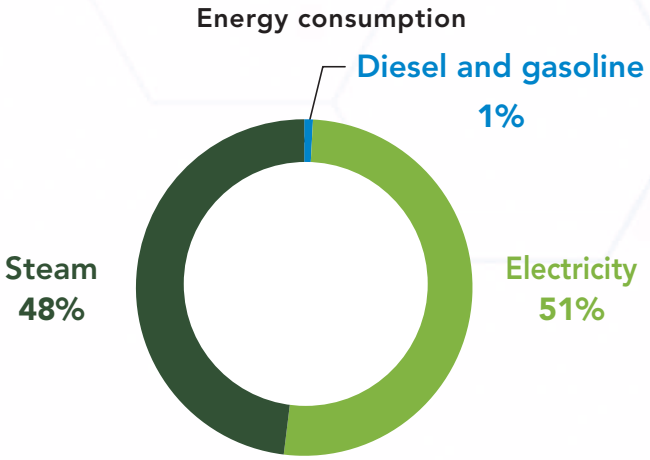
While focusing on our own growth, Mabpharm also pays attention to the harmonious development with the environment and community. The Company has established the *EHS Management Manual* and the EHS framework to systematically and effectively manage environmental protection, seeking a harmonious development with the environment and community while promoting the corporate image of sustainable development. The Company abides by relevant laws and regulations such as the *Environmental Protection Law of People's Republic of China*, and has formed an environment management system, strived to raise resource utilization efficiency, and made every effort to prevent and remedy pollution, to ultimately minimize the impact on the environment.

Energy management

The intensification of global climate change poses severe challenges to our living environment. The energy Mabpharm consumes are mainly purchased electricity and steam. Indirect energy use is the major process that the Company produces greenhouse gas. The Company complies with the *Energy Conservation Law of the People's Republic of China* and has laid down the *Energy Management System of Public System* to strictly manage the energy and resource consumption during production, so as to reduce carbon footprint and wastes of resources.

The Company has taken a series of energy-saving measures to reduce energy consumption, such as shutting down some electric equipment after work, using LED lights, having designated personnel to make routing inspections and keep a record of energy consumption, and incorporating energy saving and consumption reduction into department and personal performance appraisal.

In 2019, the Company's consumption of energy was 7,376.17 MWh, of which 7,332.54 MWh were from electricity and steam, producing 4,056.57 tons of greenhouse gas (Scope 2).



Water resources management

Mabpharm mainly consumes industrial water (purchased municipal water). In 2019, the Company purchased 42,161.00 tons of municipal water.

To save water resource, the Company has incorporated wastewater utilization into considerations when designing the plants. During the actual production process, the Company recycles the wastewater generated from reverse osmosis to be used by equipment and as domestic water. In 2019, the Company recycled 1,300.00 tons of wastewater in total.

Use of softened recycling water

The Company's wastewater is mainly production wastewater and domestic wastewater. The Company strictly follows relevant regulations such as the *Law of the People's Republic of China on the Prevention and Control of Water Pollution and the Regulations on Urban Drainage and Sewage Disposal*: for wastewater transportation, the Company adopts rain and sewage water diversion, closed cycle, and other methods to avoid wastewater leak during transportation; for wastewater treatment, the Company uses efficient non-toxic water treatment chemicals, and collects the sludge generated from wastewater treatment according to the relevant requirements, which will be entrusted to qualified agents for disposal; for wastewater discharge, the wastewater has been treated to meet relevant national requirements before it is discharged into the sewage pipes, and the annual discharge of wastewater also conforms to relevant national standards.

Emissions and wastes management

Mabpharm carefully identifies various sources of emissions and wastes, and strictly controls the corresponding amount produced. The Company continuously improves the environment management system and promotes technology improvement to decrease the discharge of pollutants and mitigate the destruction to ecological environment. There was no excessive discharge of industrial wastes in 2019.

- ***Emissions management***

  The Company mainly deals with the emissions generated from respiration of cell culture, quality inspection, and sewage treatment. The Company uses non-toxic or low-toxic raw materials by improving technology to reduce the emissions of toxic and hazardous exhaust gas. As for emissions treatment, the Company has set out operation procedures for emissions treatment facilities, endeavouring to mitigate the impact on the environment through filtration and purification. The Company has specially-assigned persons for implementing and managing emissions treatment as well as keeping a record of operation and maintenance. The Company strictly observes relevant national, industrial, and local standards for emissions.

- ***Wastes Management***

  The wastes generated during the production process can be classified into hazardous wastes and nonhazardous wastes. The Company has worked out the Wastes Administrative Procedures to standardize the wastes management, aiming to effectively store and dispose the wastes, improve environment, and to control and eliminate accidents caused by improper wastes management.

  In 2019, the Company had 4.64 tons of hazardous wastes including the consumables containing active substance, unqualified products and sludge. According to the *State Hazardous Wastes Catalogue of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes*, the Company classifies the hazardous wastes and disposes it by different types. Relevant production sites are provided with facilities to label and store solid and liquid hazardous wastes temporarily and separately. The Company will clean and inactivate the hazardous wastes, such as consumables containing active substance and experimental supplies, before discarding it or storing it in a temporary storage room to then entrust it to qualified agents for further disposal.

  In 2019, the Company produced 16,726.00 tons of nonhazardous wastes, of which 16,600.00 tons were muck. The construction wastes is handed over to qualified agents for treatment; the office wastes such as waste paper and cleaning wastes is collected and disposed by the environmental sanitation department. The cleaning and treatment of wastes strictly follows the *Administrative Measures for Hazardous Wastes Transfer Manifests* (Order of the State Environmental Protection Administration No. 5). The Company fills out the *Hazardous Wastes Transfer Manifests* and files it with the Environmental Protection Administration.

Community construction

In addition to strictly controlling resources usage and wastes discharges for the purpose of environmental protection, we carry out social responsibilities and pursuing harmonious development with the environment and community through community liaison and construction

In February 2020, we formulated the Community Responsibility Plan for 2020 to actively implement our community development responsibilities as a listed company. We support scientific research and plan to actively communicate with the government agencies of the Medical High-tech Zone of Taizhou China Medical City to set up scientific and technological awards as sponsors to support the development of local community. In addition, the Company plans to use our own resources to provide funding and professional support by understanding the development needs of the community where we operate.

In the future, Mabpharm will further strengthen connection with local community and better fulfill corporate social responsibilities.

APPENDIX I – ESG DATA

Indicator	2019
Total greenhouse gas emissions (Scope 1 & Scope 2) *(ton)*	4,067.67
Direct greenhouse gas (Scope 1)	11.10
Indirect greenhouse gas (Scope 2)	4,056.57
Total greenhouse gas emissions per employee (excluding contractors) *(ton/person)*	13.17
Total emissions *(ton)*	0.023
VOCS	0.001
Nitrogen	0.020
H_2S	0.002
Total hazardous wastes releases *(ton)*	4.64
Hazardous wastes releases per employee (excluding contractors) *(tons/person)*	0.02
Total nonhazardous wastes releases *(ton)*	16,726.00
Nonhazardous wastes releases per employee (excluding contractors) *(ton/person)*	54.31
Nonhazardous wastes releases per employee (including contractors) *(ton/person)*	30.92
Water consumption *(m^3)*	43,461.00
Fresh water	42,161.00
Recycling water	1,300.00
Water consumption per employee (excluding contractors) *(m^3/person)*	141.11
Water consumption per employee (including contractors) *(m^3/person)*	80.33
Total energy consumption *(1,000 KWh)*	7,376.17
Diesel and gasoline	43.63
Electricity	3,749.21
Steam	3,583.33
Energy consumption per employee (excluding contractors) *(1,000 KWh/person)*	23.95

Indicator	2019
Total packaging materials consumed *(ton)*	2.80
Intensity of packaging materials consumed	Not applicable
Total contractors	233
Total employees (excluding contractors)	308
By gender	
Female	137
Male	171
By employment type	
Full-time	308
Part-time	0
By age group	
Aged under 30	137
Aged 30-50	164
Aged over 50	7
By region	
China	308
By employee category	
Senior Management	6
Middle Management	34
Staff	268
Employee turnover rate	17%
By gender	
Female	16%
Male	18%
By age group	
Aged under 30	22%
Aged 30-50	12%
Aged over 50	14%
By region	
China	17%
Work-related fatalities	0
Fatality rate	0
Lost days due to work injury	0
Average lost days due to work injury	0

Indicator	2019
Percentage of trained employees	93%
By gender	
Female	94%
Male	93%
By employee category	
Senior management	83%
Middle management	97%
General staff	97%
Average training hours completed per employee	23
By gender	
Female	23
Male	23
By employee category	
Senior management	10
Middle management	20
General staff	23
Number of suppliers by geographical region	529
China	525
Other	4
Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable
Number of products and service related complaints received	Not applicable
Number of concluded legal cases regarding corrupt practices brought against the Company or our employees	0

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

Aspect	Description	Location/Remark
A. Environmental		
Aspect A1: Emissions		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	Energy management; Emissions and wastes management
A1.1	The types of emissions and respective emissions data.	Emissions and wastes management; ESG data
A1.2	Greenhouse gas emissions in total (ton) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Energy management; ESG data
A1.3	Total hazardous waste produced (ton) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions and wastes management; ESG data
A1.4	Total nonhazardous waste produced (ton) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions and wastes management; ESG data
A1.5	Description of measures to mitigate emissions and results achieved.	Emissions and wastes management
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions and wastes management

Aspect	Description	Location/Remark
Aspect A2: Use of Resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Energy management; Water resource management
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (1,000 kWH) and intensity (e.g. per unit of production volume, per facility).	Energy management; ESG data
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water resource management; ESG data
A2.3	Description of energy use efficiency initiatives and results achieved.	Energy management
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water resource management
A2.5	Total packaging material used for finished products (ton) and, if applicable, with reference to per unit produced.	ESG data
Aspect A3: The Environment and Natural Resources		
General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environmental and community responsibility
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental and community responsibility

Aspect	Description	Location/Remark
B. Social		
Aspect B1: Employment		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employee responsibility
B1.1	Total work force by gender, employment type, age group and geographical region.	Employee responsibility; ESG data
B1.2	Employee turnover rate by gender, age group and geographical region.	ESG data
Aspect B2: Health and Safety		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and safety
B2.1	Number and rate of work related fatalities.	Health and safety; ESG data
B2.2	Lost days due to work injury.	Health and safety; ESG data
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and safety
Aspect B3: Development and Training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Training and development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	ESG data

Aspect	Description	Location/Remark
B3.2	The average training hours completed per employee by gender and employee category.	ESG data
Aspect B4: Labor Standards		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Employee responsibility
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Employee responsibility
B4.2	Description of steps taken to eliminate such practices when discovered.	Employee responsibility
Aspect B5: Supply Chain Management		
General disclosure	Policies on managing environmental and social risks of the supply chain.	Supplier management
B5.1	Number of suppliers by geographical region.	Supplier management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supplier management

Aspect	Description	Location/Remark
Aspect B6: Product Responsibility		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Responsibility for patients
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Responsibility for patients
B6.2	Number of products and service related complaints received and how they are dealt with.	Responsibility for patients
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual property protection
B6.4	Description of quality assurance process and recall procedures.	Responsibility for patients
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Not applicable
Aspect B7: Anti-corruption		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Compliance & business ethics
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Compliance & business ethics
B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Compliance & business ethics

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

Report of Directors

The Board of the Company is pleased to present this report of Directors together with the Consolidated Financial Statements of the Group for the year ended December 31, 2019.

PRINCIPAL ACTIVITIES

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 R&D system and low-cost pharmaceutical production capability, and develop differentiated therapeutic products by fully utilizing our extensive R&D experience.

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

Particulars of the Company' principal subsidiaries as at December 31, 2019 are set out in Note 36 "PARTICULARS OF SUBSIDIARIES" to the Consolidated Financial Statements.

BUSINESS REVIEW

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

The financial risk management objectives and policies of the Group are set out in Note 33 "FINANCIAL INSTRUMENTS" to the Consolidated Financial Statements.

Further details relating to the Group's relationships with its key stakeholders, the Group's environmental policies and performance, as well as the compliance with the relevant laws and regulations that have a significant impact on the Group can be found in the Environmental, Social and Governance Report on pages 32 to 62. The "Management Discussion and Analysis" and the "Environmental, Social and Governance Report" form part of this report of Directors.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the financial position of the Group for the last three years is set out on page 206 of this annual report.

RESULTS

Details of the consolidated loss of the Group for the Reporting Period and the Group's financial position as at December 31, 2019 are set out in the Consolidated Financial Statements on pages 116 to 118.

FINAL DIVIDENDS

The Board does not recommend payment of a final dividend for the year ended December 31, 2019.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 of the Listing Rules, the Company's Environmental, Social and Governance Report can be found on pages 32 to 62.

PRINCIPAL RISKS AND UNCERTAINTIES

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

1. risks related to financial prospects and funding

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

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

2. risks related to product development and commercialization

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

3. risks related to governmental regulation

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

4. risks related to intellectual property

    - be successful in protecting our own intellectual property

5. other risks related to our industry and business

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

6. risks related to doing business in the PRC

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

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

7. risks related to Novel Coronavirus

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

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

BOARD COMMITTEES

Please refer to pages 94 to 110 of the Corporate Governance Report for further details in relation to (1) Remuneration Committee, (2) Audit Committee, and (3) Nomination Committee as established by the Board.

DIRECTORS

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

Executive Directors
Dr. Qian Weizhu *(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

In accordance with article 108 of the Articles of Association, Dr. Qian Weizhu, Dr. Wang Hao, Mr. Li Yunfeng, Dr. Li Jing, Mr. Jiao Shuge, Mr. Guo Jianjun, Mr. Guo Liangzhong, Dr. Zhang Yanyun and Dr. Liu Linqing will retire from office by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

CHANGES IN INFORMATION OF DIRECTORS

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from the Listing Date to December 31, 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

Such permitted indemnity provision has been in force for the year ended December 31, 2019. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Related Party Transactions" below and Note 35 "RELATED PARTY TRANSACTIONS" to the Consolidated Financial Statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the Reporting Period.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed under the section headed "Related Party Transactions" below and Note 35 "RELATED PARTY TRANSACTIONS" to the Consolidated Financial Statements, no contracts of significance (as defined in Appendix 16 to the Listing Rules) in relation to our business to which the Company, its holding company or any of its subsidiaries was a party and in which a controlling shareholder of the Company had a material interest, whether directly or indirectly, during or at the end of the Reporting Period.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 28.05% and 9.08%, respectively, of the Group's total purchases for the Reporting Period. The Group values long standing relationships with its suppliers. The Group is aiming to develop mutual trust and enhance communication and commitment with its suppliers with a view to deliver high quality products to its potential customers and maintain sustainable growth.

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

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

REMUNERATION OF DIRECTORS

The Directors' fees and other emoluments are supervised by the Remuneration Committee and determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the Directors' remuneration are set out in Note 11 "DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS" to the Consolidated Financial Statements.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Apart from our businesses, Mr. Guo Jianjun, our Non-executive Director and ultimate Controlling Shareholder, has interest in Sinomab Group which is principally engaged in the CRO business in the PRC. The CRO business of the Sinomab Group includes the research and development of drugs SYB507 (target: IgE), SYB508 (target: TNFα) and SYB509 (target: PD1) (the "**Excluded Businesses**"), which have similar/identical targets and indications with CMAB007, CMAB008 and CMAB819, respectively, which are currently developing by the Company. Given that (i) the Excluded Businesses focus on provision of R&D services to pharmaceutical companies and would not involve manufacturing and commercialization of the relevant drug products; and (ii) there is approximately 5 to 10 years gap in terms of R&D stage between the drugs developing by the Excluded Businesses (i.e. SYB507, SYB508 and SYB509) and the drugs developing by the Company (i.e. CMAB007, CMAB008 and CMAB819), the Directors consider that the businesses of our Group and the Excluded Businesses are clearly delineated and do not directly compete with each other because the business nature and the target customers of the Group and the Excluded Businesses are entirely different. For further details of the Excluded Business, please refer to the section headed "Relationship with Controlling Shareholders – Excluded Business" of the Prospectus.

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

DEED OF NON-COMPETITION

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

The Independent Non-executive Directors have reviewed the compliance of the Deed of Non-competition by the Covenantors, and considered that the non-competition undertakings have been complied with for the period from the Listing Date to December 31, 2019. The Covenantors have provided the Company with the confirmation in writing of compliance of the non-competition undertakings.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last three financial years is set out on page 206 of this annual report. This summary does not form part of the audited Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the Reporting Period and details of the Shares issued during the Reporting Period are set out in Note 27 "SHARE CAPITAL" to the Consolidated Financial Statements.

DONATION

During the Reporting Period, the Group made HK$1 million of charitable donation to Community Chest for selecting our stock code.

DEBENTURE ISSUED

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

EQUITY-LINKED AGREEMENTS

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

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year ended December 31, 2019 are set out on page 119 to the Consolidated Financial Statements. The distributable reserves of the Company as at December 31, 2019 were RMB1,366.3 million (2018: RMB389.2 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2019 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 24 "BANK BORROWINGS" to the Consolidated Financial Statements.

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

As at December 31, 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 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 December 31, 2019, the total number of issued shares of the Company was 4,124,080,000 Shares.

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

(3) These interests represented the share options granted under the Pre-IPO Share Option Scheme. For details, please refer to Note 28 "SHARE-BASED PAYMENT TRANSACTIONS" to the Consolidated Financial Statements.

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

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

As at December 31, 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 336 of the SFO, or as otherwise notified.

PRE-IPO SHARE OPTION SCHEME

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

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

Purpose

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

Duration of the Pre-IPO Share Option Scheme

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

Participants

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

Maximum number of shares that can be awarded

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

Exercise Period

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

Exercise Price

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

Outstanding Share Options

On August 18, 2018, the Company granted an aggregate of 83,512,500 share options to 62 Grantees, representing rights to subscribe for 83,512,500 Shares (taking into account the Capitalization Issue). Subsequent to the granting of the share options, a total of five of the grantees resigned from their respective positions within our Group. As such, the share options granted to these five grantees were lapsed and no longer exercisable. As of December 31, 2019, the number of Shares underlying the outstanding and unexercised share options granted under the Pre-IPO Share Option Scheme amounts to 81,416,506 Shares and 1.97% of the issued share capital of the Company as at the date of this annual report. None of the share options granted under the scheme has been exercised by any grantee.

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

Category	Grant Date	Outstanding at January 1, 2019	Outstanding after completion of the Capitalization Issue[1]	Number of Share Options During the Reporting Period			Outstanding at December 31, 2019
				Granted	Exercised	Forfeited	
Category 1: Directors							
Dr. Qian Weizhu	August 18, 2018	665,518	29,642,137	–	–	–	29,642,137
Dr. Wang Hao	August 18, 2018	557,409	24,827,006	–	–	–	24,827,006
Mr. Li Yunfeng	August 18, 2018	72,659	3,236,234	–	–	–	3,236,234
Dr. Li Jing	August 18, 2018	72,659	3,236,234	–	–	–	3,236,234
	Sub-total	1,368,245	60,941,611	–	–	–	60,941,611
Category 2: Employees	August 18, 2018	506,755	22,570,889	–	–	(2,095,994)	20,474,895
	Total	1,875,000	83,512,500	–	–	(2,095,994)	81,416,506

Note:

(1) The number of share options were adjusted on the basis that a grantee shall have the same proportion of the equity capital of the Company as that to which the grantee was entitled to subscribe had the grantee exercised all the share options immediately before the Capitalization Issue.

For further details, please refer to Note 28 "SHARE-BASED PAYMENT TRANSACTIONS" to the Consolidated Financial Statements.

Save as disclosed above and in Note 28 "SHARE-BASED PAYMENT TRANSACTIONS" to the Consolidated Financial Statements, the Company does not have any other share option schemes.

RELATED PARTY TRANSACTIONS

Details of the related party transactions were set out in Note 35 "RELATED PARTY TRANSACTIONS" to the Consolidated Financial Statements. Details of any related party transaction which constitute continuing connected transaction not exempted under Chapter 14A of the Listing Rules are disclosed below.

Continuing Connected Transactions

During the period between the Listing Date to December 31, 2019, the Group has entered into certain transactions which constituted continuing connected transactions (as defined in the Listing Rules) of the Company which are not exempted from annual reporting requirement under Chapter 14A of the Listing Rules. Details of these transactions are set out below:

Connected Persons

Biomabs and MTJA are wholly-owned subsidiaries of Sinomab. Sinomab is an associate of Mr. Guo Jianjun, our Non-executive Director and one of our Controlling Shareholders. Therefore, Biomabs and MTJA are connected persons of the Group pursuant to the Listing Rules.

In July 2019, Sinomab disposed all of its interests in MTJA to Shanghai Zhangjiang Biotechnology Co., Ltd. (上海張江生物技術有限公司), an independent third party to the Company ("**MTJA Disposal**"). Following completion of the MTJA Disposal, MTJA ceased to be a subsidiary of Sinomab and connected person of the Company. Accordingly, after the MTJA Disposal, the transaction contemplated under the Materials Purchase Agreement (as defined below) no longer constitute continuing connected transaction for the Company pursuant to the Listing Rules.

Non-Exempt Continuing Connected Transactions

Clinical Trials Agreement

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

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

The annual cap for the aggregate agreed reimbursements payable by Taizhou Pharmaceutical under the Clinical Trials Agreement for the year ending December 31, 2019 was RMB42,350,000.

The total amount incurred by Taizhou Pharmaceutical under the Clinical Trials Agreement for the year ended December 31, 2019 was approximately RMB11,381,000.

Materials Purchase Agreement

Pursuant to the materials purchase agreement entered into between Taizhou Pharmaceutical and MTJA dated May 5, 2016 (the "**Materials Purchase Agreement**"), Taizhou Pharmaceutical shall purchase raw materials required for monoclonal antibody production (including medium and affinity chromatography media) from MTJA. The original term of the Materials Purchase Agreement as amended by a supplemental materials purchase agreement dated August 13, 2018 is for a term commencing on May 5, 2016 until December 31, 2020 and may be renewed by agreement between the parties, provided that such renewal shall be subject to the relevant requirements under the Listing Rules. On February 28, 2019, Taizhou Pharmaceutical and MTJA entered into a second supplemental agreement to extend the term to December 31, 2021.

The purchase price of the raw materials are fixed unit price in accordance with the Materials Purchase Agreement and MTJA is entitled to adjust the price of the raw materials according to actual market conditions. If such price is adjusted, both parties may sign a price adjustment document or renew the contract. If Taizhou Pharmaceutical does not approve the new price after adjustment, the Materials Purchase Agreement may be terminated by mutual agreement after negotiation between both parties.

The fixed unit purchase price under the Materials Purchase Agreement shall be determined after arms' length negotiation between the parties by reference to the prevailing market prices of similar products provided by independent third parties under normal commercial terms (such as payment arrangement, delivery method and quality assurance) in the ordinary course of business in the vicinity. The Company shall obtain quotations from at least two suppliers who are independent third parties for comparable raw materials in similar quantities to determine if the prices offered by MTJA are fair and reasonable and comparable to those offered by unrelated third parties.

Further, to ensure that the fixed unit purchase price under the Materials Purchase Agreement is no less favourable than those comparable products available from independent third parties, the business department of Taizhou Pharmaceutical has followed its standard market research procedures by conducting the relevant research on factors, such as the demand within the market and the trend of the sales volume of comparable products. It has also taken reference of the prices and specifications of raw materials required for monoclonal antibody production from other independent third parties in the market.

The annual cap for the aggregate purchase amount of raw materials payable by Taizhou Pharmaceutical under the Materials Purchase Agreement for the year ending December 31, 2019 was RMB7,920,000.

The total amount incurred by Taizhou Pharmaceutical under the Materials Purchase Agreement for the year ended December 31, 2019 (up until the completion of the MTJA Disposal) was approximately RMB414,000.

Tenancy Agreement

Pursuant to the tenancy agreement entered into between Shengheng Biotech and Biomabs dated September 1, 2018 (the "**Tenancy Agreement**"), Biomabs as landlord has agreed to lease an office located at No. 301 Libing Road, Zhangjiang Hi-Tech Park, Shanghai (上海市張江高科技園區李冰路301號) with a gross area of approximately 3,218m^2 to Shengheng Biotech as tenant. The original term of Tenancy Agreement is for a term ending on December 31, 2020 for an annual rent of RMB4,933,000 (including value added tax of RMB421,000). On February 28, 2019, Biomabs and Shengheng Biotech entered into a supplemental agreement to extend the term to December 31, 2021.

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

The annual cap for the aggregate rent payable by Shengheng Biotech to Biomabs for the year ending December 31, 2019 was RMB4,934,000.

The total amount incurred by Shengheng Biotech under the Tenary Agreement for the year ended December 31, 2019 was approximately RMB4,512,000 (excluding value added tax of RMB421,000).

Confirmation by the Independent Non-executive Directors

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

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

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

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

Confirmation by the auditors

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

(1) have not been approved by the Board;

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

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

Save as disclosed above, the related party transactions referred in Note 35 to the Consolidated Financial Statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Save as disclosed in this annual report, and except the continuing connected transactions that were granted full exemptions on the requirements under Chapter 14A of the Listing Rules by the Stock Exchange, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company during the Reporting Period in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

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

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

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group since the Listing Date and up to December 31, 2019.

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 HK$1,144.5 million (equivalent to 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 of December 31, 2019, the Company used a total of approximately RMB117.7 million of the proceeds, including approximately RMB64.3 million for research and development of our Core Products, approximately RMB37.0 million for production scale-up and construction of new production facilities in Taizhou, PRC, approximately RMB4.6 million for research and development of our other candidate products and approximately RMB11.8 million for working capital and general purpose. The Company intends to apply such net proceeds in accordance with the plan 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 December 31, 2019:

Use of proceeds[1]	**Allocation of net proceeds of the Global Offering** *(RMB million)*	**Percentage of total net proceeds**	**Utilized amount (as of December 31, 2019)** *(RMB million)*	**Unutilized amount (as of December 1, 2019)** *(RMB million)*
For R&D of our Core Products	180.9	18.7%	64.3	116.6
For production scale-up and construction of new production facilities in Taizhou, PRC	497.2	51.4%	37.0	460.2
For R&D of our other product candidates	194.5	20.1%	4.6	189.9
For working capital and other general corporate purposes	94.8	9.8%	11.8	83.0
Total	967.4	100%	117.7	849.7

Note:

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

PUBLIC FLOAT

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

REVIEW BY AUDIT COMMITTEE

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

INDEPENDENT AUDITOR

The Consolidated Financial Statements for the Reporting Period have been audited by Deloitte Touche Tohmatsu.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this annual report, as at the date of this annual report, there were no significant investments held by the Group or future plans regarding significant investment or capital assets. For the year ended December 31, 2019, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

IMPORTANT EVENTS AFTER THE REPORTING DATE

The outbreak of the COVID-19 in the PRC and the subsequent mandatory quarantine measures imposed by the PRC government as well as the travel restrictions imposed by other countries in early 2020 has impacted the business and operations of the Group as majority of the Group's operations are located in the PRC. As required by the local government offices in which the Group operates, entities including the Group were not allowed to resume operations until mid-February 2020 in an effort to contain the spread of the epidemic. As a result, certain clinical trials commenced by the Company have to be delayed. The Board will closely monitor the development of the COVID-19 pandemic and continue to assess its impact on the Group's operating activities and financial position. The Group will issue announcements to make relevant disclosures as and when appropriate and necessary.

Save as disclosed above and in this annual report, no important events affecting the Company occurred since December 31, 2019 and up to the date of this annual report.

Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Qian Weizhu (錢衛珠), aged 44, is the chief executive officer of our Company and was appointed as an Executive Director on July 20, 2018. Dr. Qian is primarily responsible for overseeing operation and management of our Group. Dr. Qian joined our Group and served as a deputy general manager of Taizhou Pharmaceutical since February 2015 and was promoted as a general manager since January 2016. Dr. Qian also served as a manager of Taizhou Biotech since October 2016.

Dr. Qian has more than 24 years of experience in the oncology and biology. Prior to joining our Group, Dr. Qian worked at the Cancer Institute of the People's Liberation Army Navy Medical University (中國人民解放軍海軍軍醫大學腫瘤研究所) from 1994 to 2013, primarily responsible for Biotechnology research and development. Dr. Qian consecutively served as a deputy general manager and general manager of Zhangjiang Biotech from January 2014 to July 2017. Dr. Qian also worked as a general manager in Biomabs from October 2015 to August 2018 and MTJA from February 2016 to August 2018. Dr. Qian has been a legal representative (法定代表人) of Shanghai Guojian Biotechnology Research Institute (上海國健生物技術研究院) from February 2015 to September 2018.

Dr. Qian obtained a Ph.D. in oncology from the Second Military Medical University (第二軍醫大學) (currently known as the People's Liberation Army Navy Medical University (中國人民解放軍海軍軍醫大學)) in June 2011 following a master degree in biochemistry and molecular biology in June2003.

Dr. Wang Hao (王皓), aged 51, is the chief scientist of our Company and was appointed as an Executive Director on July 20, 2018, and is primarily responsible for overseeing R&D activities and construction of R&D facilities of our Group. Dr. Wang joined our Group and served as a deputy general manager of Taizhou Biotech and Taizhou Pharmaceutical since January 2017 and resigned on March 2017. Dr. Wang was appointed as general manager of Taizhou Biotech in August 2018.

Dr. Wang has over 20 years of experience in the medical and pharmaceutical technology industry, which in the Directors' view, enables him to competently carry out responsibilities in our Group. From 1998 to 2016, Dr. Wang consecutively served as an assistant researcher, associate researcher and researcher at the Cancer Institute of the People's Liberation Army Navy Medical University (中國人民解放軍海軍軍醫大學腫瘤研究所). Dr. Wang also served as a member of the Second Immuno-Oncology Committee of Shanghai Immunology Association (上海市免疫學會第二屆腫瘤免疫專業委員會) since June 2015. He also worked as a deputy general manager of Zhangjiang Biotech from March 2017 to May 2018. Dr. Wang was also a manager of Jiangsu Maitai Shouchuang Biotechnology Co., Ltd. (江蘇邁太首創生物技術有限公司) from September 2017 to June 2018.

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

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

Mr. Li Yunfeng (李雲峰), aged 43, is the chief financial officer of our Company and was appointed as an Executive Director on July 20, 2018. He is primarily responsible for overseeing the management of finance, investment and legal work of our Group. Mr. Li joined our Group and served as a deputy general manager of Taizhou Pharmaceutical and Taizhou Biotech respectively since March 2016.

Mr. Li has over 16 years of experience in the biotechnology industry, which in the Directors' view, enables him to competently carry out responsibilities in our Group. From January 2002 to June 2009, and from July 2010 to November 2012, Mr. Li was employed by Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) (currently known as Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業（上海）股份有限公司)) as a deputy general manager. Mr. Li worked as a deputy general manager at Shanghai National Engineering Research Center of Antibody Medicine Co., Ltd. (上海抗體藥物國家工程研究中心有限公司) from July 2009 to June 2010 and a general manager of Shanghai Lansheng Guojian Pharmaceutical Co., Ltd. (上海蘭生國健藥業有限公司) (currently known as Shanghai Xingsheng Pharmaceutical Co., Ltd. (上海興生藥業有限公司)) from December 2012 to March 2016. Mr. Li served as a deputy general manager of Zhangjiang Biotech from March 2016 to July 2017. He also worked as a deputy general manager of Biomabs and MTJA respectively from March 2016 to August 2018.

Dr. Li Jing (李晶), aged 52, is a vice president of our Company and was appointed as an Executive Director on July 20, 2018. Dr. Li is primarily responsible for supervising clinical trials, and registration affairs of our Group. Dr. Li joined our Group and served as a deputy general manager of Taizhou Pharmaceutical and Taizhou Biotech since February 2015 and November 2016 respectively.

Dr. Li has more than 16 years of experience in the biotechnology industry. Prior to joining our Company, Dr. Li was a medical director at Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) (currently known as Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業（上海）股份有限公司)) from March 2002 to August 2004. Dr. Li was a deputy general manager at Shanghai Lansheng Guojian Pharmaceutical Co., Ltd. (上海蘭生國健藥業有限公司) (currently known as Shanghai Xingsheng Pharmaceutical Co., Ltd. (上海興生藥業有限公司)) from September 2004 to February 2006. From March 2006 to June 2009, Dr. Li was employed by Zhangjiang Biotech as a researcher. From May 2009 to July 2012, Dr. Li was a medical director at Shanghai National Engineering Research Center of Antibody Medicine Co., Ltd. (上海抗體藥物國家工程研究中心有限公司). From August 2012 to July 2017, Dr. Li served as a deputy general manager at Zhangjiang Biotech. Dr. Li also worked as a deputy general manager of MTJA and Biomabs from August 2012 and November 2015, respectively, and resigned in August 2018.

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

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

NON-EXECUTIVE DIRECTORS

Mr. Guo Jianjun (郭建軍), aged 68, was appointed as a Non-executive Director on June 1, 2018, and is mainly responsible for participating in decision-making of important matters of our Group. Prior to joining our Group, Mr. Guo consecutively worked as an organizational officer, office manager and technical manager of labour and human resources department in Luoyang Mining Machinery Factory (洛陽礦山機器廠) (currently known as Citic Heavy Industries Co., Ltd. (中信重工機械股份有限公司) (stock code: 601608), a listed company in Shanghai Stock Exchange) from July 1982 to December 2000. Mr. Guo was an engineer and procurement manager of China Overseas Property (Guangzhou) Co. Ltd (中海物業管理廣州有限公司) from January 2001 to May 2011.

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

Mr. Jiao Shuge (焦樹閣), aged 54, was appointed as the Chairman and a Non-executive Director of our Company on July 20, 2018, and is responsible for participating in formulating business and corporate strategies of our Group. Mr. Jiao joined our Group and served as a director of Taizhou Pharmaceutical and Taizhou Biotech since February 2015 and November 2016, respectively.

Mr. Jiao is currently a director and CEO of CDH China Management Company Limited. Mr. Jiao also serves as an independent non-executive director of China Mengniu Dairy Company Limited (stock code: 2319), a non-executive director of WH Group Limited (stock code: 0288) and an independent non-executive director of China Southern Airlines Company Limited (stock code: 1055), all of which are listed on the Stock Exchange, a director of Joyoung Company Limited (九陽股份有限公司) (stock code: 002242), Henan Shuanghui Investment & Development Co., Ltd. (河南雙匯投資發展股份有限公司) (stock code: 000895) and Hainan Poly Pharm Co. Ltd. (海南普利制药股份有限公司) (stock code: 300630), all of which are listed on the Shenzhen Stock Exchange.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guo Liangzhong (郭良忠), aged 55, is an Independent Non-executive Director of our Company and was appointed as a Director on August 10, 2018 to be effective upon the Listing. Mr. Guo worked as an officer in the accusation department at the Supreme People's Procuratorate of the People's Republic (中華人民共和國最高人民檢察院控申廳) from March 1991 to July 1993. Mr. Guo was a lawyer at Guangxi Far East Commercial Law firm (廣西遠東商務律師事務所) (currently known as Dentons (Nanning) (北京大成（南寧）律師事務所) from July 1993 to December 1994, and has been a partner at Beijing Huamao Guigu Law Firm (北京華貿矽谷律師事務所) since March 1995.

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

Dr. Zhang Yanyun (張雁雲), aged 64, is an Independent Non-executive Director of our Company and was appointed as a Director on August 10, 2018 to be effective upon the Listing. From 1997 to 1998, Dr. Zhang was a visiting researcher at the Faculty of Medicine, University of Tokyo (東京大學醫學部). From 2002 to 2003, Dr. Zhang was a researcher at the Faculty of Medicine, University of Tokyo (東京大學醫學部). From 2002 to 2017, Dr. Zhang consecutively served as a researcher and principal investigator at Shanghai Institute for Biological Sciences, Chinese Academy of Sciences (中國科學院上海生命科學研究院). From 2008 to 2014, Dr. Zhang was the vice director at the Institute of Health Sciences, Shanghai Institute for Biological Sciences, Chinese Academy of Sciences and Shanghai Jiao Tong University School of Medicine (中國科學院上海生命科學研究院上海交通大學醫學院健康科學研究所). From 2012 to 2015, Dr. Zhang was the editor-in-chief of a professional journal named Current Immunology《現代免疫學》. Dr. Zhang has been the non-resident research fellow and principal investigator at Shanghai Institute for Biological Sciences, Chinese Academy of Sciences (中國科學院上海生命科學研究所) since 2017.

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

Dr. Liu Linqing (劉林青), aged 45, is an Independent Non-executive Director of our Company and was appointed as a Director on August 10, 2018 to be effective upon the Listing. Dr. Liu has been a teacher at the Economics and Management School of Wuhan University (武漢大學經濟與管理學院) since July 2002 and now serves as a professor and doctoral supervisor. He is also the director of the Department of Business Administration of Wuhan University (武漢大學工商管理系) and the director of the Institute of Business Strategic Management of Wuhan University (武漢大學企業戰略管理研究所). His research areas focus on corporate strategic management, business administration and management education. Dr. Liu was an independent non-executive director of Aotecar New Energy Technology Co., Ltd (奧特佳新能源科技股份有限公司) (formerly known as Jiangsu Kingfield Garments Co., Ltd. (江蘇金飛達服裝股份有限公司)) (stock code: 002239), a listed company on the Shenzhen Stock Exchange. Dr. Liu was an independent non-executive director of Wuhan Humanwell Hi-tech Ind. Co., Ltd. (人福醫藥集團股份有限公司) (stock code: 600079), a listed company on the Shanghai Stock Exchange from 2009 to 2015. He is currently an independent director of HuBei SanFeng Intelligent Convey Co., Ltd. (湖北三豐智能輸送裝備股份有限公司) (stock code: 300276) and Wuhan P&S Information Co., Ltd. (武漢力源信息技術股份有限公司) (stock code: 300184), both listed on the Shenzhen Stock Exchange.

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

SENIOR MANAGEMENT

Mr. Tao Jing (陶靜), aged 47, joined Taizhou Pharmaceutical in February 2015 as its deputy general manager and was appointed as the vice president of the Company in August 2018. He is primarily responsible for overseeing production of drugs of the Group. Prior to joining our Group, Mr. Tao was employed by Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) (currently known as Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業（上海）股份有限公司)) as a deputy manager and manager in pronucleus department and an operation manager and deputy chief engineer from May 2002 to May 2012. Mr. Tao served as a deputy chief engineer at Shanghai National Engineering Research Center of Antibody Medicine Co., Ltd. (上海抗體藥物國家工程研究中心有限公司) from June 2012 to July 2012. Mr. Tao served as a director of research and development department at MTJA and Zhangjiang Biotech respectively from August 2012 to March 2015, primarily responsible for pharmaceutical research and development. Mr. Tao received a bachelor degree in Biochemistry from Anhui University (安徽大學) in July 1994. He also obtained an advanced certificate in biochemistry from Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in November 2013.

Mr. Zhuge Wenhui (諸葛文輝), aged 53, is a vice president of sales of the Company since August 2018, primarily responsible for marketing and sales channels management of the Group in Northern China. Mr. Zhuge joined our Group in February 2016 and served as a deputy general manager of Taizhou Pharmaceutical till January 2017. From February 2017 to March 2018, Mr. Zhuge transferred to Taizhou Biotech and served as a deputy general manager. Prior to joining our Group, Mr. Zhuge served as a doctor at Shanghai Haiyuan Hospital (上海海員醫院) from October 1994 to December 2000. From October 2005 to January 2013, Mr. Zhuge served as a sales manager at Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) (currently known as Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業（上海）股份有限公司)). From February 2013 to February 2016, Mr. Zhuge served as a deputy general manager at Shanghai Celgen Biopharmaceutical Co., Ltd (上海賽金生物醫藥有限公司), mainly responsible for the national sales management in China. Mr. Zhuge also worked as a deputy general manager of Biomabs since April 2018. Mr. Zhuge received a bachelor degree in medicine from Anhui College of Chinese Medicine (安徽中醫學院) (currently known as Anhui University of Chinese Medicine (安徽中醫藥大學)) in July 1987. He also obtained a master degree in Chinese medicine from Shanghai College of Traditional Chinese Medicine (上海中醫學院) (currently known as Shanghai University of Traditional Chinese Medicine (上海中醫藥大學)) in July 1992.

Mr. Chen Lin ceased to be the vice president of sales of the Company with effect from July 16, 2019 due to his personal career development. He has confirmed that he has no disagreement with the Board and there is no other matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

JOINT COMPANY SECRETARIES

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

Mr. Tsang Ho Yin (曾浩賢), aged 34, has been appointed as a joint company secretary of our Company. Mr. Tsang is currently a senior associate of Stevenson, Wong & Co, specialising in corporate finance and commercial law. Mr. Tsang has been appointed as the independent non-executive director of Inno-Tech Holdings Limited (stock code: 8202) since June 2019; the non-executive director of China Regenerative Medicine International Limited (stock code: 8158) since January 2020. Mr. Tsang has been appointed as the joint company secretary of Sunshine 100 China Holdings Ltd (stock code: 2608) and the company secretary of Mobile Internet (China) Holdings Limited (stock code:1439) since May 2019 and February 2020, respectively. Mr. Tsang was appointed as the company secretary of Sino Energy International Holdings Group Limited (stock code: 1096) from November 2018 to July 2019; the company secretary of Moody Technology Holdings Limited (stock code: 1400) from January 2019 to November 2019.

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

CHANGE IN INFORMATION OF DIRECTORS

Save as disclosed above, as of December 31, 2019, there has been no change to the information of the Directors subject to disclosure under Rule 13.51B(1) of the Listing Rules.

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed 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 annual report.

BOARD OF DIRECTORS

Responsibilities

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

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

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

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

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

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

Composition

As at the date of this annual report, the Board is comprised of nine Directors, with four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. From the Listing Date onwards, there is no change to the composition of the Board. A list of Directors and their respective biographies are set out on pages 2 and 87 to 93, respectively, of this annual report. As at the date of this annual report, none of our Directors is related to other Directors of the Company.

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

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Jiao Shuge and Dr. Qian Weizhu respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Continuous Professional Development of Directors

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

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

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

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

Directors	Participation in continuous professional development[1]
Executive Directors	
Dr. Qian Weizhu	✓
Dr. Wang Hao	✓
Mr. Li Yunfeng	✓
Dr. Li Jing	✓
Non-executive Directors	
Mr. Guo Jianjun	✓
Mr. Jiao Shuge	✓
Independent Non-executive Directors	
Mr. Guo Liangzhong	✓
Dr. Zhang Yanyun	✓
Dr. Liu Linqing	✓

Note:

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

Appointment and Re-election of Directors

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

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

The following Directors, Dr. Qian Weizhu, Dr. Wang Hao, Mr. Li Yunfeng, Dr. Li Jing, Mr. Guo Jianjun, Mr. Jiao Shuge, Mr. Guo Liangzhong, Dr. Zhang Yanyun and Dr. Liu Linqing shall retire at the AGM and, being eligible, will offer themselves for re-election.

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

Board Meetings and Directors' Attendance Records

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

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

Since the Shares of the Company were listed on May 31, 2019 four Board meetings were held during the Reporting Period, one of which was to approve the Company's interim report for the six months ended June 30, 2019 and the other three were to discuss matters including, among other things, (i) transferring 100% equity interests in Shanghai Shengheng Biotechnology Limited (a subsidiary of the Company), to Mabpharm HK, (ii) approving the production workshop process planning of Taizhou Mabtech Biotechnology Limited and (iii) reviewing the Company's risk management and internal control systems. Apart from the four Board meetings held, the Chairman also held a meeting with the Independent Non-executive Directors in the absence of other Directors during the Reporting Period.

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

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

	Number of meeting(s) attended/number of meeting(s) held for the year ended December 31, 2019			
Directors	Board	Audit Committee[1]	Remuneration Committee[2]	Nomination Committee[3]
Executive Directors				
Dr. Qian Weizhu	4	N/A	N/A	1
Dr. Wang Hao	4	N/A	1	N/A
Mr. Li Yunfeng	4	N/A	N/A	N/A
Dr. Li Jing	4	N/A	N/A	N/A
Non-executive Directors				
Mr. Guo Jianjun	4	N/A	N/A	N/A
Mr. Jiao Shuge	4	2	N/A	N/A
Independent Non-executive Directors				
Mr. Guo Liangzhong	4	2	1	1
Dr. Zhang Yanyun	4	N/A	1	1
Dr. Liu Linqing	4	2	N/A	N/A

Notes:

1. The Audit Committee held a meeting on August 28, 2019 and December 16, 2019, respectively, and all members of the Audit Committee attended the meeting.

2. The Remuneration Committee held a meeting on July 29, 2019 and all members of the Remuneration Committee attended the meeting.

3. The Nomination Committee held a meeting on December 16, 2019 and all members of the Nomination Committee attended the meeting.

BOARD COMMITTEES

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

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

Audit Committee

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

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

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

During the Reporting Period, the Audit Committee held two meetings, one of which was to review the interim report for the six months ended June 30, 2019 and the relevant financial disclosure.

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

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

Remuneration Committee

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

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

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

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

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

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

Nomination Committee

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

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

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

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

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

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

Name of Members of the Nomination Committee	Attendance
Mr. Guo Liangzhong	100%
Dr. Qian Weizhu	100%
Dr. Zhang Yanyun	100%

Board Diversity Policy

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

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, biotech, clinical research, life science, finance, investment, auditing and accounting. They obtained degrees in various areas including medicine, immunology, chemistry, chemical physics, chemical engineering, pharmaceutical analysis, economics and accounting. Furthermore, our Directors range from 43 years old to 68 years old.

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

Director Nomination Policy

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

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

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

CORPORATE GOVERNANCE FUNCTION

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

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

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

DIVIDEND POLICY

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

AUDITORS' RESPONSIBILITY AND REMUNERATION

The Company appointed Deloitte Touche Tohmatsu, Certified Public Accountants ("**Deloitte**") as the external auditor for the year ended December 31, 2019. A statement by Deloitte about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 114 to 115.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte for the year ended December 31, 2019 are set out in the table below:

Services rendered for the Company	**Fees paid and payable** *RMB'000*
Audit services	3,043
Non-audit services	2,753
– Issue of accountants' reports in connection with the Global Offering of the shares of the Company	2,518
– ESG Report Consulting Service	185
– Others	50
Total	5,796

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

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

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

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

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

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

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

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

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

Internal Control

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

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

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

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

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

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

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

Effectiveness of Risk Management and Internal Control

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

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

Policy on the Disclosure of Inside Information

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out on pages 87 to 93 of this annual report, for the Reporting Period are set out below:

Remuneration band	Number of individuals
Below RMB1,000,000	6
RMB1,000,001 to RMB1,500,000	3
Above RMB5,000,000	2

JOINT COMPANY SECRETARIES

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

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

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

SHAREHOLDERS' RIGHTS

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

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

A summary of the disclosure of interests of the substantial shareholders of the Company is set out on pages 74 to 75 of this annual report.

Convening of Extraordinary General Meeting and Putting Forward Proposals

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

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

Enquiries to the Board

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

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

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

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

Communication with Shareholders and Investors Relations

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

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the period between the Listing Date and December 31, 2019, the Company did not make any significant changes to its constitutional documents. The latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

Independent Auditor's Report

TO THE SHAREHOLDERS OF MABPHARM LIMITED
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Mabpharm Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 116 to 205, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the key audit matter
Risk of misstatement of research and development expenses	
As disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2019, the Group incurred significant research and development ("**R&D**") expenses amounted to approximately RMB134 million. A large portion of the Group's R&D expenses are service fees paid to contract research organizations, clinical site management operators and clinical trial centres (collectively referred as "**Outsourced Service Providers**"). The R&D activities with these Outsourced Service Providers are documented in detailed contracts and are typically performed over an extended period. Recording of these expenses in the appropriate financial reporting period based on the progress of the research and development projects involves estimation.	Our procedures included, among others: • Testing the design and implementation of management's control in relation to the accrual of the R&D expenses; • Checking to contracts entered with and progress reports received from Outsourced Service Providers on a sample basis to challenge and evaluate the reasonableness of the key estimation adopted by the management in setting up the accrual for R&D services received; and • Evaluating the adequacy of the R&D expenses accrual by comparing the subsequent milestone billings received from the Outsourced Service Providers with the accrued R&D expenses at the year end.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in the independent auditor's report is Joseph Wing Ming Chan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 27, 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
Other income	6	17,999	24,059
Other expenses		(4,127)	(12,507)
Other gains and losses	7	15,962	(2,427)
Research and development expenses		(134,189)	(88,983)
Administrative expenses		(62,952)	(42,128)
Finance costs	8	(7,695)	(4,481)
Listing expenses		(27,527)	(26,126)
Loss before tax	9	(202,529)	(152,593)
Income tax credit	10	–	2,834
Loss and total comprehensive expense for the year		(202,529)	(149,759)
Total comprehensive expense attributable to:			
Owners of the Company		(202,529)	(124,883)
Non-controlling interests		–	(24,876)
		(202,529)	(149,759)
		RMB	RMB
Loss per share	14		
–Basic and diluted		(0.05)	(0.06)

Consolidated Statement of Financial Position

At December 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Plant and equipment	15	255,049	122,833
Right-of-use assets	16	77,346	–
Other non-current assets	17	85,415	89,225
Rental deposit to a related party	35	411	411
Pledged bank deposits	21	23,117	–
		441,338	212,469
Current assets			
Prepayments and other receivables	18	21,904	20,826
Amounts due from related parties	35	–	668
Inventories	19	22,224	27,551
Contract costs	20	13,240	12,991
Pledged bank deposits	21	129,891	522
Time deposit	21	179,160	–
Bank balances and cash	21	588,720	198,195
		955,139	260,753
Current liabilities			
Trade and other payables	22	128,119	38,262
Amounts due to related parties	35	2,538	19,526
Lease liabilities	25	2,823	–
Lease liabilities to a related party	35	4,472	–
Contract liabilities	23	58,662	58,662
Bank borrowings	24	63,205	–
Loan from a related party	35	–	40,000
Deferred income	26	10,515	–
		270,334	156,450
Net Current Assets		684,805	104,303
Total Assets Less Current Liabilities		1,126,143	316,772

Consolidated Statement of Financial Position

At December 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Deferred income	26	**37,309**	2,200
Loan from a related party	35	**–**	65,000
Lease liabilities	25	**30,737**	–
Lease liabilities to a related party	35	**4,386**	–
		72,432	67,200
Net Assets		**1,053,711**	249,572
Capital and reserves			
Share capital	27	**2,804**	51
Reserves		**1,050,907**	249,521
Total Equity		**1,053,711**	249,572

The consolidated financial statements on pages 116 to 205 were approved and authorized for issue by the board of directors on March 27, 2020 and are signed on its behalf by:

Qian Weizhu
DIRECTOR

Li Yunfeng
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 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 profit (losses) *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At January 1, 2018	–	–	126,608	5,910	–	(32,705)	99,813	53,476	153,289
Loss and total comprehensive expense for the year	–	–	–	–	–	(124,883)	(124,883)	(24,876)	(149,759)
Contribution from a related party *(Note d)*	–	–	–	10,418	–	–	10,418	5,582	16,000
Loss for year from the Clinical Business transfer to other reserve *(Note b)*	–	–	–	(23,994)	–	23,994	–	–	–
Net contribution by Biomabs *(Note a)*	–	–	–	7,775	–	–	7,775	4,165	11,940
Issue of ordinary shares	51	410,433	–	–	–	–	410,484	–	410,484
Effect of Group Reorganization *(Note c)*	–	–	(126,608)	(32,872)	–	–	(159,480)	(38,347)	(197,827)
Recognition of equity-settled share-based compensation	–	–	–	–	5,445	–	5,445	–	5,445
At December 31, 2018	51	410,433	–	(32,763)	5,445	(133,594)	249,572	–	249,572
Loss and total comprehensive expense for the year	–	–	–	–	–	(202,529)	(202,529)	–	(202,529)
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 27 (b))*	2,212	(2,212)	–	–	–	–	–	–	–
Recognition of equity-settled share-based compensation	–	–	–	–	13,844	–	13,844	–	13,844
At December 31, 2019	2,804	1,400,504	–	(32,763)	19,289	(336,123)	1,053,711	–	1,053,711

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. As part of the Group Reorganization (as defined in Note 1.2), Mabpharm (HK) Limited ("**Mabpharm HK**") acquired Taizhou Mabtech Pharmaceutical Limited (泰州邁博太科藥業有限公司) ("**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 total cash consideration of RMB194,993,000. The difference between the cash consideration and the combined paid-in capital of RMB126,608,000 of Taizhou Pharmaceutical and Taizhou Biotech attributable to owners of the Company and non-controlling interests of RMB38,347,000 in Taizhou Pharmaceutical, Taizhou Biotech and the Clinical Business were transferred to other reserve.

   The tax effect of RMB2,834,000 of the assets of the Clinical Business contributed by Biomabs was debited to other reserve.

d. The contribution represented the amounts paid by Biomabs to 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.

Consolidated Statement of Cash Flows

For the year ended December 31, 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 cash flow. 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 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.

	2019 *RMB'000*	2018 *RMB'000*
OPERATING ACTIVITIES		
Loss before tax	**(202,529)**	(152,593)
Adjustments for:		
Bank interest income	**(3,925)**	(132)
Finance costs	**7,695**	4,481
Depreciation of plant and equipment	**14,525**	11,716
Depreciation of right-of-use assets	**7,673**	–
Net foreign exchange (gain) loss	**(15,962)**	2,427
Write down of inventories	**272**	839
Share-based payment expenses	**13,844**	5,445
Operating cash flows before movements in working capital	**(178,407)**	(127,817)
Decrease in inventories	**5,055**	7,929
(Increase) decrease in contract costs	**(217)**	4,838
Decrease in amounts due from related parties	**–**	73
Increase in prepayments and other receivables	**(2,094)**	(1,185)
Increase in other non-current assets	**(8,107)**	(3,427)
Increase in amounts due to related parties	**7,801**	12,528
Increase in trade and other payables	**26,835**	26,692
Increase in contract liabilities	**–**	16,295
Increase in deferred income	**12,515**	2,200
NET CASH USED IN OPERATING ACTIVITIES	**(136,619)**	(61,874)

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	2019 *RMB'000*	2018 *RMB'000*
INVESTING ACTIVITIES		
Interest received from bank	**488**	132
Purchase of plant and equipment	**(113,569)**	(49,787)
Payment for acquisition of a land use right	**–**	(38,110)
Deposit paid for construction of production facilities	**–**	(3,000)
Placement of a time deposit	**(180,674)**	–
Repayment from a related party	**42**	8,581
Withdraw of pledged bank deposits	**50,334**	6,624
Placement of pledged bank deposits	**(202,820)**	(7,146)
Government grants relating to assets received	**33,109**	–
NET CASH USED IN INVESTING ACTIVITIES	**(413,090)**	(82,706)
FINANCING ACTIVITIES		
Interest paid	**(9,378)**	(2,566)
Loans obtained from a bank	**95,071**	–
Loans obtained from related parties	**–**	30,000
Repayments of loans from related parties	**(105,000)**	–
Repayment of loans from a bank	**(31,985)**	–
Repayments to a related party	**(22,001)**	–
Repayments of lease liabilities	**(6,842)**	–
Acquisition of entities under common control	**–**	(194,993)
Proceeds from the issue of the Company's ordinary shares	**1,033,268**	410,484
Issue costs paid	**(30,375)**	(2,106)
Contribution from a related party	**–**	16,000
NET CASH FROM FINANCING ACTIVITIES	**922,758**	256,819
NET INCREASE IN CASH AND CASH EQUIVALENTS	**373,049**	112,239
Cash injected for the Clinical Business by Biomabs	**–**	11,940
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**198,195**	76,443
Effects of exchange rate changes on the balances of cash held in foreign currencies	**17,476**	(2,427)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**588,720**	198,195

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

1. GENERAL INFORMATION, GROUP REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF THE 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 annual report.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") is 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.

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

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

The consolidated financial statements have been prepared in accordance with the accounting policies set out in Note 3 which conforms with International Financial Reporting Standards ("**IFRSs**") and the principles of merger accounting (details are set out below).

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 CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Group reorganization and basis of preparation and presentation of the 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 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 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Group reorganization and basis of preparation and presentation of the 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 and the Clinical Business are under common control of Mr. Guo Jianjun before and after the Group Reorganization. Therefore, the acquisition of Taizhou Pharmaceutical, Taizhou Biotech and the Clinical Business 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended December 31, 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 and the Clinical Business had been operated under a group since January 1, 2018 with consideration of the controlling interest of Mr. Guo Jianjun in these entities and business.

To the extent the income and expenses that are specifically identified to the Clinical Business, such items are included in the consolidated financial statements throughout the year ended December 31, 2018. To the extent the 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 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 year ended December 31, 2018. Other than those items mentioned above, all other items of income and expenses of the Clinical Business are specifically identified.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time in the current year:

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 2015 – 2017 Cycle

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

IFRS 16 Leases

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

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.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

IFRS 16 Leases (continued)

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, January 1, 2019.

As 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 accrued lease payments by applying IFRS 16.C8(b)(ii) transition.

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;

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

iii. 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.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

IFRS 16 Leases (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 weighted average incremental borrowing rates by the relevant group entities range from 7.13% to 7.35%.

	Note	At January 1, 2019 *RMB'000*
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. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

IFRS 16 Leases (continued)

As a lessee (continued)

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

	Note	Right-of-use assets *RMB'000*
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 consolidated statement of financial position immediately before the date of initial application.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

IFRS 16 Leases (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognized in the 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*	Adjustments *RMB'000*	Carrying amounts under IFRS 16 at January 1, 2019 *RMB'000*
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 year ended December 31, 2019, movements in working capital have been computed based on opening consolidated statement of financial position at January 1, 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after January 1, 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after January 1, 2020
5 Effective for annual periods beginning on or after January 1, 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after January 1, 2020.

The directors of the Company anticipate that the application of the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since January 1, 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of the comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Merger accounting for business combination involving entities and business under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the common control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or business first came under the common control combination, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the entity performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

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

Upfront payment received by the Group is initially recognized as contract liabilities. Revenue from intellectual property transfer is recognized at a point in time upon delivery and acceptance of the intellectual property by the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Costs to fulfil a contract

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

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

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

(c) the costs are expected to be recovered.

The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 2)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2)

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.

Right-of-use assets

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 measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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 consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2) (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.

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, 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, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2) (continued)

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.

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.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to January 1, 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (prior to January 1, 2019) (continued)

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Borrowing costs

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

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants (continued)

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position upon the Group complied with the conditions attached to the grants and the government acknowledged acceptance and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the plans. Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees (including directors of the Company) are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled shared-based payments is determined at the grant date without taking into consideration all non-market vesting conditions. Market vesting conditions are taken into consideration in estimating the grant date fair value of the equity-settled shared-based payments, and the grant date fair value is not subsequently revised. The equity-settled shared-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognized in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to accumulated profit or losses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from lease modifications, that are not subject to initial recognition exemption are recognized on the date of modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Plant and equipment

Plant and equipment other than assets under construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets other than plant and equipment in the course of construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant and equipment (continued)

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on plant and equipment, right-of-use assets and contract costs

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment, right-of-use assets and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognizes an impairment loss for assets capitalized as contract costs under IFRS 15, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalized as contract costs is recognized to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognized as expenses. The assets capitalized as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on plant and equipment, right-of-use assets and contract costs (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a first-in, first-out method. Net realizable value represents the contracted selling price less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Interest income is recognized in profit or loss and is included in the "other income" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit losses ("**ECL**") model on financial assets (including deposit for construction of production facilities, rental deposit to a related party, amounts due from related parties, other receivables, interest receivables, bank balances and cash, time deposit and pledged bank deposits) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables. The ECL on these financial assets are assessed on individual basis, including their credit loss history, adjusted for factors that are specific to each of the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including bank borrowings, trade and other payables, amounts due to related parties and loans from related parties are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Research and development expenses

Development expenses incurred on the Group's drug product pipelines are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the reporting period, all expenses incurred for research and development activities were expensed when incurred.

Key sources of estimation uncertainty

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Accrual of research and development expenses

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

Useful lives of plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its plant and equipment. This estimate is reference to useful lives of plant and equipment of similar nature and functions in the industry. The Group's management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete assets that have been abandoned or sold. As of December 31, 2019, the carrying amount of plant and equipment is approximately RMB255 million (2018: RMB123 million).

5. 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 (the consideration is further increased to RMB65,680,000 as at December 31, 2019) ("**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 RMB13,240,000 at December 31, 2019 (2018: RMB12,991,000), was capitalized as cost to fulfil the contract and were included in contract costs in the 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 the end of each reporting period:

	2019 *RMB'000*	2018 *RMB'000*
Intellectual property transfer	**65,680**	65,180

The Group expects that 100% of the transaction price allocated to the unsatisfied contract at December 31, 2019 will be recognized as revenue within one year from December 31, 2019.

5. 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 reporting period and the Group's non-current assets are substantially located in the PRC, accordingly, no analysis of geographical segment is presented.

6. OTHER INCOME

	2019 *RMB'000*	2018 *RMB'000*
Bank interest income	**3,925**	132
Government grants and subsidies related to income	**9,013**	9,694
Income from preparation process service *(Note a)*		
– related parties *(Note b)*	**–**	13,968
– third party	**–**	265
Income from sales of raw materials *(Note c)*	**5,061**	–
	17,999	24,059

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 35.

c. The Group recognized income from sales of raw materials upon the delivery of raw materials to the counterparty and recorded it in the "Other income" line item in profit or loss. The relevant costs were included in "Other expenses" line item.

7. OTHER GAINS AND LOSSES

	2019 *RMB'000*	2018 *RMB'000*
Net foreign exchange gain (loss)	**15,962**	(2,427)

8. FINANCE COSTS

	2019 *RMB'000*	2018 *RMB'000*
Interest on related party loans *(Note 35)*	**1,639**	4,481
Interest on bank borrowings	**3,056**	–
Interest on lease liabilities	**3,000**	–
	7,695	4,481

9. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2019 *RMB'000*	2018 *RMB'000*
Depreciation for plant and equipment	**14,548**	12,231
Depreciation for right-of-use assets	**7,682**	–
Less: capitalized in contract costs	**(32)**	(515)
	22,198	11,716
Write downs of inventories recognized as an expense	**272**	839
Staff cost (including directors' emoluments):		
– Salaries and other benefits	**47,908**	33,793
– Retirement benefit scheme contributions	**4,653**	3,372
– Share-based payment expenses	**13,844**	5,445
– Consultation fee	**510**	481
	66,915	43,091
Less: capitalized in construction in progress/contract costs	**(1,089)**	(2,090)
	65,826	41,001
Auditors' remuneration	**3,043**	2,658
Minimum operating lease payment in respect of rented premises	**–**	5,200
Short-term lease payments	**22**	–
Less: capitalized in contract costs	**–**	(158)
	22	5,042
Cost of inventories recognized as expense (included in research and development expenses)	**25,092**	27,259

10. INCOME TAX CREDIT

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 year.

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

The EIT 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 year ended December 31, 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 and Taizhou Pharmaceutical should self-evaluate whether it meets the criteria of High and New Technology Enterprise each year. For the year ended December 31, 2019, after the self-evaluation, the Group's management is in a view that Taizhou Pharmaceutical failed to meet the criteria of the High and New Technology Enterprise and therefore the tax rate of Taizhou Pharmaceutical is 25% for the current year.

Pursuant to the relevant EIT Laws, Taizhou Pharmaceutical enjoys super deduction of 175% on qualifying research and development expenditures during the years ended December 31, 2019 and 2018.

10. INCOME TAX CREDIT (continued)

The tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 *RMB'000*	2018 *RMB'000*
Loss before tax	**(202,529)**	(152,593)
Income tax credit calculated at 25%	**(50,632)**	(38,148)
Tax effect of expenses not deductible for tax purpose	**8,711**	13,306
Effect of research and development expenses that are additionally deducted	**(15,711)**	(3,144)
Tax effect of tax losses and deductible temporary differences not recognized	**57,632**	23,263
Income tax at concessionary rate	**–**	1,889
Income tax credit recognized in profit or loss	**–**	(2,834)

The Group has unused tax losses of RMB322,142,000 available for offset against future profits as of December 31, 2019 (2018: RMB117,345,000). The Group had deductible temporary differences of RMB54,300,000 at December 31, 2019 (2018: RMB28,568,000), which are mainly related to deferred income and accrued expenses. Deferred taxation had not been recognized on the unused tax losses and deductible temporary differences due to the unpredictability of future profit streams.

10. INCOME TAX CREDIT (continued)

The unrecognized tax losses will be carried forward and expire in years as follows:

	2019 *RMB'000*	2018 *RMB'000*
2021	**406**	406
2022	**7,364**	7,364
2023	**65,543**	12,146
2024	**204,797**	–
2026	**26,094**	26,094
2027	**17,938**	17,938
2028	**–**	53,397
	322,142	117,345

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable to the directors and the Chief Executive of the Company for the service provided to the Group (including those as employees or advisor of the entities/business now comprising the Group prior to be the directors of the Company) during the reporting period are as follows:

	Fee *RMB'000*	Salaries and other benefits *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Share-based payment expenses *RMB'000*	Consultation fee *RMB'000*	Total *RMB'000*
For the Year ended December 31, 2019						
Executive directors						
Dr. Wang Hao *(Note b)*	–	979	38	4,263	–	5,280
Dr. Li Jing *(Note b)*	–	827	49	556	–	1,432
Dr. Qian Weizhu *(Note b)*	–	810	49	5,090	–	5,949
Mr. Li Yunfeng *(Note b)*	–	873	49	556	–	1,478
Non-executive directors						
Mr. Jiao Shuge *(Note b)*	–	–	–	–	–	–
Mr. Guo Jianjun *(Note c)*	–	–	–	–	510	510
Independent Non-executive directors						
Mr. Guo Liangzhong *(Note a)*	63	–	–	–	–	63
Dr. Zhang Yanyun *(Note a)*	63	–	–	–	–	63
Dr. Liu Linqing *(Note a)*	63	–	–	–	–	63
	189	3,489	185	10,465	510	14,838

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

	Fee	Salaries and other benefits	Retirement benefit scheme contributions	Share-based payment expenses	Consultation fee	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2018						
Executive directors						
Dr. Wang Hao *(Note b)*	–	577	28	1,619	–	2,224
Dr. Li Jing *(Note b)*	–	533	50	211	–	794
Dr. Qian Weizhu *(Note b)*	–	595	50	1,933	–	2,578
Mr. Li Yunfeng *(Note b)*	–	534	33	211	–	778
Non-executive directors						
Mr. Jiao Shuge *(Note b)*	–	–	–	–	–	–
Mr. Guo Jianjun *(Note c)*	–	–	–	–	481	481
	–	2,239	161	3,974	481	6,855

Notes:

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

b. Dr. Wang Hao, Dr. Li Jing, Dr. Qian Weizhu, Mr. Li Yunfeng and Mr. Jiao Shuge were appointed as directors of the Company on July 20, 2018.

c. Mr. Guo Jianjun was appointed as the director of the Company on June 1, 2018.

The executive directors' emoluments shown above were for his/her service in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments to Mr. Guo Jianjun were for his advisory services provided to the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

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

During the year, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

Certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 28.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included four directors (2018: four directors), details of whose remuneration are set out in Note 11 above. Details of the remuneration for the year of the remaining one (2018: one) highest paid employee are as follows:

	2019 *RMB'000*	2018 *RMB'000*
Salaries and other benefits	**691**	537
Retirement benefit scheme contributions	**49**	50
Share-based payment expenses	**556**	211
	1,296	798

12. FIVE HIGHEST PAID EMPLOYEES (continued)

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

	2019 *Number of employees*	2018 *Number of employees*
Nil to HK$1,000,000	–	3
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	2	–
HK$2,500,001 to HK$3,000,000	–	1
HK$3,000,001 to HK$3,500,000	–	1
HK$5,500,001 to HK$6,000,000	1	–
HK$6,500,001 to HK$7,000,000	1	–
	5	5

The non-director highest paid employee was granted share options in respect of his services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 28.

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

14. LOSS PER SHARE

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

Loss figures are calculated as follows:

	2019 *RMB'000*	2018 *RMB'000*
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	**(202,529)**	(124,883)

Number of shares ('000):

	2019	2018
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**3,802,061**	2,212,075

The computation of basic and diluted loss per share for the year ended December 31, 2019 and 2018 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 27(b) had been in effect on January 1, 2018.

The computation of diluted loss per share for the year ended December 31, 2019 and 2018 did not assume the exercise of the pre-IPO share options or the over-allocation option since their inclusion would be anti-dilutive.

15. PLANT AND EQUIPMENT

	Transportation equipment *RMB'000*	Furniture, fixtures and machinery *RMB'000*	Leasehold improvement *RMB'000*	Construction in progress (or "CIP") *RMB'000*	Total *RMB'000*
COST					
At January 1, 2018	522	92,073	34,157	975	127,727
Additions	–	3,317	–	18,671	21,988
Transfer	–	3,453	–	(3,453)	–
At December 31, 2018	522	98,843	34,157	16,193	149,715
Additions	643	5,866	120	140,135	146,764
Transfer	–	11,902	155	(12,057)	–
At December 31, 2019	**1,165**	**116,611**	**34,432**	**144,271**	**296,479**
DEPRECIATION AND IMPAIRMENT					
At January 1, 2018	(125)	(12,087)	(2,439)	–	(14,651)
Provided for the year	(99)	(10,409)	(1,723)	–	(12,231)
At December 31, 2018	(224)	(22,496)	(4,162)	–	(26,882)
Provided for the year	(130)	(12,676)	(1,742)	–	(14,548)
At December 31, 2019	**(354)**	**(35,172)**	**(5,904)**	**–**	**(41,430)**
CARRYING VALUES					
At December 31, 2018	298	76,347	29,995	16,193	122,833
At December 31, 2019	**811**	**81,439**	**28,528**	**144,271**	**255,049**

The above items of plant and equipment other than CIP, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Transportation equipment	19% per annum
Furniture, fixtures and machinery	9.5%-20% per annum
Leasehold improvement	over the shorter of the lease term or 20 years

16. RIGHT-OF-USE ASSETS

	Leasehold land *RMB'000*	Buildings *RMB'000*	Total *RMB'000*
At January 1, 2019			
Carrying amount	–	42,611	42,611
At December 31, 2019			
Carrying amount	37,402	39,944	77,346
For the year ended December 31, 2019			
Depreciation charge	771	6,911	7,682
Capitalized in contracts costs	–	(9)	(9)
	771	6,902	7,673
Expense relating to short-term leases			22
Total cash outflow for leases *(Note)*			8,688
Additions to right-of-use assets			42,417

Note: The amounts include payments of principal and interest portion of lease liabilities and short-term leases. These amounts could be presented in operating or financing cash flows.

The Group regularly entered into short-term leases for buildings. As at December 31, 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 2.

Restrictions or covenants on leases

In addition, lease liabilities of RMB42,418,000 are recognized with related right-of-use assets of RMB39,944,000 as at December 31, 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

17. OTHER NON-CURRENT ASSETS

	2019 RMB'000	2018 RMB'000
Prepayment for acquisition of plant and equipment	54,495	28,239
Prepayment for acquisition of land use right (Note)	–	38,173
Deposit for construction of production facilities	3,000	3,000
VAT recoverable	27,920	19,813
	85,415	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 and levies of RMB1,173,000 to secure the land use right. In January 2019, the Group obtained the title of land use right.

18. PREPAYMENTS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Other receivables	1,616	1,604
Prepayments for research and development services	11,780	12,924
Interest receivables	3,437	–
Other deposits and prepayments	3,239	1,845
VAT recoverable	1,832	–
Deferred issue costs	–	4,453
	21,904	20,826

19. INVENTORIES

	2019 *RMB'000*	2018 *RMB'000*
Raw materials and consumables	**22,224**	27,551

20. CONTRACT COSTS

	2019 *RMB'000*	2018 *RMB'000*
Cost to fulfil contracts	**13,240**	12,991

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

Pledged bank deposits

Current pledged bank deposits represent deposits pledged to the bank to secure banking facilities granted to the Group, which carry interest at a fixed rate of 2.25% per annum at December 31, 2019 (2018: at a fixed rate of 0.01% per annum).

Non-current pledged bank deposits are pledged to a bank as collateral for the issue of euro ("**EUR**") letter of credit by the bank in connection with the purchase of plant and equipment by the Group, which carry interest at a fixed rate of 0.05% per annum at December 31, 2019 (2018: Nil).

Time deposit

The time deposit is placed with bank in Hong Kong with a term of six months upon placement, which carries interest at a fixed rate of 2.50% per annum at December 31, 2019 (2018: Nil).

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

Bank balances and cash

Bank balances and cash comprise of cash and short-term bank deposits with an original maturity of three months or less. The bank balances and cash carry interest at market rates which range from 0.05% to 2.50% per annum at December 31, 2019 (2018: from 0.01% to 0.35% per annum).

Bank balances and cash, time deposit and pledged bank deposits that are denominated in currencies other than RMB are set out below:

	2019 *RMB'000*	2018 *RMB'000*
Hong Kong dollars ("**HK$**")	**576,323**	–
US$	**320,717**	173,102
EUR	**–**	522
Singapore dollars ("**SGD$**")	**9**	9

22. TRADE AND OTHER PAYABLES

	2019 *RMB'000*	2018 *RMB'000*
Trade payables	**4,401**	1,797
Accrued expenses for research and development services	**23,902**	9,880
Other payables	**66,369**	5,669
Salary and bonus payables	**9,645**	9,046
Other taxes payable	**514**	1,755
Accrued listing expenses and issue costs	**23,288**	10,115
	128,119	38,262

22. TRADE AND OTHER PAYABLES (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 the end of each reporting period is as follows:

	2019 *RMB'000*	2018 *RMB'000*
Within 60 days	**2,459**	1,059
Over 60 days but within 1 year	**1,942**	668
Over 1 year	**–**	70
	4,401	1,797

Accrued lease liabilities included in other payables were adjusted in lease liabilities upon the initial application of IFRS 16. Details of the adjustment are set out in Note 2.

23. CONTRACT LIABILITIES

	2019 *RMB'000*	2018 *RMB'000*
Amounts received in advance for intellectual property transfer	**58,662**	58,662

As at January 1, 2018, contract liabilities amounted to RMB42,367,000.

24. BANK BORROWINGS

	2019 RMB'000	2018 RMB'000
Secured bank loans	63,205	–

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 RMB37,402,000 and pledged bank deposit amounting to RMB129,891,000.

At the end of the reporting period, the Group has the following undrawn banking facilities:

	2019 RMB'000	2018 RMB'000
Floating rate		
– expiring within one year	36,914	–

25. LEASE LIABILITIES

	2019 RMB'000
Within one year	2,823
Within a period of more than one year but not more than two years	2,103
Within a period of more than two years but not more than five years	7,284
Within a period of more than five years	21,350
	33,560
Less: Amount due for settlement with 12 months shown under current liabilities	(2,823)
Amount due for settlement after 12 months shown under non-current liabilities	30,737

26. DEFERRED INCOME

	2019 *RMB'000*	2018 *RMB'000*
Income related government grants	**14,715**	2,200
Assets related government grants	**33,109**	–
	47,824	2,200
Less: current portion	**(10,515)**	–
Non-current portion	**37,309**	2,200

Movement of income related government grants:

	RMB'000
At January 1, 2018	–
Government grant received	11,894
Credited to profit or loss	(9,694)
At December 31, 2018	2,200
Government grant received	21,528
Credited to profit or loss	(9,013)
At December 31, 2019	**14,715**

Movement of assets related government grants:

	RMB'000
At December 31, 2018	–
Government grant received	33,109
At December 31, 2019	**33,109**

26. DEFERRED INCOME (continued)

During the year ended December 31, 2019, the Group received government grants of RMB54,637,000 (2018: RMB11,894,000) to compensate for the expense of Group's research projects and construction on the land. The grants related to income were recognized in profit or loss upon the Group complied with the conditions attached to the grants and the government acknowledged acceptance. The grants related to assets were deducted in calculating the carrying amount of the assets upon the Group complied with the conditions attached to the grants and the government acknowledged acceptance and were recognized in profit or loss in the form of reduced depreciation changes over the lives of the depreciable assets.

27. SHARE CAPITAL

The details of the movements of the Company's authorized and issued ordinary shares are set out as below:

	Authorized number of shares	*US$*
Ordinary shares of US$0.0001 each		
At June 1, 2018 (date of incorporation) and December 31, 2018	500,000,000	50,000
Increase *(Note a)*	49,500,000,000	4,950,000
At December 31, 2019	50,000,000,000	5,000,000

27. SHARE CAPITAL (continued)

	Issued and fully paid number of shares		Shown in the consolidated statement of financial position as
		US$	*RMB'000*
Ordinary shares of US$0.0001 each			
At June 1, 2018 (date of incorporation)	1	–	–
Ordinary shares issued *(Note 1.2)*	74,999,999	7,500	51
At December 31, 2018	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 December 31, 2019	**4,124,080,000**	**412,408**	**2,804**

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 28).

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

28. 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 expiry date of the option under the Scheme shall not be later than the last day of the option period, which must expire not more than 10 years from the date of grant. 20% of the options granted will be exercisable commencing from 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.

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The following table discloses details of the movements of the outstanding options granted under the Scheme during the year ended December 31, 2019:

Category	Date of grant	Outstanding at January 1, 2019	Capitalization issue	Granted/ exercised during year	Forfeited during year	Outstanding at December 31, 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	–	(2,095,994)	20,474,895
	Total	1,875,000	81,637,500	–	(2,095,994)	81,416,506
	Exercisable at the end of the year	–				–
	Weighted average exercise price *(Note)*	HK$154.42				HK$1.5

Note: The exercise price as of January 1, 2019 and December 31, 2018 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 December 31, 2019 represented the Final Offer Price of the Global Offering.

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The following table discloses details of the movements of the outstanding options granted under the Scheme during the year ended December 31, 2018:

Category	Date of grant	Outstanding at 1 January, 2018	Granted during year	Exercised during year	Forfeited during year	Outstanding 31 December, 2018
Category 1: Directors						
Dr. Qian Weizhu	August 18, 2018	–	665,518	–	–	665,518
Dr. Wang Hao	August 18, 2018	–	557,409	–	–	557,409
Mr. Li Yunfeng	August 18, 2018	–	72,659	–	–	72,659
Dr. Li Jing	August 18, 2018	–	72,659	–	–	72,659
	Total directors	–	1,368,245	–	–	1,368,245
Category 2: Employees						
	August 18, 2018	–	506,755	–	–	506,755
	Total	–	1,875,000	–	–	1,875,000
	Exercisable at the end of the year					–
	Weighted average exercise price *(Note)*		HK$154.42			HK$154.42

28. 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 the Group's management 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 RMB13,844,000 for the year ended December 31, 2019 (2018: RMB5,445,000) in relation to share options granted by the Company.

29. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefit schemes operated by the relevant local government authority in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions.

The total expense recognized in profit or loss in respect of the above-mentioned schemes amounted to approximately RMB4,653,000 for the year ended December 31, 2019 (2018: RMB3,372,000).

30. OPERATING LEASES

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 *RMB'000*
Within one year	9,505
In the second to fifth year inclusive	23,125
Over five years	35,081
	67,711

31. CAPITAL COMMITMENTS

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

	2019 ***RMB'000***	2018 *RMB'000*
Contracted but not provided for	**182,332**	239,017

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in Note 24, net of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the new share issues as well as the issue of new debts or the redemption of existing debts.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 *RMB'000*	2018 *RMB'000*
Financial assets		
Financial assets measured at amortized cost	**929,352**	204,400
Financial liabilities		
Financial liabilities measured at amortized cost	**183,703**	151,987

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposit for construction of production facilities, rental deposit to a related party, amounts due from related parties, other receivables, interest receivables, bank balances and cash, time deposit, pledged bank deposits, trade and other payables, amounts due to related parties, bank borrowings and loans from related parties. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk and interest rate risk. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks during the year ended December 31, 2019.

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are mainly as follows:

	2019 *RMB'000*	2018 *RMB'000*
Assets		
HK$	576,323	–
US$	320,717	173,102
EUR	–	522
SGD$	9	9

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in RMB against the relevant foreign currencies, the foreign currency with which the Group may have a material exposure. No sensitivity analysis has been disclosed for the EUR or SGD$ denominated assets as the impact on profit or loss is insignificant. 5% (2018: 5%) represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rate. A negative/positive number below indicates an increase/decrease in loss where RMB strengthens 5% (2018: 5%) against the relevant currency. For a 5% (2018: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on loss and the amounts below would be positive.

	2019	2018
	RMB'000	*RMB'000*
Impact on profit or loss		
HK$	**(28,816)**	–
US$	**(16,036)**	(8,655)

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposures do not reflect the exposure during the year.

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits (see Note 21 for details), time deposit (see Note 21 for details), lease liabilities (see Note 25 for details) and lease liabilities to a related party (see Note 35 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings (see Note 24 for details) and bank balances and cash (see Note 21 for details). The Group currently does not enter into any hedging instrument for cash flow interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings (2018: loans from related parties) at the end of the reporting period. The analysis is prepared assuming the amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2018: 50 basis points) increase or decrease in variable-rate borrowings is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible changes in interest rates.

If the interest rate had been 50 basis points (2018: 50 basis points) higher/lower for variable-rate borrowings, with all other variables held constant, the Group's loss before tax would increase/decrease by RMB316,000 for the year ended December 31, 2019 (2018: increase/decrease by RMB525,000).

Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable.

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to pledged bank deposits, bank balances, time deposit, other receivables, interest receivables and deposit included in other non-current assets. However, the expected credit loss on pledged bank deposits, bank balances, time deposit, other receivables, interest receivables and deposit included in other non-current assets is insignificant because the counterparties are mainly local government and banks with good reputation.

At the end of the reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of the financial position.

In order to minimize credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default.

The Group's management uses the Group's own historical repayment records to rate its major debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group individually reviews the recoverable amount of each trade receivables periodically and the Group's management also has monitoring procedures to ensure the follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk on trade receivables is significantly reduced.

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group's current credit risk grading framework for financial assets excluding trade receivables comprises the following categories:

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past due amounts within 1 year	12-months ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL-not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL-credit-impaired
Write-off	Amount is >5 years past due or there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the Group's management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. At December 31, 2019, the Group has available unutilized short-term bank loan facilities of approximately RMB36,914,000 (2018: Nil). Details of which are set out in Note 24.

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 year or on demand RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At December 31, 2019						
Amounts due to related parties	N/A	2,538	–	–	2,538	2,538
Trade and other payables	N/A	117,960	–	–	117,960	117,960
Variable interest rate borrowings	5.655	64,450	–	–	64,450	63,205
Lease liabilities	7.35	5,036	16,690	28,012	49,738	33,560
Lease liabilities to a related party	7.13	4,903	4,526	–	9,429	8,858
		194,887	21,216	28,012	244,115	226,121

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	Less than 1 year or on demand RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At December 31, 2018						
Amounts due to related parties	N/A	19,526	–	–	19,526	19,526
Trade and other payables	N/A	27,461	–	–	27,461	27,461
Loan from a related party – variable interest rate	4.35	41,740	–	–	41,740	40,000
Loan from a related party – variable interest rate	4.75	–	73,721	–	73,721	65,000
		88,727	73,721	–	162,448	151,987

(c) Fair value measurements of financial instruments

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to a related party *RMB'000*	Interest payables to related parties *RMB'000*	Withholding individual income tax payable *RMB'000*	Loans from related parties *RMB'000*	Payable for issue costs *RMB'000*	Bank borrowings *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
At January 1, 2018	–	1,063	–	75,000	–	–	–	76,063
Financing cash flows	–	(2,566)	–	30,000	(2,106)	–	–	25,328
Non cash changes								
– Interest on loans from related parties	–	4,481	–	–	–	–	–	4,481
– Withholding tax related to interest on loans from related parties	–	(564)	564	–	–	–	–	–
– Deferred issue costs	–	–	–	–	4,453	–	–	4,453
– Issue costs paid by a related party on behalf of the Group	775	–	–	–	(775)	–	–	–
– Listing expenses paid by a related party on behalf of the Group	4,752	–	–	–	–	–	–	4,752
– Expenses incurred in Clinical Business paid by a related party on behalf of the Group	7,524	–	–	–	–	–	–	7,524
At December 31, 2018	13,051	2,414	564	105,000	1,572	–	–	122,601

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

	Amounts due to a related party *RMB'000*	Interest payables to related parties *RMB'000*	Withholding individual income tax payable *RMB'000*	Loans from related parties *RMB'000*	Payable for issue costs *RMB'000*	Bank borrowings *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
Adjustment upon application of IFRS 16	–	–	–	–	–	–	43,840	43,840
At January 1, 2019 (restated)	13,051	2,414	564	105,000	1,572	–	43,840	166,441
Financing cash flows	(22,001)	(3,427)	(1,190)	(105,000)	(30,375)	60,149	(8,666)	(110,510)
Non cash changes								
– Interest on loans from related parties and bank borrowings	–	1,639	–	–	–	3,056	–	4,695
– Withholding tax related to interest on loans from related parties	–	(626)	626	–	–	–	–	–
– Interest on lease liabilities	–	–	–	–	–	–	3,000	3,000
– Lease modification	–	–	–	–	–	–	4,244	4,244
– Transaction costs attributable to issue of new shares	–	–	–	–	35,991	–	–	35,991
– Expenses incurred in Clinical Business paid by a related party on behalf of the Group	11,381	–	–	–	–	–	–	11,381
At December 31, 2019	2,431	–	–	–	7,188	63,205	42,418	115,242

35. RELATED PARTY TRANSACTIONS

(a) Related party transactions

i. Preparation Process service to related parties

	2019 RMB'000	2018 RMB'000
Shanghai Sinomab Biotechnology Co., Ltd. ("**MTJA**") *(Note a)*	–	13,968

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

	2019 RMB'000	2018 RMB'000
MTJA	414	12,581
Biomabs	–	726
	414	13,307

iii. Expenses incurred in Clinical Business paid by a related party on behalf of the Group

	2019 RMB'000	2018 RMB'000
Biomabs	11,381	7,524

35. RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

iv. Interest on related party loans

	2019 RMB'000	2018 RMB'000
Ms. Guo Xiaoxin *(Note b)*	1,066	3,130
Biomabs	573	1,351
	1,639	4,481

v. Interest on lease liabilities to a related party

	2019 RMB'000	2018 RMB'000
Biomabs	658	–

vi. Rental paid to a related party

	2018 RMB'000
Biomabs	1,698

Notes:

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

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

35. RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances

As at the end of the reporting period, the Group had balances with related parties as follows:

i. Amounts due from related parties

	2019 RMB'000	2018 RMB'000
Non-trade receivables		
Ms. Guo Xiaoxin	–	626
MTJA	–	42
	–	668

ii. Rental deposit to a related party

	2019 RMB'000	2018 RMB'000
Biomabs	411	411

35. RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances (continued)

iii. Amounts due to related parties

	2019 *RMB'000*	2018 *RMB'000*
Trade payables		
MTJA	–	2,938
Biomabs	107	1,123
	107	4,061
Non-trade payables		
Biomabs	2,431	13,051
Interest payables		
Ms. Guo Xiaoxin	–	875
Biomabs	–	1,539
	–	2,414
	2,538	19,526

35. 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 December 31, 2019 is a follows:

	2019 *RMB'000*	2018 *RMB'000*
Within 60 days	106	1,277
Over 60 days but within 1 year	1	2,784
	107	4,061

iv. Short-term loan from a related party

	2019 ***RMB'000***	2018 *RMB'000*
Biomabs	**–**	40,000

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

35. RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances (continued)

v. Long-term loan from a related party

	2019 *RMB'000*	2018 *RMB'000*
Ms. Guo Xiaoxin	–	65,000

The amount represents 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

	2019 *RMB'000*
Lease liabilities payable to Biomabs:	
Within one year	4,472
Within a period of more than one year but not more than two years	4,386
	8,858
Less: Amount due for settlement with 12 months shown under current liabilities	(4,472)
Amount due for settlement after 12 months shown under non-current liabilities	4,386

The amounts represent capitalization of a forty-month secured building lease entered with Biomabs, which commenced from September 1, 2018. For the year ended December 31, 2019, the Group paid Biomabs in an amount of RMB4,512,000 in connection with this lease arrangement.

35. 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 year ended December 31, 2019 were as follows:

	2019 *RMB'000*	2018 *RMB'000*
Salaries and other benefits	4,828	3,816
Retirement benefit scheme contributions	283	312
Share-based compensation	11,215	4,333
Consultation fee	510	481
	16,836	8,942

36. PARTICULARS OF SUBSIDIARIES

At December 31, 2019 and 2018, the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion ownership interest/ Proportion of voting power held by the Company		Principal activities	Notes
			At December 31, 2019	At December 31, 2018		
Mabpharm Holdings	British Virgin Islands, June 8, 2018	US$1	100%	100%	Investment holding	*(a)*
Indirectly held:						
Mabpharm HK	Hong Kong, July 5, 2018	HK$1	100%	100%	Investment holding	*(b)*
Taizhou Pharmaceutical	PRC, February 4, 2015	US$80,000,000 (2018: US$40,000,000)	100%	100%	Research and development, technical consulting, technology transfer and technical services of biological products, diagnostic reagents, chemical biological reagents and drugs	*(c)*
Taizhou Biotech	PRC, November 24, 2016	Registered capital of US$80,000,000 paid-in capital of US$40,000,000 (2018: paid in capital of US$10,000,000)	100%	100%	Technology development in the field of biomedical science and technology	*(c)*
Shengheng Biotech	PRC, August 28, 2018	RMB5,000,000	100%	100%	Research and development, technical consulting, technology transfer and technical services of biological products, diagnostic reagents, chemical biological reagents and drugs	*(d)*

Notes:

(a) Mabpharm Holdings is directly held by the Company.

(b) Mabpharm HK is indirectly held by the Company through Mabpharm Holdings.

(c) These companies are indirectly held by the Company through Mabpharm HK.

(d) Shengheng Biotech is indirectly held by the Company through Taizhou Pharmaceutical. On November 14, 2019, a board's resolution was passed under which Shengheng Biotech was sold to Mabpharm HK with no consideration.

None of the subsidiaries had issued any debt securities at the end of the year.

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 *RMB'000*	2018 *RMB'000*
Non-current asset		
Investments in subsidiaries	**852,703**	387,332
Current assets		
Prepayments and other receivables	**3,437**	4,453
Pledged bank deposits	**129,891**	–
Time deposit	**179,160**	–
Bank balances and cash	**267,745**	33,033
	580,233	37,486
Current liabilities		
Trade and other payables	**24,349**	10,115
Amounts due to related parties	**–**	5,527
Amounts due to subsidiaries	**20,202**	14,501
	44,551	30,143
Net Current Assets	**535,682**	7,343
Total Assets Less Current Liabilities	**1,388,385**	394,675
Net Assets	**1,388,385**	394,675
Capital and reserves		
Share capital	**2,804**	51
Reserves	**1,385,581**	394,624
Total Equity	**1,388,385**	394,675

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movements in the Company's reserves

	Share premium *RMB'000*	Share option reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At June 1, 2018 (date of incorporation)	–	–	–	–
Loss and total comprehensive expense for the period	–	–	(21,254)	(21,254)
Recognition of equity-settled share-based compensation	–	5,445	–	5,445
Issue of ordinary shares	410,433	–	–	410,433
At December 31, 2018	410,433	5,445	(21,254)	394,624
Loss and total comprehensive expense for the year	–	–	(12,958)	(12,958)
Recognition of equity-settled share-based compensation	–	13,844	–	13,844
Shares issued upon initial public offerings	1,032,727	–	–	1,032,727
Transaction costs attributable to issue of new shares	(40,444)	–	–	(40,444)
Capitalization Issue	(2,212)	–	–	(2,212)
At December 31, 2019	**1,400,504**	**19,289**	**(34,212)**	**1,385,581**

38. EVENT AFTER THE REPORTING PERIOD

2019 Novel Coronavirus impact

The outbreak of 2019 Novel Coronavirus (the "**COVID-19**") in the PRC and the subsequent mandatory quarantine measures imposed by the PRC government as well as the travel restrictions imposed by other countries in early 2020 has impacted the business and operations of the Group as majority of the Group's operations are located in the PRC. As required by the local government offices in which the Group operates, entities including the Group were not allowed to resume operations until mid-February 2020 in an effort to contain the spread of the epidemic. As a result, certain clinical trials commenced by the Group have to be delayed. However, the extent of which could not be estimated as of the date of the approval of these consolidated financial statements. The directors of the Company will closely monitor the development of the COVID-19 pandemic and continue to assess its impact on the Group's operating activities and financial position.

Three Year Financial Summary

	For the year ended December 31,		
	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Other income	**17,999**	24,059	4,798
Other expenses	**(4,127)**	(12,507)	(307)
Other gains and losses	**15,962**	(2,427)	(2,337)
Research and development expenses	**(134,189)**	(88,983)	(21,632)
Administrative expenses	**(62,952)**	(42,128)	(24,900)
Finance costs	**(7,695)**	(4,481)	(3,328)
Listing expenses	**(27,527)**	(26,126)	–
Loss before tax	**(202,529)**	(152,593)	(47,706)
Income tax credit	**–**	2,834	–
Loss and total comprehensive expense for the year	**(202,529)**	(149,759)	(47,706)
Total comprehensive expense attributable to:			
Owners of the Company	**(202,529)**	(124,883)	(31,064)
Non-controlling interests	**–**	(24,876)	(16,642)
	RMB	*RMB*	*RMB*
Loss per share			
– Basic	**(0.05)**	(0.06)	(0.02)
– Diluted	**(0.05)**	(0.06)	N/A

	At December 31, 2019	At December 31, 2018	At December 31, 2017
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Non-current assets	**441,338**	212,469	134,207
Current assets	**955,139**	260,753	154,935
Current liabilities	**270,334**	156,450	70,853
Net current assets	**684,805**	104,303	84,082
Non-current liabilities	**72,432**	67,200	65,000
Net assets	**1,053,711**	249,572	153,289

Definitions

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

"Articles of Association"	the amended and restated articles of association of the Company adopted on April 8, 2019 with effect from Listing, as amended from time to time
"Asia Mabtech"	Asia Mabtech Limited, a limited liability company incorporated in the BVI on November 23, 2017 and one of the Controlling Shareholders
"Asia Pacific Immunotech Venture"	Asia Pacific Immunotech Venture Limited, a limited liability company incorporated in the BVI on July 23, 2018 and one of the Controlling Shareholders
"Audit Committee"	the audit committee of the Board
"Biomabs"	Shanghai Biomabs Pharmaceuticals Co., Ltd. (上海百邁博製藥有限公司), a limited liability company incorporated in the PRC on October 16, 2009 and a direct wholly-owned subsidiary of Sinomab as of the date of this annual report
"Board" or "Board of Directors"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"CDH"	CDH PE and CDH VC
"CDH PE"	CDH Mabtech Limited, a limited liability company incorporated in the Cayman Islands
"CDH VC"	Genemab Holding Limited, a limited liability company incorporated in the BVI
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules

"Company"	Mabpharm Limited (迈博药业有限公司), an exempted company incorporated in the Cayman Islands with limited liability on June 1, 2018 and whose Shares are listed on the Stock Exchange on the Listing Date
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Financial Statements"	the audited consolidated financial statements of the Group
"Controlling Shareholders"	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Mr. Guo Jianjun, Guo Family Trustee, Asia Pacific Immunotech Venture, Asia Mabtech and United Circuit
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purpose of this annual report, our Core Products include CMAB007, CMAB009 and CMAB008
"Director(s)"	the director(s) of our Company
"FH Investment"	Fortune-Healthy Investment Limited, a limited liability company incorporated in the BVI
"Global Offering"	has the meaning ascribed to it under the Prospectus
"Group", "our Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries from time to time
"Guo Family Trust"	Guo Family Trust, a trust created by Mr. Guo Jianjun on August 8, 2018 under the laws of BVI for the benefit of his family members, for which Guo Family Trustee serves as trustee
"Guo Family Trustee"	Guo Family (PTC) Limited, a limited liability company incorporated in the BVI on March 1, 2018 and the trustee of the Guo Family Trust

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollar" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"independent third party(ies)"	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
"IPO"	initial public offering
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange on May 31, 2019
"Listing Date"	May 31, 2019, being the date on which the Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MTJA"	Shanghai Sinomab Biotechnology Co., Ltd.* (上海邁泰君奧生物技術有限公司) (formerly known as Shanghai Bai'an Medical Star Investment Co., Ltd.* (上海百安醫星投資有限公司)), a limited liability company incorporated in the PRC on May 30, 2012 and an indirect wholly-owned subsidiary of Sinomab
"NMPA"	National Medical Products Administration (國家藥品監督管理局) of China, formerly known as China's Food and Drug Administration ("CFDA") (國家食品藥品監督管理局) or China's Drug Administration ("CDA") (國家藥品監督管理局); references to NMPA include CFDA and CDA

"PRC"	the People's Republic of China, excluding, for the purposes of this annual report, Hong Kong, the Macau Special Administrative Region and Taiwan
"Prospectus"	the prospectus issued by the Company on May 20, 2019 in connection with the Hong Kong public offering of the Shares
"Reporting Period"	the year from January 1, 2019 to December 31, 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)
"Shengheng Biotech"	Shanghai Shengheng Biotechnology Limited* (上海晟珩生物技術有限公司), a limited liability company incorporated in the PRC on August 28, 2018 and an indirect wholly-owned subsidiary of the Company
"Sinomab"	Sinomab Limited (formerly known as Mabtech Limited), a limited liability company incorporated in the Cayman Islands on September 4, 2014, and a company which an associate of the controlling shareholder of the Company indirectly controls 66.67% voting rights as of the date of this annual report
"Sinomab Group"	Sinomab and its subsidiaries
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Taizhou Biotech"	Taizhou Mabtech Biotechnology Limited* (泰州邁博太科生物技術有限公司), a limited liability company incorporated in the PRC on November 24, 2016 and an indirect wholly-owned subsidiary of the Company

"Taizhou Pharmaceutical"	Taizhou Mabtech Pharmaceutical Limited* (泰州邁博太科藥業有限公司), a limited liability company incorporated in the PRC on February 4, 2015 and an indirect wholly-owned subsidiary of the Company
"United Circuit"	United Circuit Limited (域聯有限公司), a limited liability company incorporated in the BVI on August 25, 2015 and one of the Controlling Shareholders

* *For Identification Only*

Glossary of Technical Terms

"adalimumab"	a first-line recombinant human IgG1 monoclonal antibody specific for human tumor necrosis factor (TNF) (which binds specifically to TNF-alpha and blocks its interaction with the p55 and p75 cell surface TNF receptors) used for rheumatoid arthritis
"allergic asthma"	a common long-term inflammatory disease of the airways of the lungs. It is characterized by variable and recurring symptoms, reversible airflow obstruction, and bronchospasm. Symptoms include episodes of wheezing, coughing, chest tightness, and shortness of breath. These episodes may occur a few times a day or a few times per week. Depending on the person, they may become worse at night or with exercise
"autoimmune disease"	diseases such as rheumatoid arthritis and lupus which arise from an abnormal immune response of the body against substances and tissues normally present in the body
"biosimilar"	also known as follow-on biologic or subsequent entry biologic. It is a biologic medical product that is almost an identical copy of an original product that is manufactured by a different company. Biosimilars are officially approved versions of original "innovator" products and can be manufactured when the original product's patent expires. A biosimilar product is similar in terms of quality, safety and efficacy to a reference medicinal product, which has been granted a marketing authorisation on the basis of a complete dossier in the community
"canakinumab"	a recombinant, fully human anti– IL– 1β monoclonal antibody that belongs to the IgG1κ isotype subclass used for periodic fever syndrome and systemic juvenile idiopathic arthritis, which binds to human IL1β and neutralizes its activity by blocking its interaction with the IL-1 receptors, but does not bind IL-1α or IL-1ra

"carcinoma"	a type of cancer that develops from epithelial cells. Specifically, a carcinoma is a cancer that begins in a tissue that lines the inner or outer surfaces of the body, and that arises from cells originating in the endodermal, mesodermal or ectodermal germ layer during embryogenesis
"cell culture"	the process by which cells are grown under controlled conditions, generally outside of their natural environment
"cell line"	a cell culture developed from a single cell and therefore consisting of cells with a uniform genetic makeup
"cetuximab"	an EGFR antagonist approved by the FDA for the treatment of KRAS wild-type, EGFR-expressing, metastatic colorectal cancer under certain conditions
"cGMP"	current Good Manufacturing Practice
"Chinese hamster ovary cell" or "CHO"	the ovary of the Chinese hamster, of which cell lines are derived from and often used in biological and medical research and commercial production of therapeutic proteins
"CMAB007"	one of our Core Products, a recombinant humanized anti-IgE monoclonal antibody and our new drug candidate based on omalizumab
"CMAB008"	one of our Core Products, a recombinant anti-TNF-alpha chimeric monoclonal antibody and our new drug candidate based on infliximab
"CMAB009"	one of our Core Products, a recombinant anti-EGFR chimeric monoclonal antibody and our new drug candidate based on cetuximab
"CMAB018"	Mepolizumab biosimilar drug candidate in the preclinical stage, used to treat diseases such as asthma and eosinophilic granulomatous polyangitis

Glossary of Technical Terms

"CMAB020"	an innovative bifunctional antibody fusion protein drug targeting SARS-CoV-2 in the preclinical stage, used to prevent and treat diseases such as COVID19/SARS
"CMAB809"	a phase I clinical trial biosimilar drug candidate based on Herceptin for the treatment of metastatic breast cancer and metastatic gastric cancer
"CMAB810"	a pre-clinical stage biosimilar drug candidate based on Perjeta, a recombinant humanized monoclonal antibody for the treatment of breast cancer
"CMAB813"	a pre-clinical stage biosimilar drug candidate based on Synagis for the prevention of severe lower respiratory disease caused by RSV
"CMAB815"	an IND-filing-stage biosimilar drug candidate based on Humira for the treatment of rheumatoid arthritis
"CMAB816"	a pre-clinical stage biosimilar drug candidate based on Ilaris for the treatment of periodic fever syndrome and systemic juvenile idiopathic arthritis
"CMAB819"	a phase I clinical trial new drug candidate based on nivolumab for the treatment of metastatic non-small cell lung cancer and hepatocellular carcinoma
"CRO"	a contract research organization, which provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research and development services outsourced on a contract basis
"cytokine"	a broad and loose category of small proteins that are important in cell signaling. Their release has an effect on the behavior of target cells
"DNA"	deoxyribonucleic acid
"EGFR"	epidermal growth factor receptor Glossary of Technical Terms

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

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