SINOMAB

SinoMab BioScience Limited
中國抗體製藥有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 3681

Annual Report 2019

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Dr. Shui On LEUNG *(Chairman and Chief Executive Officer)*
Mr. Jing QIANG *(appointed on 23 December 2019)*

Non-executive Directors

Mr. Xicheng LIU *(resigned on 29 April 2019)*
Mr. Rongbo REN *(resigned on 29 April 2019)*
Ms. Huimin TIAN *(resigned on 29 April 2019)*
Mr. Yip Sum Samuel CHAN *(resigned 29 April 2019)*
Mr. Wenyong LE *(appointed on 15 February 2019 and resigned on 29 April 2019)*
Ms. Wenyi LIU
Dr. Haigang CHEN
Mr. Senlin LIU *(appointed on 15 February 2019)*
Mr. Chang LIU *(appointed on 29 April 2019 and resigned on 23 December 2019)*
Mr. Huiyuan MA *(appointed on 29 April 2019)*
Mr. Xun DONG *(appointed on 23 December 2019)*

Independent Non-executive Directors

Mr. Dylan Carlo TINKER *(appointed on 18 October 2019 and effective from 31 October 2019)*
Mr. Michael James Connolly HOGAN *(appointed on 18 October 2019 and effective from 31 October 2019)*
Mr. Ping Cho Terence HON *(appointed on 18 October 2019 and effective from 31 October 2019)*
Mr. George William Hunter CAUTHERLEY *(appointed on 23 December 2019)*

AUDIT COMMITTEE

Mr. Ping Cho Terence HON *(Chairman)*
Mr. Dylan Carlo TINKER
Mr. Michael James Connolly HOGAN
Mr. George William Hunter CAUTHERLEY *(appointed on 23 March 2020 and effective from 1 April 2020)*

REMUNERATION COMMITTEE

Mr. Michael James Connolly HOGAN *(Chairman)*
Dr. Shui On LEUNG
Mr. Ping Cho Terence HON

NOMINATION COMMITTEE

Dr. Shui On LEUNG *(Chairman)*
Mr. Dylan Carlo TINKER
Mr. Ping Cho Terence HON

COMPANY SECRETARY

Ms. Mei Chun CHENG *(resigned on 23 March 2020 and effective from 1 April 2020)*
Ms. Pui Yin Peony WONG *(appointed on 23 March 2020 and effective from 1 April 2020)*

AUTHORISED REPRESENTATIVES

Dr. Shui On LEUNG
Mr. Jianping HUA

REGISTERED OFFICE

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

Ernst & Young

LEGAL ADVISER

As to Hong Kong law
Herbert Smith Freehills

COMPLIANCE ADVISER

Orient Capital (Hong Kong) Limited

HONG KONG SHARE REGISTRAR

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

COMPANY WEBSITE

http://www.sinomab.com/

STOCK CODE

3681

HIGHLIGHTS

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three* financial years, as extracted from the audited financial information and financial statements is set out below:

	For the year ended 31 December		
	2017	2018	**2019**
	RMB'000	*RMB'000*	***RMB'000***
Operating results			
Research and development costs	(32,603)	(47,283)	**(214,342)**
Loss before tax	(51,901)	(83,610)	**(276,282)**
Loss for the year	(51,901)	(83,610)	**(276,282)**
Loss attributable to owners of the parent	(47,974)	(83,610)	**(276,282)**
	RMB	*RMB*	***RMB***
Loss per share – Basic and diluted	N/A	(0.12)	**(0.33)**

	As at 31 December		
	2017	2018	**2019**
	RMB'000	*RMB'000*	***RMB'000***
Financial position			
Non-current assets	34,810	38,549	**69,123**
Current assets	126,826	50,270	**1,215,042**
Non-current liabilities	27,681	32,994	**45,574**
Current liabilities	184,907	28,419	**106,675**
Total equity	(50,952)	27,406	**1,131,916**

* Shares were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rule on November 12, 2019.

CHAIRMAN'S STATEMENT

Dr. Shui On LEUNG

Chairman, Executive Director and Chief Executive Officer

Dear valued Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Company (together with its subsidiaries) for the year ended 31 December 2019. We would like to sincerely express our gratitude for your unwavering trust and support for the Company. In this statement, I share with you the review on the development of the Company over the past year and the Board's views on the future outlook.

2019 was an outstanding year for the Company as we obtained satisfactory results in a number of different areas. The Company successfully closed the pre-listing round of investment and officially went public on 12 November 2019, making history as the first Hong Kong-based biopharmaceutical company listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules. I was very pleased that the listing attracted considerable interest from international capital markets. In addition to our flagship product, SM03, entering into Phase III clinical trials for the treatment of rheumatoid arthritis, the R&D progress of other drugs in our portfolio was advanced in an orderly manner. At the same time, we continued to strengthen our R&D and innovation capabilities, and actively developed new target drugs to treat diseases with unmet medical needs. In respect of global development, apart from setting up a new campus in China and carrying out clinical trials in Australia, the Company has also been preparing for its new drug applications with the FDA and other drug regulatory agencies around the world to tap into the United States and other major international markets. In addition, as part of our development plan, we are building a new production base with 6,000L production capacity in Suzhou to meet the future commercialisation production needs.

The Company has always been focusing on innovation and is confident in its expanding portfolio of drugs. Currently, our pipeline has a total of 6 drugs covering more than 10 diseases. Over the past year, our flagship product, SM03, has entered into Phase III clinical trials for rheumatoid arthritis. We plan to conduct a bridging clinical study in Australia in the first half of 2020 in preparation for our new drug applications with the FDA and other drug regulatory agencies around the world to tap into the United States and other major international markets, as well as our Biologics Licence Application ("**BLA**") filing with the NMPA in the first half of 2021. SM03 has been continuously moving towards commercialisation and we expect to commence official marketing by 2021 at the earliest. Our third-generation, covalent reversible BTK (Bruton's tyrosine kinase) inhibitor drug candidate, SN1011, has been underway in a Phase I clinical trial of immunological

CHAIRMAN'S STATEMENT

diseases in Australia, with good initial results. We are planning to initiate an Investigational New Drug ("**IND**") submission for SN1011 in China in 2020. At the same time, we continue to innovate in target identification to achieve accurate early identification of the most promising new treatment options. We have been accelerating the US IND filing for the innovative target antibody, SM17, which is aimed at the treatment of asthma indications. To sum up, in 2019, we added two innovative drugs to the product portfolio for the treatment of a variety of immune diseases, including asthma, pemphigus vulgaris, lupus erythematosus and idiopathic pulmonary fibrosis, to expand the pipeline depth of drug candidates and accumulate assets for our long-term development. In addition, we have committed to shortening the R&D cycle to improve efficiency. We only took seven months to achieve the first human trial for SN1011 from the time of discovery and we completed 4 groups of single ascending dose ("**SAD**") Phase I trials within 3 months.

2019 was also a milestone year for the Company's transition to a vertically integrated biopharmaceutical company. The Company now comprises a full-spectrum platform which consists of target identification, drug candidate development, pre-clinical research, clinical trials, clinical production, quality control, quality assurance, regulatory approval and commercial-scale production. Our first production plant in Haikou which complies with the current Good Manufacturing Practice in operation will be used for the BLA submission of SM03 and the initial commercial production. Our second similar facility in Suzhou BioBAY, which is expected to commence operation in the second half of 2021, will contain 3 stainless steel bioreactors of 2,000L each. The plant in Suzhou will become the base for SM03's subsequent production. Moreover, the Company is transforming itself into a global biopharmaceutical company with various products and sustainable development. We are also acquiring a piece of land of 43,333 sq. m. from the Suzhou government and Suzhou BioBAY, to build our campus in China, which will comprise our PRC headquarter, R&D centre and a second production base, and will possess a full-fledged ability to conduct vertical integration from R&D to production and marketing. The Company now has a physical presence in Hong Kong, Haikou, Suzhou and Australia, enabling us to play a prominent role in satisfying the rising demand for global premium healthcare.

The Company is currently facing unprecedented development opportunities. In the global autoimmune disease treatment market, biopharmaceutics is catching up with small molecules as the major treatment for autoimmune diseases. Overseas markets for monoclonal antibody ("**mAb**")-like drugs have been robustly growing, while the market in China is still in its infancy, with enormous potential for future development. The Ministry of Science and Technology, the Ministry of Industry and Information Technology as well as the State Council of the PRC have successively released various policy documents in regard to the pharmaceutical industry, clearly demonstrating their support to the advancement of antibody drugs in various aspects including innovation, industrialisation and internationalisation. Meanwhile, we also face plentiful challenges such as obtaining approvals for new drugs and competing against similar marketed drugs or drug candidates. The Company has been fully prepared for the upcoming challenges, with various capabilities in speedy development and efficient operation from R&D to production and industry operation. We are confident in taking up a favourable position in terms of market competition to achieve long-term development.

The Company is one of the leading innovative enterprises and capital-effective biopharmaceutical manufacturers, and it is endeavouring to build an internationalised commercial group. We possess a healthy asset structure and cash flow, enjoy satisfying reputation for excellent capability in scientific research and strategic partnerships, and provide a platform for professionals with vision and ambition to contribute towards global healthcare. Looking forward, based on the current portfolio of drugs and R&D capabilities, the Company will accelerate the R&D and marketing of drugs and enhance globalised cooperation and technological innovation. We are dedicated to evolving into an important force in the global healthcare industry, to pursue patients' well-being while advancing together with scientists, governments, regulatory authorities, shareholders, investors and the society.

With the reliance and support from the Shareholders and investors, and our original aspiration in mind, the Company will exert the utmost strength to strive for its mission. At a new development stage, we will continue to keep our promises made to the patients, Shareholders and society. I, on behalf of the Board and management of the Company, would like to express our sincere gratitude to the Shareholders, investors and different sectors in the society for their sustained attention and support, and to our staff for their contribution in assisting us to accomplish our promises.

Chairman, Executive Director and Chief Executive Officer
Dr. Shui On LEUNG
20 April 2020

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are a Hong Kong-based biopharmaceutical company dedicated to the research, development, manufacturing and commercialisation of therapeutics for the treatment of immunological diseases, primarily monoclonal antibody ("**mAb**")-based biologics. We strive to become a leading global biopharmaceutical company for the development of novel drugs to fulfil unmet medical needs through our Hong Kong-based R&D and PRC-based manufacturing capabilities. We have been dedicated to R&D since our inception, and have built a pipeline of mAb-based biologics and new chemical entities addressing indications against a plethora of immunological diseases.

Our flagship product, SM03, is a potential global first-in-target mAb for the treatment of rheumatoid arthritis ("**RA**") and potentially for the treatment of other immunological diseases, which is expected to be commercialized by the end of 2021.

Our vision is to become a global leader in the innovation of therapeutics for immunological and other debilitating diseases.

PROGRESS OF CLINICAL PROJECTS

Product Pipeline

Pipeline	Indication	IND Enabling	Phase I	Phase II	Phase III
SM03 (anti-CD22) (First-in-Target)	RA				
	NHL				
	SLE				
	Sjogren's syndrome (SS)				
SN1011 (BTK Inhibitor) (Third-Generation)	RA				
	SLE				
	Pemphigus				
SM17 (Humanised Anti-IL17BR) (First-in-Class and First-in-Target)	Asthma				
	IPF				
SM09 (Humanised Anti-CD20)	NHL				
	RA				
SM06 (Humanised anti-CD22)	RA				
	NHL				
	SLE				
	SS				
TNF2 (Humanised Ab)	RA				

Clinical stage IND enabling stage

MANAGEMENT DISCUSSION AND ANALYSIS

Flagship Product

SM03

Our self-developed SM03 is a potential first-in-target anti-CD22 mAb for the treatment of RA and potentially for other immunological diseases such as systemic lupus erythematosus ("**SLE**"), Sjogren's syndrome ("**SS**") and non-Hodgkin's lymphoma ("**NHL**"). SM03 adopts a novel mechanism of action, which differentiates itself from the current treatments available in the market. SM03 for RA is currently in Phase III clinical trials in China, and we expect it to be our first commercially available drug candidate.

We plan to rapidly advance the development of SM03. As at 31 December 2019, a total of 288 patients have been enrolled into SM03 Phase III clinical trials for RA and treated with the assigned drugs. Safety data of SM03 Phase III clinical trials were also as expected and consistent with the results of Phase II clinical trials. We expect to complete patient enrolment for SM03's Phase III clinical trial for RA in the second half of 2020, and plan to file our Biologics Licence Application ("**BLA**") with the National Medical Products Administration of the PRC (the "**NMPA**") in the first half of 2021. Such timeframe was extended from the original schedule as a result of the uncertainties brought by coronavirus disease (COVID-19). We also expect to commercialise SM03 by the end of 2021. For global development, we also plan to conduct a bridging clinical study in Australia, which will lead to the subsequent clinical trials planned in the United States. The bridging clinical trial is under preparation and is expected to initiate in the first half of 2020. In addition to our efforts to develop SM03 as a therapeutic for RA, we will advance SM03 clinical trials for SLE to broaden the therapeutic uses of SM03 in fulfilling unmet medical needs. We plan to initiate Phase II clinical trials for SLE in China in the second half of 2020.

Key Products

SN1011

SN1011 is a third generation Bruton's tyrosine kinase ("**BTK**") inhibitor designed for higher selectivity and superior efficacy for the treatment of RA, SLE, pemphigus and other immunological diseases for long-term administration. SN1011 differentiates from existing BTK inhibitors currently available in the market, such as Ibrutinib, in terms of selectivity and affinity.

With regard to SN1011's Phase I clinical trial in Australia, the Company has been conducting the clinical trials for the evaluation of the safety and tolerability of SN1011 in a group of healthy adult subjects, including both SAD and MAD studies. As at 15 January 2020, the phase I of the clinical trial in respect of the SAD part has been completed on 40 Caucasian subjects. Please also refer to the announcements of the Company on 14 November 2019 and 29 January 2020 for further information about the latest R&D progress of SN1011. The Company is planning to make an Investigational New Drug ("**IND**") submission (autoimmune disease) in China in 2020. The timeframe was extended from the original schedule as a result of the uncertainties brought by COVID-19.

SM17

The parent antibody of SM17 was originally developed to treat eosinophilic asthma via blockage of IL25 onto the receptor IL17BR expressed on ILC2. The antibody is specific to IL17BR, which is found to be significantly upgraded in biopsy tissues of asthmatic patients. When evaluated in a murine-based Ovalbumin ("**OVA**")-induced Allergic Asthma Model, binding of the antibody to IL17BR blocks receptor signaling which enhanced protection against airways resistance and significantly reduced cell infiltration into the lungs and serum levels of antigen specific immunoglobulin E ("**IgE**"). This potential first-in-class and first-in-target antibody was further humanised

MANAGEMENT DISCUSSION AND ANALYSIS

by LifeArc using their proprietary humanisation technology. The antibody was later found to exhibit other therapeutic potential, including on type II ulcerative colitis and idiopathic pulmonary fibrosis ("**IPF**"). In the latter case, the antibody was demonstrated to significantly reduce pulmonary collagen in mice suffering from bleomycin-induced pulmonary fibrosis. The levels of antibody-induced pulmonary collagen reduction were comparable to such achieved in mice treated with pirfenidone.

We are in the process of generating and collecting the necessary data through our in-house platforms for IND filing. We are currently generating high-yield production cell and preparing for the full characterisations of SM17. Upon the establishment of the cell bank, we will further establish the parameters for bioreactor production, optimise purification and formulation, and finalise physicochemical properties and quality control assays for SM17. We will then conduct pre-clinical studies to test its efficacies, safety and pharmacokinetics ("**PK**")/progressive disease ("**PD**"), and fulfil other regulatory requirements as consistent with the policies of the regulatory agencies in major jurisdictions. Pre-IND meetings with the relevant regulatory agencies in these jurisdictions are planned prior to our IND submissions. We intend to enter into human clinical trials by the first quarter of 2021.

Other drug candidates

SM06

SM06 is a second-generation anti-CD22 antibody that is humanised using our proprietary framework-patching technology. SM06 is a humanised version of SM03 following the mechanism of action of SM03. It is contemplated to be a less immunogenic and more human-like antibody with less side effects. We believe that SM06 will be more suitable for treating diseases requiring long-term administration, such as RA, SLE and other immunological diseases. We are currently in the process of optimising production for SM06 and expect to complete pre-clinical research in five years. Once we commercialise SM03, we will proceed to engage the NMPA to initiate clinical trials for SM06.

SM09

SM09 is a framework-patched (humanised) anti-CD20 antibody that targets an epitope different from that of other market-approved anti-CD20 antibodies such as rituximab, obinutuzumab and ofatumumab for the treatment of NHL and RA.

TNF2

TNF2 is a humanised version of infliximab for the treatment of RA. The antibody blocks binding of TNF-α onto its receptors with affinity and specificity comparable to infliximab, and efficiently inhibits TNF-α induced death of L929 cell, which is a murine fibroblast cell line.

PRODUCTION

In the year of 2019, we carried out our manufacturing activities at our Haikou production base, where we manufacture our drug candidates for pre-clinical research, clinical trials and future large-scale production. The Haikou production base occupies a total operational area of approximately 4,526 square metres with a production capacity of 1,200 litres, which is sufficient for clinical and initial marketing needs. The plant has an operational area consisting of a clean area for processing, a controlled-not-classified ("**CNC**") area for supporting activities, utility rooms, quality control laboratories, warehouse and administrative offices.

The Company is in the process of constructing the Suzhou commercial-scale production base in compliance with the current Good Manufacturing Practice ("**GMP**") standards enforced by the United States Food and Drug Administration (the "**FDA**"). Construction of administrative areas, testing laboratories and R&D laboratories was completed in 2019. These facilities are under commissioning and are expected to be in operation in the first half of 2020 for supporting ongoing and new product development projects. The construction and equipment installation for the production area are expected to be completed in the first half of 2021, and the production area is expected to fully operate in the second half of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

INTELLECTUAL PROPERTY

Core Technology of Main Drugs (Products)

For SM03, the Company has two invention patents which are registered in the PRC and four invention patents which are registered in the United States. The Company has also filed two Patent Cooperation Treaty ("**PCT**") patent applications, which are currently under review according to PCT procedures.

For SM09, the Company has one invention patent registered in the PRC which is valid until 2026. The Company also holds three invention patents registered in the United States for SM09.

Well-known or Famous Trademarks

The Company conducts its business under the brand name of "SinoMab" ("**中國抗體**"). As at the end of the Reporting Period, the Company had various registered trademarks in Hong Kong and the PRC and trademark applications pending approval in the PRC.

Patents

Item	**As at 31 December 2019**	As at 31 December 2018
Number of invention patents owned by the Company	**19**	18

HUMAN RESOURCES

As at 31 December 2019, the Group had a total of 112 employees. Employees are important resources for the Group's sustainable operation and steady development. The Company has formulated policies related to employees' remuneration, rights and interests and conducted various staff training, details of which are further set out in the "Environmental, Social and Governance Report" in this annual report. The Company has also established its restricted share unit scheme, details of which are set out in "Report of the Directors – Share Incentives" in this annual report.

R&D PERSONNEL

Education level	**Number at the beginning of the Reporting Period**	Number at the end of the Reporting Period
Ph.D.	**5**	6
Master	**16**	15
Undergraduate or below	**6**	7
Total number of R&D personnel	**27**	28
Percentage of R&D personnel to the total number of staff	**30%**	25%

The above number of R&D personnel does not include our employees of manufacturing, quality assurance or quality control for the clinically related operation.

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR GOVERNMENT R&D GRANTS, FUNDING, SUBSIDIES AND TAX PREFERENCE

During the Reporting Period, the Company received a total of three government grants.

FUTURE AND PROSPECTS

We strive to become a leading global biopharmaceutical company for the development of novel drugs to fulfil unmet medical needs through our Hong Kong-based R&D and PRC-based manufacturing capabilities. Our vision is to become a global leader in the innovation of therapeutics for immunological and other debilitating diseases.

Our portfolio of drug candidates encompasses the entire immunological field which, we believe, will enable us to provide comprehensive treatment options for field-wide indications to patients. We believe our dedication, experience and achievements in the field of immunology have expedited the process, and elevated the industry standard, for the discovery and development of novel therapeutics against a variety of immunological diseases. As a result, we have accumulated significant experience in the discovery of new treatment modalities for immunological diseases, which has allowed us to better capture a substantial share of the immunological disease market. We believe that our strategic specialisation and dedicated focus on immunological diseases is an effective way to differentiate ourselves from our peers. By specialising in innovative treatments of immunological diseases, we seek to solidify our leading position in the field, thereby creating a higher barrier to entry for our peers to compete with us in the development of first-in-target or first-in-class drug candidates.

Further, our product pipeline is backed by our established full-spectrum platform integrating in-house capabilities across the industry chain, for instance, our strong and independent target identification, drug candidate development, pre-clinical research, clinical trials, clinical production, quality control, quality assurance, regulatory approval and commercial-scale production up to the commercialisation stage, as well as all other processes in the discovery and development of our drug candidates. We believe that this full-fledged capability is matched only by a few biopharmaceutical companies in the Greater China region.

With a diverse and expanding product pipeline, we believe that we are well positioned to become an industry leader in the development of treatments for immunological diseases.

The Group will continue to focus on the advancement of our flagship product (SM03) towards commercialisation, further progress our existing product pipeline, discover and develop novel drugs for the treatment of immunological diseases by leveraging our R&D capabilities, expand our production scale to support our product commercialisation and strengthen our global presence through leveraging our position as a Hong Kong-based biopharmaceutical company.

The Company is committed to educating its current and potential investors in respect of the Company's products and pipeline development, for example, through non-deal roadshows.

Clinical Development Plan

We will continue to advance clinical trials for SM03 for RA and SLE. As previously mentioned, we expect to file our SM03 BLA for RA with the NMPA in the first half of 2021. We are also actively preparing for SM03 global development through initiating a bridging study in the Caucasian population. The study is expected to start in the first half of 2020, which will help us to bridge the clinical data generated from Chinese patients to the Caucasian population. As for indication of SLE, we plan to initiate Phase II clinical trials in China in the second half of 2020.

We will continue the global clinical development programme for SN1011 in the immunological diseases area. We expect to finish Phase I first-in-human ("**FIH**") dosing study by mid 2020 and initiate multinational Phase II proof of concept ("**POC**") study for patients with autoimmune diseases in the second half of 2020. As previously mentioned, we are also planning to make an IND submission (for autoimmune disease) in China in 2020.

Further, in respect of SM17, we plan to enter into global human clinical trials by the first quarter of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Pre-clinical R&D

The Group's international partner, LifeArc (a medical research charity based in the United Kingdom), engaged the Company to co-develop SM17. The Company is in the process of generating and collecting the necessary data for IND filing in respect of SM17, and will thereafter conduct pre-clinical studies to test its efficacies, safety and PK/PD, and fulfil other regulatory requirements. The Company intends to enter into human clinical trials by the first quarter of 2021.

The Company continues to optimise production and pre-clinical research for SM06, SM09 and TNF2. It is expected that these pre-clinical researches will complete in three years, after which the Company will engage the NMPA and/or FDA to initiate clinical trials.

Production

The Suzhou commercial-scale production base is under commissioning, the administrative and laboratory arm of which is expected to be in operation in the first half of 2020 for supporting ongoing and new product development projects. The construction and equipment installation for the production area are expected to be completed in the first half of 2021, and the production area is expected to fully operate in the second half of 2021.

The Company is in the process of purchasing a piece of land of 43,333 square metres in Suzhou Dushu Lake High Education Town, where the Company plans to build its PRC headquarters, R&D centre and a second production base. The Company expects the purchase to complete by the first half of 2020, and the associated construction work to commence in the second half of 2020.

Commercialisation

With uncertainties associated with COVID-19, we expect to put in place our senior management team in charge of commercialisation at the end of 2020. We also expect to hire up to 100 employees by 2021. Our commercialisation team is expected to cover a majority of provinces and municipalities in China and to support the future commercialisation of our drug candidates.

COVID-19

Where the outbreak of COVID-19 continues and/or worsens, the Company's clinical trial development will continue to be affected. As of the date of this annual report, the pandemic has affected one clinical trial in the PRC since a number of out-patient clinics have closed temporarily, patients have generally avoided visiting hospitals and certain hospitals have put on hold the enrolment of patients for clinical trials. Save as disclosed in this annual report, as at the date of this annual report, all other operations of the Company have been conducted as normal so far, but can be impacted if the pandemic continues.

FINANCIAL REVIEW

Other income and gains

Our other income and gains consist primarily of bank interest income, dividend income from equity investments at fair value through profit or loss, changes in fair value of equity investments at fair value through profit or loss and governmental subsidy. Total other income and gains was approximately RMB3.0 million for the year ended 31 December 2019, representing a decrease of approximately RMB5.7 million from the year ended 31 December 2018, mainly due to (i) a decrease in dividend income from and change in fair value of equity investments, which were derecognised in the year ended 31 December 2018, amounting to approximately RMB7.1 million, (ii) a decrease in governmental subsidy amounting to approximately RMB1.5 million and (iii) the offset by an increase in bank interest income amounting to approximately RMB2.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

R&D costs

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Intellectual property transfer fee for new products	**103,277**	–
Laboratory consumable and experiment costs	**49,097**	32,160
Milestone payment of co-developed products	**43,721**	–
Employment costs	**11,809**	8,683
Others	**6,438**	6,440
	214,342	47,283

Our R&D costs mainly include laboratory consumables, experiment costs, employment costs of R&D employees, depreciation of right-of-use assets relating to leases of research facilities, depreciation of research and testing equipment, co-development fees and intellectual property transfer fees.

For the years ended 31 December 2018 and 2019, we incurred R&D costs of approximately RMB47.3 million and RMB214.3 million, respectively. The increase in our R&D costs was mainly due to (i) intellectual property transfer fees for new products from two third parties for multiple oncological targets such as Her2, EGFR and CD38 and an additional immunological target to diversify our product portfolio amounting to approximately RMB103.3 million in total; and (ii) co-development fees relating to milestone payment under collaboration agreements amounting to approximately RMB43.7 million.

Administrative expenses

Our administrative expenses primarily consist of listing expenses, employee costs of administrative personnel, depreciation of right-of-use assets relating to leases of office space, depreciation and amortisation, rental and property management fees, depreciation and amortisation, consulting and auditing expenses, legal and other professional advisory service fees, office expenses, transportation costs and others.

For the years ended 31 December 2018 and 2019, our total administrative expenses were approximately RMB9.0 million and RMB61.5 million, respectively. The increase was mainly due to (i) a one-off listing expenses for the global offering in 2019 amounting to approximately RMB41.9 million; (ii) an increase in the employment costs due to business expansion amounting to approximately RMB6.2 million.

Liquidity and capital resources

The Group has always adopted a prudent treasury management policy. The Group places strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet its future development demands for capital.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2019, our bank balance and cash totalled RMB1,200.9 million, as compared to RMB41.5 million as at 31 December 2018. The increase was mainly due to (i) net proceeds from the global offering and Series E investment from pre-initial public offering investors and (ii) an offset by cash used in operations including the payment of intellectual property transfer fees and co-development fees.

The Group's gearing ratio (total debt (including bank and other borrowings) as a percentage of total equity as of the end of the year) decreased from 36% as at 31 December 2018 to 2% as at 31 December 2019.

DIVIDEND

No dividend was paid or declared by the Company for the Reporting Period.

LOSS PER SHARE

The basic and diluted loss per share are RMB0.33 for the year ended 31 December 2019 (2018: RMB0.12).

The calculations of basic and diluted earnings per share are based on:

	2019 RMB'000	2018 RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent	**276,282**	83,610

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year	**836,654,781**	691,735,915

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 December 2019 are set out in note 19 to the consolidated financial statements.

CAPITAL COMMITMENTS

Particulars of capital commitments of the Group as at 31 December 2019 are set out in note 23 to the consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Shui On LEUNG 梁瑞安, 60

Chairman of the Board, Chief Executive Officer, Member of Remuneration Committee and Chairman of Nomination Committee

Appointed to the Board: 27 April 2001
Joined the Group: April 2001

Dr. Leung was appointed as a Director and the chairman of our Board in April 2001 and subsequently appointed as our chief executive officer in January 2003 and subsequently designated as an executive Director in June 2019. Dr. Leung is primarily responsible for formulating overall strategic directions, overseeing scientific and clinical R&D activities and managing overall operations of our Group.

Dr. Leung has nearly 30 years of experience in the field of molecular immunology and therapeutic monoclonal antibodies. Dr. Leung has been a member of the first session of Biotech Advisory Panel of the Stock Exchange since April 2018. He has also been an adjunct professor of the Hong Kong University of Science and Technology since September 2018. From 2011 to 2014, Dr. Leung was an adjunct professor of Fudan University, China (復旦大學). Dr. Leung was also an adjunct professor of the Army Medical University (中國人民解放軍陸軍軍醫大學, formerly the Third Military Medical University (中國人民解放軍第三軍醫大學)), China and the Air Force Medical University (中國人民解放軍空軍軍醫大學), formerly known as the Fourth Military Medical University (中國人民解放軍第四軍醫大學). Prior to joining our Company, Dr. Leung served as the managing director of the Hong Kong Institute of Biotechnology Limited, which is currently a biotechnology R&D arm of the Chinese University of Hong Kong, from September 2000 to August 2003. Dr. Leung was an adjunct professor of the Chinese University of Hong Kong from February 2001 to January 2004. From May 1991 to in or around August 2000, he held several positions in Immunomedics, Inc. ("**Immunomedics**"), a U.S. leading antibody-drug conjugate company, including an associate director of the molecular biology department and an executive director of the biology research department. During his term with Immunomedics, Dr. Leung was awarded grants by the U.S. Department of Health and Human Services multiple times for his research programs, including "Engineering a Unique Conjugation Site on AB Light Chain" and "A Humanised Antibody for Breast Cancer Treatment". In October 1996, Dr. Leung was appointed as an adjunct assistant member of the Centre for Molecular Medicine & Immunology at Garden State Cancer Centre. Dr. Leung was also engaged in postdoctoral research at Yale University, U.S.A. from July 1990 to June 1992. Dr. Leung was a director of Novelmab from September 2011 to July 2018, our then subsidiary in Hong Kong, which was dissolved by deregistration on 8 May 2019 under section 751 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Dr. Leung obtained his bachelor's and master's degrees in biochemistry from the Chinese University of Hong Kong in December 1984 and October 1986, respectively. He earned his Ph.D. in molecular biology from the University of Oxford in Oxford, England in May 1990.

Dr. Leung is deemed to have an interest in 389,469,200 shares of the Company, representing 38.71% of the issued shares of the Company for the purpose of the SFO, see "Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

Jing QIANG 強靜, 37

President

Appointed to the Board: 23 December 2019
Joined the Group: March 2018

Mr. Qiang has served as the president of the Company since March 2018 and was appointed as an executive Director on 23 December 2019. Mr. Qiang is primarily responsible for strategic planning and investments.

Mr. Qiang has over nine years of experience in the field of medicine and healthcare related research and investment. Mr. Qiang has served as the chairman of Suzhou Sinovent Pharmaceutical Technology Co., Ltd. (蘇州信諾維醫藥科技有限公司). Prior to that, Mr. Qiang worked at China International Capital Corporation Limited (Stock Exchange: 3908) from July 2010 to March 2018, where he held the position of managing director when he left. During his term with China International Capital Corporation Limited, Mr. Qiang won Asiamoney's best research coverage in healthcare in 2014 to 2017 and was ranked top three in healthcare by the 2015-2017 China Research Team of Institutional Investor.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Qiang obtained his bachelor's degree in pharmacy from Shanghai Jiao Tong University, China (上海交通大學) in July 2005 and his master's degree in finance from Fudan University, China (復旦大學) in June 2010. Mr. Qiang completed the High Impact Cancer Research (HI-CR) Program of Harvard Medical School in the United States in 2019.

Mr. Qiang was qualified as a Chartered Financial Analyst by the CFA Institute in September 2011 and as a Financial Risk Manager by the Global Association of Risk Professionals in April 2009.

Mr. Qiang is the spouse of Ms. Wenyi LIU, a non-executive Director, who is deemed to have an interest in 212,889,400 shares of the Company, representing 21.16% of the issued shares of the Company for the purpose of the SFO, see "Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

Non-executive Directors

Wenyi LIU 劉文溢, 33

Appointed to the Board: 31 August 2017
Joined the Group: August 2017

Ms Liu was appointed as a Director in August 2017 and subsequently designated as a non-executive Director in June 2019. Ms. Liu is primarily responsible for providing overall guidance on business and strategic development of our Group based on her work experience, professional background and expertise.

Ms. Liu has years of experience in investment and operational management in the pharmaceutical industry. She has served as a general manager at Apricot Capital (上海杏澤投資管理有限公司), the co-general partner of Xingze Xinghe and the sole general partner of Xingze Xingzhan, each being our Pre-IPO Investor and our Shareholder, since October 2015. Prior to that, Ms. Liu worked as Deputy General Manager at Jumeirah Himalayas Hotel Shanghai* (上海證大喜瑪拉雅有限公司卓美亞喜瑪拉雅酒店) from September 2013 to December 2015. From March 2011 to September 2013, she served as Equity Analyst at Guotai Asset Management Co., Ltd.* (國泰基金管理有限公司).

Ms. Liu received her bachelor's degree in economics from the University of Southampton in Southampton, England in June 2009 and master's degree in economics from the University of Warwick in Coventry, England in November 2010. Ms. Liu is currently pursuing her Ph.D in healthcare management in a cohort-based program in collaboration between Johns Hopkins Bloomberg School of Public Health and the Institute for Hospital Management of Tsinghua University (清華大學). Ms. Liu obtained the securities qualification certificate issued by the Securities Association of China in November 2011.

Ms. Liu is the spouse of Mr. Jing QIANG, our executive Director and president.

Ms. Liu is deemed to have an interest in 212,889,400 shares of the Company, representing 21.16% of the issued shares of the Company for the purpose of the SFO, see "Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

Haigang CHEN 陳海剛, 37

Appointed to the Board: 31 August 2017
Joined the Group: August 2017

Dr. Chen was appointed as a Director in August 2017 and subsequently designated as a non-executive Director in June 2019. Dr. Chen is primarily responsible for providing overall guidance on business and strategic development of our Group based on his work experience, professional background and expertise.

Dr. Chen has nearly 10 years of investment experience in the pharmaceutical industry. He has served as an investment director of Shanghai Yueyi Investment Centre (Limited Partnership) (上海月溢投資中心（有限合夥)), the co-general partner of Xingze Xinghe, one of our Pre-IPO Investors and our Shareholders, since September 2016. Prior to that, Dr. Chen served as an analyst at Beijing Shennong Investment Management Co., Ltd.* (北京神農投資管理股份有限公司) from December 2015 to August 2016. In September 2013, Dr. Chen started working at China International Capital Corporation Limited (中國國際金融股份有限公司, Stock Exchange: 3908), and was holding the position of vice president of its research department when he left such employment in December

DIRECTORS AND SENIOR MANAGEMENT

2015. From April 2011 to August 2013, Dr. Chen served as a senior manager at CITIC Securities Company Limited (中信證券股份有限公司, Stock Exchange: 6030). From May 2010 to April 2011, Dr. Chen served as an analyst at Guizhou Huachuang Securities Broker Co., Ltd.* (華創證券有限責任公司).

Dr. Chen earned his Medical Doctor degree in clinical medicine from Peking Union Medical College (北京協和醫學院) in July 2009. He obtained the securities qualification certificate issued by the Securities Association of China in June 2015.

Senlin LIU 劉森林, 34

Appointed to the Board: 15 February 2019
Joined the Group: February 2019

Mr. Liu was appointed as a Director in February 2019 and subsequently designated as a non-executive Director in June 2019. Mr. Liu is primarily responsible for providing overall guidance on business and strategic development of our Group based on his work experience, professional background and expertise.

Mr. Liu has over 10 years of experience in corporate finance and investment. Mr. Liu has served at China International Capital Corporation Limited (Stock Exchange: 3908) since December 2011. Mr. Liu currently serves as an executive director of CICC Capital Management Co., Ltd.* (中金資本運營有限公司), a subsidiary of China International Capital Corporation Limited.

Mr. Liu obtained a bachelor's degree in biomedical engineering and a master's degree in management science and engineering from Tsinghua University, China in July 2006 and July 2008, respectively.

Huiyuan MA 馬慧淵, 57

Appointed to the Board: 29 April 2019
Joined the Group: April 2019

Mr. Ma was appointed as a Director in April 2019 and subsequently designated as a non-executive Director in June 2019. Mr. Ma is primarily responsible for providing overall guidance on business and strategic development of our Group based on his work experience, professional background and expertise.

Mr. Ma has more than 20 years of experience in investment. He has served as a general manager at Bonaze (Beijing) Investment Co., Ltd.* (博納澤（北京）投資有限公司) since January 2006. From July 1986 to August 1996, Mr. Ma worked at the then Department of Policy and Regulation of the Ministry of Machinery and Electronic Industry of the PRC (中華人民共和國機械電子工業部政策法規司).

Mr. Ma obtained his bachelor's degree in flight vehicle engineering from Nanjing University of Science and Technology, China (南京理工大學) (formerly known as East China Institute of Technology (華東工學院)) in July 1986.

Mr. Ma is the spouse of Ms. Huimin TIAN, one of our controlling shareholders, who is deemed to have an interest in 389,469,200 shares of the Company, representing 38.71% of the issued shares of the Company for the purpose of the SFO, see "Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" in this annual report for details.

Xun DONG 董汛, 45

Appointed to the Board: 23 December 2019
Joined the Group: December 2019

Mr. Dong was appointed as a non-executive Director on 23 December 2019.

Mr. Dong has over 20 years of experience in the pharmaceutical industry. Between 1996 and 2004, Mr. Dong worked for Yunnan Baiyao Group Co., Ltd (雲南白藥集團股份有限公司) ("**Baiyao Group**"). The shares of Baiyao Group are listed on the Shenzhen Stock Exchange (Shenzhen Stock Exchange: 000538), and it is one of the ten Key Large Enterprises in Yunnan Province (雲南省十戶重點大型企業), one of Top 100 Enterprises in Yunnan Province (雲南省百強企業) and one of the first national innovative enterprises. Baiyao Group operates through four segments, namely pharmaceuticals, health products, Chinese medicine resources and pharmaceutical logistics, and is principally engaged in chemical raw material, chemico-pharmaceutical preparations, proprietary Chinese medicines, Chinese medicinal material and biologic products. During the said employment, he rose through

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the ranks and held the position of assistant department manager before his departure from Baiyao Group to further his education. He re-joined Baiyao Group in 2006 as a vice president of sales of the native medicine division, and has held various positions since then. Since 2018, Mr. Dong has been holding the positions of director of Yunnan institute of materia medica (formerly known as Yunnan institute of medicine), director of the office of the strategic committee of Baiyao Group and general manager of the innovative research and development centre of Baiyao Group.

Independent Non-executive Directors

Dylan Carlo TINKER, 51

Member of Audit Committee and Member of Nomination Committee

Appointed to the Board: 18 October 2019
(effective from 31 October 2019)
Joined the Group: October 2019

Mr. Tinker was appointed as an independent non-executive Director in October 2019 with effect from 31 October 2019. Mr. Tinker is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Tinker has over 25 years of experience in investment banking and capital raising transactions in the field of telecommunications, media and technology in Asia and has held senior positions in equity research, corporate finance and fund management. Mr. Tinker is currently the Chief Executive Officer of AsiaTech Capital Advisors Pte Ltd in Singapore. Previously, Mr. Tinker served as a Managing Director in Technology Banking and the head of telecommunications, media and technology, at Avista Advisory Partners Pte Ltd in Singapore from 2017 to 2018. From 2012 to 2015, Mr. Tinker served as a Portfolio Manager at OCP Asia Capital in Singapore. Between 2000 to 2005, Mr. Tinker served as the Head of Asian Telecom equity research at UBS Investment Bank in Hong Kong. From 1993 to 1999, Mr. Tinker served as the Head of Asian Telecom equity research at Jardine Fleming (currently known as JP Morgan).

Mr. Tinker obtained a B.A. from American University, School of International Service in 1991, with a joint degree in Economics and International Relations. Mr. Tinker attended graduate school at the Paul H. Nitze School of Advanced International Studies of Johns Hopkins University in Washington, D.C., the United States from 1991 to 1993.

Michael James Connolly HOGAN 何灝勤, 55

Member of Audit Committee and Chairman of Remuneration Committee

Appointed to the Board: 18 October 2019
(effective from 31 October 2019)
Joined the Group: October 2019

Mr. Hogan was appointed as an independent non-executive Director in October 2019 with effect from 31 October 2019. Mr. Hogan is primarily responsible for providing independent judgment to our Board and ensuring a high standard of overall governance.

Mr. Hogan has over 30 years of experience in international banking with a particular bias towards wholesale banking, corporate banking, credit and lending, transaction banking, and debt capital markets. Mr. Hogan joined HSBC in 1987 and, after having lived and worked in Asia Pacific, the Middle East, Europe and the U.S. during the course of his career, retired in July 2019. Having been based in Sydney, Australia, from 2011 where he served as the country head of commercial banking for HSBC Australia, he transferred to Hong Kong in August 2016 as the regional chief operating officer for commercial banking Asia Pacific. His final role with HSBC was the regional head of strategic growth for commercial banking Asia-Pacific which he carried out on an interim basis from October 2018.

Mr. Hogan obtained a bachelor of commerce degree from National University of Ireland in 1987.

DIRECTORS AND SENIOR MANAGEMENT

Ping Cho Terence HON 韓炳祖, 60

Chairman of Audit Committee, Member of Remuneration Committee and Member of Nomination Committee

Appointed to the Board: 18 October 2019
(effective from 31 October 2019)
Joined the Group: October 2019

Mr. Hon was appointed as an independent non-executive Director in October 2019 with effect from 31 October 2019. Mr. Hon is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Hon has over 34 years of experience in accounting, treasury and financial management. Mr. Hon has served as an independent non-executive director of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (Stock Exchange: 520), a company listed on the Main Board of the Stock Exchange, Jimu Group Limited (Stock Exchange: 8187), a company listed on the Growth Enterprise Market of the Stock Exchange, 361 Degrees International Limited (Stock Exchange: 1361), a company listed on the Main Board of the Stock Exchange and Daphne International Holdings Limited (Stock Exchange: 210), a company listed on the Main Board of the Stock Exchange, since November 2014, December 2017, May 2019 and September 2019, respectively. He was previously the chief financial officer and company secretary of DTXS Silk Road Investment Holdings Company Limited (Stock Exchange: 620), a company listed on the Main Board of the Stock Exchange, from June 2016 (as chief financial officer) and November 2016 (as company secretary) until September 2018. Prior to that, Mr. Hon worked at a number of companies, including at Auto Italia Holdings Limited (Stock Exchange: 720) as chief financial officer and company secretary between December 2013 and April 2016, China Dongxiang (Group) Co., Ltd. (Stock Exchange: 3818) as chief financial officer between December 2010 and October 2012, Ka Wah Construction Materials (Hong Kong) Limited as chief financial officer between September 2008 to December 2010, TOM Group Limited (Stock Exchange: 2383) between June 2001 and February 2008 with his last position as the group finance director, and Ng Fung Hong Limited as a company secretary of the group between 1996 and 2001. Before moving to the commercial section, Mr. Hon worked in an international accounting firm.

Mr. Hon is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. He obtained a master's degree in business administration (financial services) from The Hong Kong Polytechnic University in November 2004.

George William Hunter CAUTHERLEY, 77

Member of Audit Committee (appointed on 23 March 2020 and effective from 1 April 2020)

Appointed to the Board: 23 December 2019
Joined the Group: December 2019

Mr. Cautherley was appointed as an independent non-executive Director on 23 December 2019.

Mr. Cautherley has 55 years of experience of distributing a wide range of medical products and pharmaceuticals in Hong Kong, China and South East Asian countries and for the past 40 years through companies of which he has been CEO and substantive shareholder. For almost 20 years his principal business groups have also been involved in manufacturing medical devices and pharmaceuticals in China. In addition to his core business interests, Mr. Cautherley has been an investor in a number of biotechnology start-up/early stage enterprises in Europe and Hong Kong and has served on the boards of several of these companies.

Mr. Cautherley was awarded an Honorary Doctorate of Business Administration by Edinburgh Napier University, United Kingdom and the holder of the award of Office of the British Empire conferred by Queens Elizabeth II of the United Kingdom.

SENIOR MANAGEMENT

Jianping HUA 華劍平, 38

Mr. Hua has served as the chief financial officer of our Company since January 2019 and is primarily responsible for overall financial operations, financing and investment activities of our Group.

Mr. Hua has more than 15 years of experience in financial and investment matters. Prior to joining our Group, Mr. Hua served as a vice chief financial officer, member of the executive board of the president, vice president of medical technology management committee and held a number

DIRECTORS AND SENIOR MANAGEMENT

of positions comprising vice director of financial audit, director of financial audit and deputy general manager of the finance department of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥（集團）股份有限公司, Shanghai Stock Exchange: 600196 and Stock Exchange: 2196) from February 2011 to January 2019. He also served as an executive director of Sisram Medical Ltd (Stock Exchange: 1696), from March 2018 to January 2019, and as the chief financial officer from February 2014 to January 2019. From August 2005 to February 2011, Mr. Hua served as a manager in the assurance department at PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. (普華永道中天會計師事務所有限公司). Mr. Hua obtained his bachelor's degree in English from Shanghai University, China (上海大學) in July 2005.

Gang CHEN 陳剛, 49

Mr. Chen has served as the chief medical officer of our Company since July 2018 and is primarily responsible for overall management of our clinical trials and drug-related regulatory affairs.

Mr. Chen has approximately 20 years of experience in the fields of clinical development and medical science in various multinational pharmaceutical companies and leading domestic innovative pharmaceutical companies. Prior to joining our Group, Mr. Chen served as a senior medical director of Shanghai Hengrui Pharmaceutical Co., Ltd. (上海恒瑞醫藥有限公司), a subsidiary of Jiangsu Hengrui Medicine Co., Ltd. (江蘇恒瑞醫藥股份有限公司, Shanghai Stock Exchange: 600276), in charge of overseeing clinical development program of innovative oncology drugs (including part of overseas clinical studies), from February 2017 to June 2018. From October 2014 to February 2017, Mr. Chen served as Senior Medical Director of Eddingpharm Co., Ltd., Shanghai Branch* (億騰藥業有限公司上海分公司), responsible for clinical development of innovative oncology medicines for the company. From June 2007 to October 2014, Mr. Chen held several key positions, including principal physician, deputy director of medical science and head of the medical science team, at AstraZeneca Investment (China) Co., Ltd. (阿斯利康投資（中國）有限公司), a subsidiary of AstraZeneca plc (London Stock Exchange: AZN), in charge of clinical research, clinical development and medical affairs of innovative drugs and prescription drugs. From June 2002 to June 2007, Mr. Chen served as Senior Medical Manager at Xi'an Janssen Pharmaceutical Ltd. (西安楊森製藥有限公司), a subsidiary of Johnson & Johnson (New York Stock Exchange: JNJ), in charge of clinical research, medical support of innovative drugs and prescription drugs.

Mr. Chen obtained his bachelor's degree of clinical medicine from the School of Medicine of Shanghai Jiao Tong University (上海交通大學醫學院) (formerly known as Shanghai Second Medical University (上海第二醫科大學)) in July 1993. He received his master's degree in business administration from the John Molson School of Business, Concordia University in Montreal, Canada in May 2000.

Ming Hon YAU 游明翰, 41

Dr. Yau joined our Company in January 2012 as a research project manager (R&D), subsequently as an associate director (R&D) of our Company from January 2015 to March 2019 and has served as a managing director (downstream process) of our Company since April 2019. Dr. Yau is primarily responsible for supervising downstream purification process development, overseeing manufacturing operations of antibody products, establishing associated GMP system, and supervising operation compliance and planning of Suzhou production base.

Dr. Yau has over 13 years of experience in the fields of research, development and manufacturing of biological products. From July 2011 to December 2011, he served as an assistant manager of Nano and Advanced Materials Institute Limited (納米及先進材料研發院有限公司). From February 2008 to June 2011, Dr. Yau worked as an R&D assistant manager and subsequently as a manufacturing project manager at New A Innovation Limited (新意康生物科技有限公司), a company in Hong Kong focusing on life science and animal health, responsible for overseeing all upstream process development, establishing pilot production sites in different locations in China, establishing and operating a GMP-compliance manufacturing facility at New Zealand and technology transfer. From April 2006 to April 2008, Dr. Yau served as a full-time postdoctoral fellow in the Li Ka Shing Faculty of Medicine of the University of Hong Kong, focusing on monoclonal antibody production and immunoassay development to provide tools for the early diagnosis of diabetes and cardiovascular diseases.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Yau received his bachelor's degree, master's degree and Ph.D. in biochemistry from the Chinese University of Hong Kong in December 2000, December 2002 and December 2005, respectively. Dr. Yau was registered as a registered quality manager with the Hong Kong Quality Management Association in September 2012.

Kwan Yin SIU 蕭君言, 40
Dr. Siu joined our Company in November 2011 as a research scientist, subsequently as principal senior scientist (bioprocess) from January 2015 to March 2019, and has served as an associate director (manufacturing/upstream processing group) of our Company since April 2019. Dr. Siu is primarily responsible for supervising upstream production and research process for culture media preparation, cell culture and bioreactor operations.

Dr. Siu has over 10 years of experience in the area of R&D of cell culture and related process. Prior to joining our Group, Dr. Siu served as a stem cell scientist at Asia Pacific Stem Cell Science Limited (亞太幹細胞科研中心有限公司), a cord blood storage services company in Hong Kong, from June 2009 to September 2011, responsible for stem cell research. From January 2009 to May 2009, Dr. Siu served as an assistant engineer at Sundart (M&E) Limited (承達機電工程有限公司).

Dr. Siu received his bachelor's degree in science, master's degree and Ph.D. in molecular genetics from the University of Hong Kong in November 2001, December 2004 and November 2008, respectively.

Ka Wa Benny CHEUNG 張嘉華, 39
Dr. Cheung joined our Company in January 2010 as a research scientist and has served as a principal senior scientist of our Company since January 2015. Dr. Cheung is primarily responsible for managing R&D laboratory in Hong Kong.

Dr. Cheung has over 12 years of experience in the area of R&D of drugs. Prior to joining our Group, Dr. Cheung served as a technical officer and subsequently as a senior technical officer at the Department of Paediatrics and Adolescent Medicine at the University of Hong Kong from September 2007 to January 2010, respectively, in charge of overseeing R&D projects.

Dr. Cheung obtained his bachelor's degree in biochemistry, master's degree in immunology and Ph.D. in immunology from the University of Hong Kong in November 2001, December 2004 and November 2008, respectively.

Other senior management team

Our senior management also include Dr. Shui On LEUNG (Chief Executive Officer) and Mr. Jing QIANG (President), see "Executive Directors" above for biographical details of Dr. Shui On LEUNG and Mr. Jing QIANG.

COMPANY SECRETARY

Mei Chun CHENG 鄭美珍
Ms. Cheng was appointed as our company secretary on 18 October 2019 and resigned on 23 March 2020 with effect from 1 April 2020. Ms. Cheng is a Director of Corporate Services of Tricor Services Limited, a professional corporate services provider.

Ms. Cheng has over 25 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Cheng obtained her Honors Diploma in Company Secretaryship and Administration from Lingnan University (formerly known as Lingnan College) in November 1989. Ms. Cheng is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Pui Yin Peony WONG 黃佩彥
Ms. Wong was appointed as our company secretary on 23 March 2020 with effect from 1 April 2020. Ms. Wong is currently a senior manager of Corporate Services of Tricor Services Limited.

Ms. Wong has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia. She holds a Bachelor of Commerce (Accounting and Finance) and a Master of Business Administration from the University of New South Wales.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present its first corporate governance report after the Listing.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential to providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has applied the principles and code provisions of the CG Code since the Listing Date as the basis of the Company's corporate governance practices.

As the Company's shares were listed on the Stock Exchange on 12 November 2019, the CG Code was not applicable throughout the year. During the period from the Listing Date to 31 December 2019 and up to the date of this report, the Company has complied with all applicable code provisions as set out in the CG Code, except for code provision A.2.1 as explained below.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 December 2019.

The Company has also adopted the Model Code as its written guidelines (the "**Employees Written Guidelines**") in respect of securities dealings by relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises eleven Directors, consisting of two executive Directors, five non-executive Directors and four independent non-executive Directors.

During the period from the Listing Date to 31 December 2019 and up to the date of this report, the composition of the Board comprises the following Directors:

Executive Directors

Dr. Shui On LEUNG *(Chairman and Chief Executive Officer)*
Mr. Jing QIANG *(President) (appointed on 23 December 2019)*

Non-executive Directors

Ms. Wenyi LIU
Dr. Haigang CHEN
Mr. Senlin LIU
Mr. Huiyuan MA
Mr. Xun DONG *(appointed on 23 December 2019)*
Mr. Chang LIU *(resigned on 23 December 2019)*

Independent Non-executive Directors

Mr. Dylan Carlo TINKER
Mr. Michael James Connolly HOGAN
Mr. Ping Cho Terence HON
Mr. George William Hunter CAUTHERLEY *(appointed on 23 December 2019)*

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" on pages 14 to 20 of this annual report.

Mr. Jing QIANG is the spouse of Ms. Wenyi LIU. Save as disclosed, none of the members of the Board is related to one another.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Dr. Shui On LEUNG is currently both the Chairman and Chief Executive Officer of the Company.

The Board believes that Dr. Leung is the Director best suited, among all Directors, to identify strategic opportunities and focus in view of his extensive understanding of the Company's business as a founder and the chief executive officer. The Board further believes that the combined role of chairman and chief executive officer will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decisions to be made by the Board require approval by at least a majority of the Directors; (ii) Dr. Leung and other Directors are aware of and have undertaken to fulfill their fiduciary duties as Directors, which require, amongst other things, that they act for the benefit and in the best interests of the Company as a whole and will make decisions for the Company accordingly; (iii) the balance of power and authority is protected by the operations of the Board, which consists of two executive Directors (being Dr. Leung and Mr. Jing Qiang), five non-executive Directors and four independent non-executive Directors, and has a fairly strong independence element; and (iv) the overall strategies and other key business, financial, and operational policies of the Company are made collectively after thorough discussions at both the Board and senior management levels. Therefore, the Board considers that it is in the best interest of the Group for Dr. Leung to take up both roles for business development and effective management, and the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstances.

Independent Non-executive Directors

Since the Listing Date, 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 written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term. Each of the executive Directors has entered into a service contract with the Company for an initial term of three years.

All the Directors of the Company are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but greater than one-third, shall retire from office by rotation. Every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years. The Articles also provide that any Director appointed by the Board to fill a casual vacancy or as an addition to the Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

CORPORATE GOVERNANCE REPORT

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

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 circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors shall 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.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment 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.

During the year ended 31 December 2019, the Company organized training sessions on directors' duties and responsibilities conducted by the legal advisers for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

CORPORATE GOVERNANCE REPORT

The records of the continuous professional development that have been received by the Directors for the year ended 31 December 2019 and up to the date of this report are summarised as follows:

Directors	Type of Training *Note*
Executive Directors	
Dr. Shui On LEUNG	✓
Mr. Jing QIANG	✓
Non-executive Directors	
Ms. Wenyi LIU	✓
Dr. Haigang CHEN	✓
Mr. Senlin LIU	✓
Mr. Huiyuan MA	✓
Mr. Xun DONG	✓
Independent Non-executive Directors	
Mr. Dylan Carlo TINKER	✓
Mr. Michael James Connolly HOGAN	✓
Mr. Ping Cho Terence HON	✓
Mr. George William Hunter CAUTHERLEY	✓

Note:

During the year ended 31 December 2019, all Directors received training and training materials, including from the Company's external legal advisor, about matters relevant to their duties as directors of a listed company. They also kept abreast of matters relevant to their role as Directors by such means as attendance at seminars and conferences and/or reading materials about financial, commercial, economic, legal, regulatory and business affairs.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

As Shares were only listed on the Stock Exchange on 12 November 2019, the code provisions relating to convening the Board meetings are not applicable to the Company throughout the year ended 31 December 2019. During the period from the Listing Date to 31 December 2019, one meeting of the Board was held.

From 1 January 2020 onwards, the Board will meet regularly and schedule to meet at least four times every year at approximately quarterly intervals in accordance with the CG Code. Apart from regular Board meetings, the Chairman will also hold meeting annually with the independent non-executive Directors without the presence of other Directors.

CORPORATE GOVERNANCE REPORT

A summary of the attendance records of the Directors at the Board meeting held during the period from the Listing Date to 31 December 2019 is set out below:

Name of Directors	Attendance
Dr. Shui On LEUNG	1/1
Mr. Jing QIANG[1]	0/0
Ms. Wenyi LIU	1/1
Dr. Haigang CHEN	1/1
Mr. Senlin LIU	1/1
Mr. Huiyuan MA	1/1
Mr. Xun DONG[2]	0/0
Mr. Chang LIU[3]	1/1
Mr. Dylan Carlo TINKER	1/1
Mr. Michael James Connolly HOGAN	1/1
Mr. Ping Cho Terence HON	1/1
Mr. George William Hunter CAUTHERLEY[4]	0/0

Notes:

1. Mr. Jing QIANG was appointed as an executive Director on 23 December 2019.

2. Mr. Xun DONG was appointed as a non-executive Director on 23 December 2019.

3. Mr. Chang LIU resigned as a non-executive Director on 23 December 2019.

4. Mr. George William Hunter CAUTHERLEY was appointed as an independent non-executive Director on 23 December 2019.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and 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, Remuneration Committee and Nomination Committee are available on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Audit Committee

The Audit Committee was established by the Company with effect from the Listing Date pursuant to a resolution of the Board on 18 October 2019 with written terms of reference in compliance with code provision C.3.3 of the CG Code.

During the period from the Listing Date to 31 December 2019, the Audit Committee consists of three independent non-executive Directors, namely Mr. Ping Cho Terence HON (Chairman of the Audit Committee), Mr. Dylan Carlo TINKER and Mr. Michael James Connolly HOGAN.

On 23 March 2020, the Board announced that Mr. George William Hunter CAUTHERLEY, an existing independent non-executive Director, has been appointed as a member of the Audit Committee with effect from 1 April 2020.

CORPORATE GOVERNANCE REPORT

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.

As Shares were only listed on the Stock Exchange on 12 November 2019, no meeting of the Audit Committee was held during the period from the Listing Date to 31 December 2019. Subsequent to the financial year end, a meeting of the Audit Committee was held on 23 March 2020 to review, among other things, the consolidated financial statements for the year ended 31 December 2019 and the Group's accounting policies and practices, Listing Rules and statutory compliance, risk management and internal control systems and financial reporting matters. All members of the Audit Committee attended the meeting.

From 1 January 2020 onwards, the Audit Committee will schedule to meet at least twice per year and will meet with the Company's external auditors regarding the review of the Company's financial report and accounts at least twice a year.

Remuneration Committee

The Remuneration Committee was established by the Company with effect from the Listing Date pursuant to a resolution of the Board on 18 October 2019 with written terms of reference in compliance with code provision B.1.2 of the CG Code.

The Remuneration Committee consists of three members, namely Mr. Michael James Connolly HOGAN (Chairman of the Remuneration Committee), Dr. Shui On LEUNG and Mr. Ping Cho Terence HON.

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure 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/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee met once during the period from the Listing Date to 31 December 2019 to consider and make recommendation to the Board on the remuneration packages of the new executive Director, non-executive Director and independent non-executive Director appointed during the said period. Subsequent to the financial year end, a meeting of the Remuneration Committee was held on 23 March 2020 to review the Company's policy and structure for the remuneration of all Directors and senior management, assess the performance of the executive Directors and the senior management, review the remuneration package of the individual Directors and the senior management and make recommendation to the Board on their remuneration. All members of the Remuneration Committee attended the meeting.

Details of the remuneration of the senior management by band are set out in note 8 in the notes to the consolidated audited financial statements.

CORPORATE GOVERNANCE REPORT

The attendance records of the members of the Remuneration Committee during the period from the Listing Date to 31 December 2019 are as follows:

Name of Members of the Remuneration Committee	Attendance
Mr. Michael James Connolly HOGAN	1/1
Dr. Shui On LEUNG	1/1
Mr. Ping Cho Terence HON	1/1

Nomination Committee

The Nomination Committee was established by the Company with effect from the Listing Date pursuant to a resolution of the Board on 18 October 2019 with written terms of reference in compliance with code provision A.5.2 of the CG Code.

The Nomination Committee consists of three members, namely Dr. Shui On LEUNG (Chairman of the Nomination Committee), Mr. Dylan Carlo TINKER and Mr. Ping Cho Terence HON.

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 assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would review the structure, size, composition and diversity (including without limitation, gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service) of the Board. The Nomination Committee would also consider candidates on merit and against the objective criteria that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the procedure and criteria for the nomination of Directors, as appropriate, to ensure its effectiveness.

The Nomination Committee met once during the period from the Listing Date to 31 December 2019 to consider the qualifications and experience of directors and make recommendation to the Board on the appointment of executive Director, non-executive Director and independent non-executive Director. Subsequent to the financial year end, a meeting of the Nomination Committee was held on 23 March 2020 to review the size and composition of the Board, assess the independence of the independent non-executive Directors and make recommendation on the re-election of retiring Directors. All members of the Nomination Committee attended the meeting.

CORPORATE GOVERNANCE REPORT

The attendance records of the members of the Nomination Committee during the period from the Listing Date to 31 December 2019 are as follows:

Name of Members of the Nomination Committee	Attendance
Dr. Shui On LEUNG	1/1
Mr. Dylan Carlo TINKER	1/1
Mr. Ping Cho Terence HON	1/1

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

Pursuant to the Board Diversity Policy, the Nomination Committee will report annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will periodically review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

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

At the Board meeting held on 23 March 2020, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems 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 Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company has adopted and implemented comprehensive risk management and internal control policies in various aspects to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The Audit Committee assists the Board at least annually, in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. Risks identified by management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by the Company and reported to the Board.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

Risk Management

- The Audit Committee will oversee and manage the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy to ensure that it is consistent with our business strategies; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring the most significant risks associated with our business operations 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 policies within the Company and the Group.

- Mr. Hua, the Chief Financial Officer of the Company, 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 feedback; (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 in the Company; and (viii) reporting to the Audit Committee on our material risks.

- The Company plans to adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure.

- The relevant departments in the Company, including the finance department, the legal department, and the human resources department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to formalize risk management in our Company and set a common level of transparency and risk management performance, the relevant departments will gather information about the risks relating to their operation or function and conduct risk assessments.

CORPORATE GOVERNANCE REPORT

It is believed that the Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management.

Internal Control

It is the responsibility of the Board to ensure that the Company maintains a sound and effective internal control system. We have engaged an internal control consultant (the "**Internal Control Consultant**") to perform certain agreed-upon procedures (the "**Internal Control Review**") in connection with the internal control during the period from 1 March 2018 to 28 February 2019 of our Company and our major operating subsidiaries in certain aspects, including financial reporting and disclosure controls, corporate level controls, information system control management and other procedures for our operations. The Internal Control Consultant performed the Internal Control Review in April 2019 and a follow-up review in June 2019. As of the date of this report, there were no material internal control findings.

During the year, the Company has regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures the Company has implemented or planned to implement:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as protection of intellectual property, environmental protection and occupational health and safety. For more information, see "– Intellectual Property" and "– Health, Safety and Environmental Protection". 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.

- Our Directors (who are responsible for monitoring the corporate governance of the Company) with assistance from our legal advisors, will also periodically review our compliance status with all relevant laws and regulations after the Listing.

- Our Audit Committee will (i) make recommendations to our Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of our Group.

- We plan to provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations.

- We plan to provide our directors, senior management and relevant employees with continuing training programs and updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance.

- We intend to maintain strict anti-corruption policies among our sales personnel and distributors in our sales and marketing activities after we obtain marketing approvals for our drug candidates. We will also ensure that our sales and marketing personnel comply with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations, and limitations on industry-sponsored scientific and educational activities.

- As Shares were only listed on the Stock Exchange on 12 November 2019, we have not engaged external professional firm to carry out the analysis and independent review of the adequacy and effectiveness of the risk management and internal control systems of the Company and its subsidiaries. We plan to engage an external professional firm for year 2020 for providing the internal audit function.

CORPORATE GOVERNANCE REPORT

The Board conducts a review of its risk management and internal control systems annually and, supported by the Audit Committee, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2019, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

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.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 82 to 85.

AUDITORS' REMUNERATION

The remuneration paid or payable to the Company's external auditors, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2019 is set out below:

Service Category	**Fees paid and payable** *RMB'000*
Audit service	**3,500**
IPO services	1,800
Annual audit services	1,700
Non-audit service	**300**
Internal control review for the listing	300
Total	**3,800**

COMPANY SECRETARY

Ms. Mei Chun CHENG was appointed as the Company's company secretary. Ms. Cheng is a Director of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Mr. Jianping HUA, the Chief Financial Officer, has been designated as the primary contact person at the Company which would work and communicate with Ms. Cheng on the Company's corporate governance and secretarial and administrative matters.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2019, Ms. Cheng has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

On 23 March 2020, the Board announced that Ms. Pui Yin Peony WONG has been appointed to replace Ms. Cheng as the company secretary of the Company with effect from 1 April 2020.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening a General Meeting

General meetings may be convened by the Directors on requisition of shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (as the case may be) pursuant to Sections 566 and 568 respectively of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**").

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance and where applicable, the Articles, for convening a general meeting.

Putting Forward Proposals at Annual General Meetings and General Meetings

Pursuant to Section 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders (as the case may be) who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at an annual general meeting.

Pursuant to Section 580 of the Companies Ordinance, shareholders can request the Company to circulate to shareholders entitled to receive notice of a general meeting, a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution to be dealt with at that meeting or other business to be dealt with at that meeting, if such shareholders represent at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders (as the case may be) who have a relevant right to vote.

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance and where applicable, the Articles, for circulation of statement for general meeting and resolution for annual general meeting.

Putting Forward Enquiries to the Board

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

CORPORATE GOVERNANCE REPORT

Contact Details

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

Address:	Units 303 and 305-307, No. 15 Science Park Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong (For the attention of the Board of Directors)
Fax:	(852) 3426 9433
Email:	message@sinomab.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR 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.

Since the Listing Date, the Company has not made any changes to the Articles. An up-to-date version of the Articles is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a shareholders' communication policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

DIVIDEND POLICY

The Company has adopted a dividend policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the factors including but not limited to the operations, earnings, cash requirements and availability, capital expenditure, future development requirements, business conditions and strategies, interests of shareholders, and any restrictions on payment of dividends, the Board may propose and/or declare dividends during a financial year and any final dividend for a financial year will be subject to shareholders' approval.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE REPORT

1.1 Report Description

This report aims to objectively disclose the 2019 environmental, social and governance ("**ESG**") performance of SinoMab BioScience Limited (Hereinafter referred to as "**SinoMab**" or the "**Company**" or "**We**"). For detailed information on the Company's governance, it is recommended to read this report in conjunction with the "Corporate Governance Report" section in the Company's 2019 Annual Report to have a more comprehensive view of the Company's management performance. Unless otherwise specified, the scope of this report includes the ESG performance of SinoMab in mainland China and the main operating areas in the Hong Kong Special Administrative Region. The reporting period of this report is from 1 January, 2019 to 31 December, 2019.

This report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "**Guide**") contained in Appendix 27 of the Listing Rules. The Company analyzed and assessed the materiality of environmental and social issues in the Guide to SinoMab and various stakeholders, and disclose to the stakeholders the ESG management and performance of the Company in 2019. In the preparation of this report, we strive to meet the four reporting principles stipulated in the Guide – materiality, quantitative, balance and consistency.

The information and cases in this Report was extracted from the Company's information and records of its operations. This report is published in both traditional Chinese and English. If there is any discrepancy between the texts, the English version shall prevail.

This report was confirmed by the management and approved by the board of directors on 23 March, 2020.

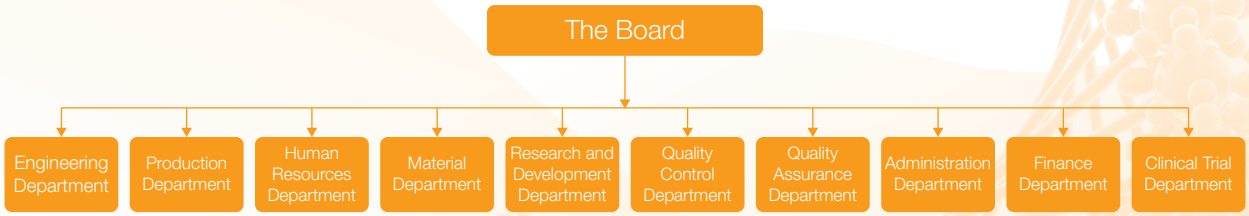
2. ESG MANAGEMENT SYSTEM

2.1 ESG Concept

The vision of SinoMab is to become a global leader in the innovation of therapeutics for immunological diseases. We strive to become a leading global biopharmaceutical company for the development of novel drugs to fulfill unmet medical needs. As an industry pioneer in the Greater China Region, we are keen on fulfilling social responsibilities. At the same of dedicating ourselves to R&D and quality assurance, we attach great importance to environmental protection and the protection of employees' legitimate rights. We aspire to develop together with our employees and partners. We also focus on community needs and actively contribute to community development. In the future, we will further integrate the concept of sustainable development with the Company's operations, improve our ESG management, and contribute to the harmonious development between the Company, the environment and the society.

2.2 ESG Management Structure

In order to carry out the Company's development philosophy and promote the implementation of the ESG management work, based on the current management organization structure, we have established an ESG management structure led by the Board and joined by multiple functional departments. The Board is responsible for formulating the overall ESG strategy and making decisions on major issues relating to ESG management and each department is delegated with its own management functions so as to ensure the effective implementation of the ESG management work.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.3 Stakeholder Engagement

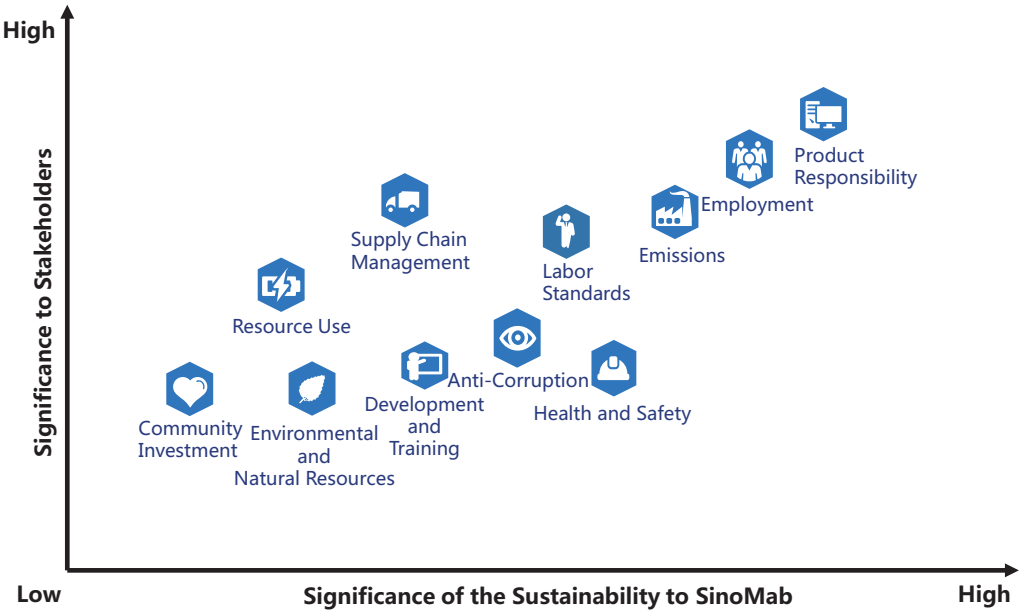
We actively listen to and respond to the demands of our stakeholders. Based on the characteristics of the actual business and management operations, we identified below our main stakeholders and learned about their main concerns through various communication channels.

Main stakeholders	Key ESG concerns	Major communication channels
Governments and regulators	Labour standards Product responsibility Anti-corruption Social investment	Policy consultations Incident reporting Information disclosure
Shareholders and investors	Product responsibility Anti-corruption	Shareholders' meetings Annual report Regular announcements Official websites
Employees	Employment Health and Safety Development and training Labour standards	Communication meetings Face-to-face communication Social media
Customers and patients	Product responsibility	Information disclosure Social media
Suppliers	Supply chain management Anti-corruption	Supplier assessment Phone E-mail
Media and NGOs	Emissions Use of resources Environmental and natural resources Employment Supply chain management Product responsibility	Press conferences and exchanges Social media Official websites
Community	Emissions Community investment	Community interaction Public welfare programs Social media

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.4 Materiality Analysis

Based on the identification of and communication with important stakeholders, taking into consideration the Company's operating characteristics, we conducted a materiality analysis of the 11 ESG aspects listed in the ESG Guide, which forms an important reference for the Company's information disclosure and ESG management.



During the reporting period, we have identified "product responsibility", "employment" and "emissions" as the most important concerns. Other important issues include "health and safety", "development and training", "anti-corruption", "supply chain management", "use of resources", "community investment", "labour standards" and "environmental and natural resources".

3. RESPONSIBLE OPERATION

Under the policy of "integrity, innovation, pragmatism, efficiency, and collaboration", the Company carries out responsible operations by ensuring compliance with relevant laws and regulations, assuring product quality, focusing on R&D, and actively contributing to community.

3.1 Product Responsibility

SinoMab strives to become a leading global biopharmaceutical company for the development of novel drugs. In line with our vision to become a global leader in the innovation of therapeutics for immunological diseases, we are dedicated to R&D since inception, and have built a pipeline of complementary mAb-based biologics and new chemical entities ("**NCE**") addressing indications against a plethora of immunological diseases. SM03, our flagship product, is the global first innovative "Recombinant Human anti-CD22mAb"for the treatment of rheumatoid arthritis ("**RA**") and potentially for the treatment of other immunological diseases. It has been recognized as one of the significant special projects of Significant New Drugs Development of the Thirteenth Five-Year Plan and National Science and Technology Major Project of China on New Drug Creation for Year 2017. In addition, the Company possesses other potential first-in-target and first-in-class drug candidates, some of which are already in clinical stage, applicable to the treatment of diseases with major unmet clinical needs such as rheumatoid arthritis, systemic lupus erythematosus, non-Hodgkin's lymphoma and asthma.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

With the leadership of our management team consisting of members with rich experiences in scientific research and business management, we have established a business model covering the entire industry chain, including R&D, clinical trials and batches production. Pursuant to this business model, we leverage our advantages in novel drug discovery, clinical development and future in-house manufacturing capabilities to enable multiple clinical trials and subsequent commercialization.

Product Quality Assurance

With the goal of "continuously providing innovative biopharmaceuticals with excellent quality and global trust", the Company is committed to implementing high-standard of quality control. We strictly abide by the laws and regulations such as *Drug Administration Law of the People's Republic of China* (《中華人民共和國藥品管理法》) and *Good Manufacture Practice of Medicinal Products* (《藥品生產質量管理規範》) ("**GMP**"), and carry out drug production and quality management accordingly.

The Company has established a quality management system and formulated a series of quality standards, standard operating procedures and production management protocols. We also conduct a formal risk assessment and justification in accordance with these standards and procedures under our quality management system and policies. We have built a professional quality control team led by the Chief Executive Officer (the"**CEO**") of the Company.

- The CEO is responsible for the quality of the drugs, and ensure that the Company achieves the quality goals and produces drugs in compliance with the requirements of GMP.

- The qualified person and the quality management leader are responsible for establishing and operating the quality management system to ensure the safety and effectiveness of our products.

- The quality assurance department and the quality control department are headed by the quality management leader. The quality assurance department is responsible for establishing and improving the quality assurance system to ensure that the quality management is carried out effectively, and it is also responsible for self-inspection in compliance with GMP and other tasks. The quality control department is responsible for establishing the quality control system, formulating relevant management regulations and quality standards, and conducting quality inspection and analysis of raw materials, auxiliary materials, packaging materials, intermediate products, bulks, semi-final products and final products.

Quality Control for Raw Materials

Our material department, production department as well as quality management department jointly conduct supplier assessments, check information of suppliers, and perform on-site audits in accordance with *the Supplier Audit Management Protocol* (《供應商審計管理規程》) to ensure that they meet relevant requirements. At the same time, we implement strict control processes for the quality of raw materials, and establish corresponding management systems and operating procedures for each control point. We conduct a three-level check on the quality and quantity of materials during storage, release, as well as inter-plant transfer and utilization, and implement a four-eye review system for high-risk materials.

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Quality Control during Production

We implement a four-eye principle for high-risk procedures in our production pursuant to our internal policy. Simultaneously, we perform regular checks during our production process to monitor and adjust the process in order to ensure that products are in compliance with relevant quality criteria. We collect product samples and conduct sample test. We formulated *the Management Protocol for Deviation of Result Specification* (《檢驗結果超標管理規程》) to standardize management requirements and processing procedures for abnormal results in daily sample inspection. For unqualified products, the Company will identify, evaluate and dispose of in accordance with the *Protocol for Unqualified Products* (《不合格品管理規程》). Quality issues are reported and processed in accordance with the Company's regulations.

Quality Control for Final Products

We have formulated quality control procedures for products that will proceed to commercialization. The final product is tested by the quality control department according to relevant specification, comprehensively reviewed by the quality assurance department and then reviewed and released by the qualified person before releasing.

Drug Quality Control during Clinical Trials

We also implement strict control to ensure the quality and safety of drugs in clinical trial activities, including:

- Review of drug test reports: We review test reports of each batch of clinical trial drug and such test reports are archived by clinical trial drug manufacturers for future reference;
- Transportation: We select service providers with the qualification of drug cold chain transportation and sign quality assurance agreement with them;
- Clinical trial: As the producer, we will sign *the Agreement of Quality Assurance for Clinical Trial Drug* (《臨床試驗用藥質量保證協議》) with the clinical trial sponsor;
- Expired drug: We conduct a strict review of the validity of the drugs, fill out expired drugs recall forms and implement recall procedures;
- Monthly coordination meeting: Our clinical department will conduct monthly meetings with the production department, quality control department, and material department to coordinate quality control issues in the production, supply, storage, and transportation of clinical drugs, and produce meeting minutes.

Quality Control Laboratory

We have established a specific quality control laboratory, which comprises various testing facilities and instruments for supporting all quality control measures required by GMP and pharmacopeia. We maintain, calibrate, validate and qualify our facilities and equipment on a regular basis to ensure the safety and efficacy of our products.

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Complaints and Recall Procedures

During the reporting period, we have not yet commercialized our products. However, we attach great importance to the establishment of a product complaint and recall management system. We have identified the requirements of the relevant laws and regulations such as *the Law of the People's Republic of China on Protecting Consumers' Rights and Interests* (《中華人民共和國消費者權益保護法》), and *the Drug Administration Law of the People's Republic of China* (《中華人民共和國藥品管理法》), and have established a product complaint response process and recall procedures in accordance with relevant regulations including *the Administrative Measures for Drug Recalls* (《藥品召回管理辦法》) and GMP. The quality assurance department is responsible for the recall of drug. Once a potential safety hazard in the drug is identified during the evaluation, we will implement drug recall process to protect consumer rights.

During the reporting period, we did not receive any customer complaint or have product recall.

Privacy Protection

The Company attaches great importance to the protection of privacy information of customers and subjects in clinical trials. We have a management system in place, and there is designated staff responsible for managing the privacy information of customers and clinical trial subjects.

To protect the information of our client, we sign confidentiality agreements with all employees detailing employee's responsibility for the Company's trade secret protection and liability for breach of contract. We also sign confidentiality agreements with our suppliers and partners, requiring all of their employees, managements, affiliates and external technical consultants to comply with confidentiality obligations to protect customer information.

For the information of clinical trial subjects, we strictly abide by *the Good Clinical Practice for Drug Trials ("**GCP**")* (《藥物臨床試驗質量管理規範》) and other relevant laws and regulations to protect clinical data and other private information of clinical trial subjects:

- Our clinical research is reviewed by the Medical Ethics Committee and completed by the cooperative clinical trial center (hospital), sample testing units, statistical units and contract research organizations ("**CROs**"). We will not be able to directly obtain any private information of the subjects other than data necessary for research;

- We require partners to conduct clinical trials in strict accordance with GCP, closely monitor and manage the clinical trial process;

- We obtain approval from Human Genetic Material Institute of Ministry of Science and Technology of the People's Republic of China before collection of clinical trial subjects' human genetic materials, index analysis and trial plan;

- We carry out or commission third-party agencies to carry out audits of clinical trial-related activities independently, including checking the signature compliance of informed consent form, clinical trial document protection related to the privacy of subjects, and the collection and preservation of biological samples.

During the reporting period, we did not have any reported cases of material information leakage, theft or loss of customer and test subject information.

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Intellectual Property Protection

The proprietary nature and the protection of our drug candidates and their methods of use are important parts of our strategy to develop and commercialize novel medicines. We recognize the importance of intellectual property rights ("**IPRs**") to our success and are committed to IPR development and protection. We strictly abide by China's intellectual property related laws and regulations such as *the Trademark Law of the People's Republic of China* (《中華人民共和國商標法》), *Patent Law of the People's Republic of China* (《中華人民共和國專利法》) and *Trade Marks Ordinance* (《商標條例》), *Patents Ordinance* (《專利條例》) in Hong Kong. We carry out intellectual property protection actively and fully respect the intellectual property of others.

For our know-how, inventions, etc., we have obtained intellectual property in and outside of the PRC and will seek additional patents to safeguard our innovations in the future. We proactively identify the main risks of intellectual property management and carry out risk management in response to these risks. We rely on patents, trademarks, trade secrets as well as employees and third-party confidentiality agreements to protect our intellectual property. Besides, we engage an intermediary to help us register domestic and overseas trademarks.

Meanwhile, we respect other parties' IPRs. For example, for employees who used to work for other biotechnology or pharmaceutical companies, we enter into agreements on proprietary rights, non-disclosure and non-competition in connection with their previous employment to ensure that our employees do not use the proprietary information or know-how of others while they work for us.

As of the end of 2019, we had been granted sixteen invention patents throughout the world and two pending patent applications in the United States. We also filed a PCT patent application in the PRC for SM03 in preparation for future international patent application.

Advertising and Publicity Management

During the reporting period, we have not yet commercialized our products so we have not advertised our products to the public. We have identified the relevant requirements on drug advertisements in the Administrative Measures for *the Classification of Prescription Drugs and Over-the-Counter Drugs (Trial)* (《處方藥與非處方藥分類管理辦法（試行）》) and *the Measures for the Examination of Pharmaceutical Advertisements* (《藥品廣告審查辦法》) in preparing for the commercialization of products in the future to avoid false promotion and misleading advertising or product descriptions.

3.2 Anti-Corruption

We advocate an integrity corporate culture, striving for the creation of a clean and honest working environment. We oppose any form of direct or indirect bribery and other illegal business practices and any form of commercial fraud in strict compliance with the requirements of laws and regulations such as *Prevention Of Bribery Ordinance* (《防止賄賂條例》) enforced by Hong Kong Independent Commission Against Corruption, *the Company Law of the People's Republic of China* (《中華人民共和國公司法》), *the Anti-Money Laundering Law of The People's Republic of China* (《中華人民共和國反洗錢法》).

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We have established policies such as *Anti-fraud Management Policy* (《反舞弊管理制度》), *Code of Ethics for Directors and Senior Management Staff* (《董事及高級管理人員道德守則》), *Code of Ethics for Employees* (《員工道德守則》), *Regulations on the Administration of Avoiding Conflicts of Interest and Preventing Bribery* (《避免利益衝突和防止受賄管理規定》). We require employees to sign the *Anti-fraud Management Policy* statement and follow professional ethics, and prohibit employees from engaging in any illegal or unethical economic behavior and seeking benefits from it. At the same time, we implement strict management and audit procedures to prevent lack of transparency and corruption during the procurement process.

We have set up a phone number and email address which serve as a whistle-blowing channel for employees to report actual or suspected corruption, fraud and other violations of professional ethics. In the event of a violation against the relevant laws, regulations or Company's policies, employees will receive disciplinary measures such as dismissal or judicial investigation by authorities.

During the reporting period, we did not have any reported major corruption, fraud or money laundering cases.

3.3 Supply Chain Management

During the reporting period, our major suppliers included equipment suppliers, raw material suppliers and service providers. As our products have not yet been commercialized, we have not formed a large-scale procurement in 2019. We have established an effective supplier management system and formulated policies and processes. Our material department cooperates with other departments to conduct supplier management adhering to the procurement principle of "fairness, justice and openness". At the same time, we focus on suppliers' environmental and social risk management when managing suppliers. With the continuous development of the Company, we will improve our supplier management system. We will gradually strengthen the ESG risk management of suppliers while building a long-term and stable relationship with suppliers.

Procurement and Access

The Company has a centralized procurement system, and formulated the *Procurement/Payment Management Regulations* (《採購／付款管理規定》) and *Equipment Management and Bidding Process* (《設備採購管理及招標流程》) and other policies to standardize the management of the tender process. Normally we select or invite at least three supplier candidates for comparison or bidding in the sourcing stage, and after fully considering product quality, reputation and ESG risk, select the most qualified candidate. For procurements where there are less than three supplier candidates, the reasons must be explained in the approval process in detail and the formal record must be retained. At the same time, bulk purchases are completed through a bidding process.

During the supplier introduction process, we strictly review their qualifications, operations and other legal compliance information. For those who have passed the primary assessment, we carry out on-site audits to ensure that they have relevant capabilities and sound credit records.

During the on-site audit process, we also evaluate suppliers' management of employee health and safety and environmental protection. For suppliers with insufficient environmental and social risk management, we will eliminate them from our supplier list in time.

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Daily Supplier Management

We have a list of qualified suppliers and manage them according to our policies. The main material suppliers are evaluated on a regular basis. The unqualified suppliers will be removed from the list on a timely basis.

We focus on ESG risk management of our suppliers. For raw material suppliers, we conduct on-site audits to assess their quality management in product as well as on-site control of production materials. For construction projects, we require suppliers to implement environmental protection and safety management as well.

Management of Clinical Trials

As many of our products are already in or about to enter the clinical trial stage, we attach great importance to supplier management in clinical trial activities. We choose third-party pharmaceutical R&D CROs with relevant qualifications, rich experience and good reputation in the field of clinical research as partners. We closely monitor and manage these CROs in ways including but not limited to: (i) requiring them to strictly abide by GCP and other related regulations; (ii) requiring them to carry out work in strict accordance with the requirements of the *Clinical Trial Program* (《臨床試驗方案》); (iii) conducting necessary audits on them, and (iv) conducting timely and strict review on the work documents provided by them. We also set relevant qualification and capability requirements for clinical trial hospitals, researchers and other clinical trial service providers to standardize their management.

4. PEOPLE FIRST

Employees are our most valuable asset. We strive to create a comfortable, safe and harmonious workplace, protect the rights and interests of employees, pay attention to their health and safety, conduct employee training, promote employee development and share successes of development with our employees.

4.1 Employment and Labour Standards

We strictly abide by the *Employment Ordinance* (《僱傭條例》) established by the Hong Kong Labour Department, and *the Labour Law of the People's Republic of China* (《中華人民共和國勞動法》), *the Labour Contract Law of the People's Republic of China* (《中華人民共和國勞動合同法》), as well as other applicable laws and industry regulations. We have formulated corresponding internal policies, such as *Personnel Evaluation and Employment Management Regulations* (《人員考核聘用管理規程》), *Employee Handbook* (《員工手冊》) and *Overtime Management Measures* (《加班管理辦法》), to regulate and manage employee recruitment, dismissal, compensation, benefits, performance and promotion. The Company prohibits child labour and forced labour, and embraces employee diversity and inclusion.

Legal Recruitment

We have established *Personnel Evaluation and Employment Management Regulations* (《人員考核聘用管理規程》), and formulated recruitment plans based on the Company's strategic plan and annual plan. We recruit talent through diversified means. The identity of each employee is strictly verified during recruitment in order to avoid the risk of child labour. This year, the Company did not employ any child labour.

We adhere to the principles of fairness and impartiality, and prohibit any form of discrimination based on the grounds of gender, race, religious belief, sexual orientation or cultural background etc. We sign a legal employment contract with each employee candidate and handle the dismissal or termination of employees in accordance with applicable laws and regulation. Relevant clauses are listed in the labour contract.

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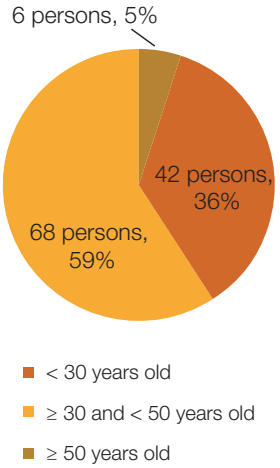
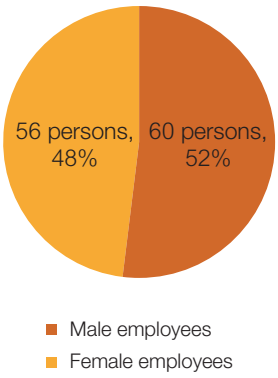
TOTAL WORKFORCE BY AGE



TOTAL WORKFORCE BY GENDER



Compensation and Benefits

We provide employees with competitive remuneration packages and attach great importance on employee benefits. In compliance with relevant national laws and regulations as well as our internal regulations such as *Employee Handbook* (《員工手冊》) and *Overtime Management Measures* (《加班管理辦法》), our employees' remuneration packages generally include remuneration, dividends and allowances. We formulate compensation plans and provide compensation based on employee performance in order to motivate employees to pursue continuous improvement. Employees enjoy annual leave, paid sick leave, maternity leave and other legal holidays. We provide employees with multiple benefits in strict compliance with applicable regulations and internal policies, including medical care, housing subsidies, pensions, work injury insurance, and offer other additional benefits such as year-end awards, holiday benefits, free annual medical examinations, free work meals, overtime snacks, and employees commuting shuttle. We promote the concept of healthy living, and, with a view to encouraging employees to exercise more, we cover the fitness expenses of employees in the gym of our site park.

Assessment and Promotion

We provide employees with dual channels for promotion, namely management development and professional development. We encourage employees to improve their comprehensive abilities, and conduct a fair and objective comprehensive annual employee performance evaluation every year, assessing both their competence and attitude at work. Meanwhile, in order to help our employees form clearer career goals, they are required to complete a self-assessment form and fill out job descriptions.

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Employee Activities

We organize a variety of employee activities such as afternoon tea, badminton games, as well as outdoor development activities. We also organize company dinners at the Spring Festival, the Mid-Autumn Festival, and at Christmas.

Communication

We care about our employees' feelings at workplace, and have established various internal communication channels including electronic mailboxes and communication meetings. We listen to our employees' opinions and advice, encourage rational expression of demands, and provide timely feedback on their opinions, suggestions or demands.

4.2 Health and Safety

We strictly comply with *Law of the People's Republic of China on Safety in production* (《中華人民共和國安全生產法》), *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* (《中華人民共和國職業病防治法》), *the Regulations on Work-related Injury Insurance* (《工傷保險條例》) and other relevant laws and regulations. We have identified and assessed all key safety locations, key safety factors, as well as key safety positions, and formulated health and safety management policies and procedures such as "Production Safety Management Protocol", "Safety Incident Management Protocol", and "Hazardous Waste Management Protocol". During the reporting period, the Group did not experience any employee casualties.

We take a variety of measures to reduce health and safety risks. The Company regularly conducts safety inspections of production facilities; all fire-fighting facilities are configured in accordance with national and regional fire control regulations, and are monitored by designated staff and equipment. Operations involving biohazards and chemical toxicity are processed in biosafety cabinet or chemical hood following internal safety regulations. Our laboratories are equipped with protective masks, first aid kits, fire extinguishers and emergency gear. Operators of special work position must obtain relevant qualifications, and wear appropriate safety protective equipment during operation. At the same time, the Company encourages employees in all positions to report the hidden safety hazards they have identified, and relevant departments will be appointed to carry out safety rectification measures should any problem be identified to ensure the health and safety of employees.

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In order to improve employees' safety awareness and fire emergency response capabilities, we conduct fire protection training to all employees every year. In 2019, we conducted safety and fire protection training courses, including full-person training on the Company level and departmental training exercises.

In 2019, the Company organized employees from downstream and filling divisions of Production Department to participate the fire drills and internal fire and safety trainings of Hainan Haiyao Co., Ltd. to familiarize employees with the safety emergency system in the plant, the use of fire hydrants, fire extinguishers and other fire equipment, as well as escape routes. The Engineering Department regularly checks if the fire alarm system, dry powder extinguisher and other fire-fighting equipment and facilities are intact. The Company's security team carries out comprehensive safety inspections on a regular basis to ensure safety comes first and always be kept in minds.

Since the outbreak of the COVID-19, the Company has attached great importance to it. We actively responded to government calls and requirements, swiftly organized management to discuss epidemic prevention and control strategies, and comprehensively deployed and implemented epidemic prevention and control work to effectively protect employee health and safety.

At the beginning of the epidemic, the Company strictly complied with government requirements, reasonably extended the holiday period and publicized epidemic prevention knowledge to employees during such holiday period. We have been instructing our employees to do a proper job of health protection during the epidemic. We purchase protective supplies in a timely manner to provide employees with sufficient protection kits in order to guard themselves against the epidemic. Meanwhile, our offices at different regions strictly abide by the local government's resumption policy and orderly arrange work resumption in accordance with the law. After our employees have returned to work, the Company's office is sterilized on a daily basis and equipped with thermometers and disinfection items such as medical alcohol. We also provide disposable gloves for employees to wear on the way to and from work to reduce their risk of infection. At the same time, the Company sets up a special working group headed by the plant manager to evaluate the production situation every day and supervises the way our employees wear protective gears in order to ensure the maximum production safety. This has provided a strong guarantee for the stability of the Company's production.

4.3 Training and Development

We have developed the employment concept of "select-employ-train-promote-keep", and provide multi-platform development opportunities for employees. We have established a three-level training system. The first level is company-wide training, which includes popularization of company management systems, relevant laws and regulations, and safety knowledge. The second level is cross-departmental professional knowledge training. The third level is carried out within each department based on its own business needs.

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We prepare annual training plan, which covers all employees at different levels. We actively promote the expansion of internal and external training lecturer resources and the building of our technical talent team.

5. GREEN OPERATION

The Group deeply understands the importance of environmental protection and resource conservation. We advocate environmentally responsible values and behaviors, and strive to implement an environmentally friendly operating model. We earnestly abide by *the Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), *Energy Conservation Law of the People's Republic of China* (《中華人民共和國節約能源法》), *the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》), *Chapter 354 – Waste Disposal Ordinance of the Hong Kong Legislation* (《香港法例》第354章《廢物處置條例》) and other applicable laws and regulations, conduct compliance management of emissions, and adopt a number of energy-saving and emission-reduction measures.

During the reporting period, we did not have any material violations of environmental laws and regulations.

5.1 Resource Conservation

Our main operating model concerns daily office work, laboratory operations, and small-scale drug production (used for pre-clinical research and clinical trials). The consumed resource involved is mainly electricity, tap water, steam, and gasoline. We have established *the Daily Management System for Energy Conservation and Emission Reduction* (《節能減排日常管理制度》), which provides a systematic management basis for resource management in all operating processes, and the administration department is responsible for promoting the effective implementation of the management system. At the same time, with the human resources department as the main organizational department, we aim to strengthen energy-saving awareness among employees.

In terms of the use of power, we set up independent lighting switches in each area of the production site, and regularly remind employees to turn off the lights in a timely fashion. Unused facilities and systems are shut down timely to reduce unnecessary energy loss. We analyze suitable temperature for different working area, and set the temperature of the air conditioners accordingly so as to ensure precise use of power.

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In order to improve the efficiency of water resources utilization, we have established protocols on water use such as *Cleaning Operation Protocol in Production Areas* (《生產區環境清潔操作規程》). During the production phase, we strictly follow the cleaning procedures of appliances and equipment, control the water flow of the valve, and switch off the valve timely, all of these measures help to reduce waste of water resources.

We actively promote green office by encouraging employees to use office supplies sparingly, to use environmentally friendly paper to print non-important documents, and to use double-sided printing as default. At the same time, employees are encouraged to use teleconferences and the Internet for cross-regional communication, which reduces energy consumption caused by unnecessary travel.

5.2 Emissions

We place paramount importance on the compliance management of emissions, and have formulated policies including *Laboratory Waste Management Protocol* (《實驗室廢棄物管理規程》), *Hazardous Waste Management Protocol* (《危險廢物管理規程》), *Three Waste (Waste Gas, Waste Water; Industrial Residue) Management Protocol* (《三廢管理規程》), Inactivation of Production Appliances and Wastes Operation Protocol (《生產器具及廢料滅活操作規程》) and other policies to standardize the implementation of emission management works.

Gas emissions generated by our operations are mainly greenhouse gases and waste gas from production processes. Among them, greenhouse gases are mainly generated from the use of energy such as electricity, steam and gasoline during our operations, whereas waste gas from the production process mainly comes from laboratory and clinical samples production processes. We continue to take a variety of energy-saving measures which help reduce the generation of greenhouse gases effectively. At the same time, we process emissions produced during the production processes through medium-efficiency and high-efficiency filter equipment to ensure a compliant emission level.

The waste water we produced mainly includes production and laboratory waste water, and domestic sewage. Among them, biologically active cell suspensions and cell culture media solutions are first inactivated by strong oxidants or autoclaved at high temperatures, before being discharged into sewage treatment tanks together with other sources of production and laboratory waste water and domestic sewage for pre-treatment. Lastly, all waste water is discharged into the municipal pipe network after reaching local discharge standards.

Non-hazardous waste generated during the Company's operation mainly includes daily office waste. We classify non-hazardous waste according to its recycling value. For items with recycling value, we sell them to waste recyclers or sell them as waste products which promote the recycling of waste. Non-recyclable solid waste is transferred to designated garbage station for disposal.

Hazardous waste generated during the Company's operation mainly includes waste generated in laboratories such as chemical reagents, empty glass reagent bottles, and hazardous waste produced in office such as waste toner cartridges and waste fluorescent tubes. All hazardous waste is transferred to qualified third parties or suppliers on a regular basis. Among them, solid wastes that have been exposed to biological activity are subjected to high-temperature heat inactivation by autoclave machine in the plant before being transferred.

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5.3 Environmental Impact Assessment

In the course of development, the Company has been involved in the preparation and construction of multiple projects. During the project design phase, the Company hires qualified professional institutions to design environmental protection plans, and conducts environmental impact assessments in accordance with the requirements of relevant environmental protection laws and regulations. We also analyze possible impacts of the proposed projects on the environment and form response measures accordingly.

5.4 Key Environmental Performance Indicators

The key environmental performance indicators for SinoMab in 2019 are listed below. Unless otherwise stated, the statistical scope of environmental data covers the Company's operation locations in Hong Kong, Hainan, Shenzhen and Shanghai. The Suzhou production base is not included in this year's report scope because it has not yet been put into operation as at the end of 2019. Relevant information will be disclosed in due course based on actual operation circumstances.

1. Key Performance Indicators for Energy and Resource Consumption[1]

Index	2019 KPI
Total energy consumption[2] (MWh)	3,688.1473
Direct energy consumption, including:	
Gasoline (MWh)	27.7897
Indirect energy consumption, including:	3,660.3576
Power (MWh)	3,076.2330
Steam[3] (MWh)	584.1246
Energy consumption per floor area[4] (MWh per square meter)	0.64025
Total water consumption[5] (tonnes)	18,287
Water consumption per floor area (tonnes per square meter)	4.0404

Notes:

(1) During the reporting period, we have not yet commercialized our products, and hence no product packaging has been used.

(2) Total energy consumption is calculated based on direct and indirect energy consumption according to the conversion factors listed in the National Standards of the People's Republic of China General Principles for Calculation of the Comprehensive Energy Consumption (GB/T 2589-2008) (中華人民共和國國家標準《綜合能耗計算通則》(GB/T 2589-2008)).

(3) The steam consumption is calculated based on the corresponding conversion factor listed in Chemical Process Design Manual (2009) (《化學工藝設計手冊(2009)》) published by Chemical Process Press.

(4) During the reporting period, the main energy consumption of the Company is power, and Gasoline and Steam only take a small proportion of the total energy consumption. As a result, we disclose the intensity of total energy consumption rather than disclose the energy consumption intensity by energy type.

(5) Since the water resources used by the Company are from municipal water supply, we do not have any problem in obtaining suitable water resources.

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2. Key Performance Indicators for Emissions

Indicator	2019 KPI
Total GHG emissions[1] (Scope 1 and 2)[2] (tCO_2e)	1,679.6004
Direct GHG emissions (Scope 1), including:	
Gasoline (tonnes)	6.8028
Indirect GHG emissions (Scope 2), including:	
Power (tonnes)	1,672.7976
GHG emissions per floor area (tCO_2e per square meter)	0.2916
Total oxynitride emissions (tonnes)	0.0012
Total hazardous waste (tonnes)	1.1165
Total non-hazardous waste[3] (tonnes)	10.290
Total hazardous waste per floor area (tonnes per square meter)	0.0002
Total non-hazardous waste per floor area (tonnes per square meter)	0.0018
Wastewater (tonnes)	18,761
Chemical oxygen demand (tonnes)	0.478
Ammonia nitrogen (tonnes)	0.0287

Notes:

(1) The greenhouse gas ("**GHG**") inventory includes carbon dioxide, methane and nitrous oxide, which are mainly produced from purchased power, fuel and steam. GHG emissions are presented in carbon dioxide equivalents. Among them, GHG emissions from operating sites in Mainland China are based on the 2017 Baseline Emission Factors for Regional Power Grids in China for CDM and CCER (《2017年度減排項目中國區域電網基準線排放因子》) issued by the Ministry of Ecology and Environment of the PRC, and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (2019 Edition) (《2006年IPCC國家温室氣體清單指南2019修訂版》) issued by the Intergovernmental Panel on Climate Change (IPCC); For operating site in Hong Kong Special Administrative Region, GHG emissions (Scope 2) are calculated in accordance with the relevant emission factor coefficients provided by the Company's power supplier, CLP Group. As of 2019, the emission factor coefficient provided by CLP Group is 0.62 kg of carbon dioxide equivalent.

(2) Scope 1 GHG covers GHG emissions directly generated from the Company's operations; Scope 2 GHG covers GHG emissions produced from "indirect energy" accompanied with the internal power consumptions (through purchase) of the Company. The "indirect energy" GHG emissions caused by steam will be calculated after the national unified calculation standard is issued.

(3) The non-hazardous wastes mainly come from the domestic wastes in office and such wastes are treated by the environmental protection department of the development zone. As the non-hazardous wastes cannot be measured separately, we estimate the wastes in accordance with the First National Census on Pollution Sources – Manual for Waste Generation and Discharge Coefficients in Urban Households (《第一次全國污染源普查城鎮生活源產排污係數手冊》) issued by the State Council of the PRC and the Per Capita Disposal Rate of Domestic Waste in 2018 issued by the Environmental Protection Department of the Hong Kong Special Administrative Region.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. COMMUNITY INVESTMENT

We are committed to contributing to the society while achieving our own development, and actively fulfill our corporate social responsibility. We actively engage in community communication to identify their needs and contribute to community development. In 2019, we made use of our advantages in the industry to cooperate with universities in delivering bioscience-related courses.

We cooperated with Hong Kong University of Science and Technology to organize and design a course named "Biotechnology Entrepreneurship and Business Operations" with the aim to imparting basic knowledge and sharing our experience in bringing a biotech product envisioned in an academic environment to commercialization with students interested in launching or working in a biotech startup. We sent seven colleagues and invited two experts in the industry to share their experiences and knowledge with the students. Through interacting with experts in the biotech industry, the students gained insights in biotechnology product commercialization and gained the opportunity to communicate with experts in the field, which is conducive to their development.

Left: Dr. Shui On LEUNG, CEO of SinoMab sharing knowledge and experiences with students.

Right: Mr. Jing QIANG, President of SinoMab, sharing knowledge and experiences with students.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX

THE STOCK EXCHANGE OF HONG KONG LTD. ESG REPORTING GUIDE CONTENT INDEX

ESG Issues	Description	Correspondent Chapter
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5.2 Green Operation-Emissions
KPI A1.1	The types of emissions and respective emissions data.	5.4 Green Operation – Key Environmental Performance Indicators
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.4 Green Operation – Key Environmental Performance Indicators
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.4 Green Operation – Key Environmental Performance Indicators
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.4 Green Operation – Key Environmental Performance Indicators
KPI A1.5	Description of measures to mitigate emissions and results achieved.	5.2 Green Operation – Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	5.2 Green Operation – Emissions

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Issues	Description	Correspondent Chapter
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5.1 Green Operation – Resource Conservation
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	5.4 Green Operation – Key Environmental Performance Indicators
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5.4 Green Operation – Key Environmental Performance Indicators
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	5.1 Green Operation – Resource Conservation
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	5.4 Green Operation – Key Environmental Performance Indicators
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	5. Green Operation
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5. Green Operation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Issues	Description	Correspondent Chapter
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1 People First – Employment and Labour Standards
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	4.1 People First – Employment and Labour Standards
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	–
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.2 People First – Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	4.2 People First – Health and Safety
KPI B2.2	Lost days due to work injury.	4.2 People First – Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.2 People First – Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Issues	Description	Correspondent Chapter
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.3 People First – Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	–
KPI B3.2	The average training hours completed per employee by gender and employee category.	–
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.1 People First – Employment and Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 People First – Employment and Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 People First – Employment and Labour Standards
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.3 Responsible Operation – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	–
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	3.3 Responsible Operation – Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Issues	Description	Correspondent Chapter
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.	3.1 Responsible Operation – product responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	3.1 Responsible Operation – product responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.1 Responsible Operation – product responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	3.1 Responsible Operation – product responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.1 Responsible Operation – product responsibility
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.	3.2 Responsible Operation – Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	3.2 Responsible Operation – Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	3.2 Responsible Operation – Anti-corruption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Issues	Description	Correspondent Chapter
Community		
Aspect B8: Community Investment		
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6 Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6 Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	6 Community Investment

REPORT OF THE DIRECTORS

The Board is pleased to present its first report together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

We are a Hong Kong-based biopharmaceutical company dedicated to the research, development, manufacturing and commercialisation of therapeutics for the treatment of immunological diseases, primarily mAb-based biologics.

We have been dedicated to R&D since our inception, and have built a pipeline of complementary mAb-based biologics and new chemical entities ("**NCE**") addressing indications against a plethora of immunological diseases. Under the leadership of our management team, consisting of members with rich experience in scientific research and business management, we have established a business model that integrates elements from the entire industry chain encompassing R&D, clinical trials and production.

Details of the principal activities of the Company's subsidiaries are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

BUSINESS REVIEW AND RESULTS

A review of the business of the Group during the Reporting Period is provided in "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance during the Reporting Period is provided in the "Financial Review" on pages 11 to 13 of this annual report.

The results of the Group for the Reporting Period are set out in the Consolidated Statement of Profit or Loss and the Consolidated Statement of Comprehensive Income on pages 86 to 87 of this annual report.

FINAL DIVIDEND

No dividend was paid or declared by the Company for the Reporting Period.

REPORT OF THE DIRECTORS

USE OF PROCEEDS FROM LISTING

On 12 November 2019, Shares were listed on the Stock Exchange and the Company raised net proceeds of HK$1,272.80 million.

The net proceeds from the listing (adjusted on a pro-rata basis based on the actual net proceeds) are being utilised in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to 31 December 2019:

Use of proceeds	**Planned applications** *(HK$ million)*	**Percentage of total net proceeds** *(%)*	**Actual utilisation up to 31 December 2019** *(HK$ million)*	**Unutilised net proceeds as at 31 December 2019** *(HK$ million)*
For the R&D and commercialisation of our drug candidates				
For the R&D and commercialisation of our core product, SM03, to fund clinical trials for SM03 including (i) ongoing and planned clinical trials in the PRC; (ii) additional clinical trials to be initiated in the PRC for additional indications; (iii) clinical trials in Australia and the United States; and (iv) NDA registration filings and the commercial launch of SM03	190.9	15.00	5.4	185.5
To fund pre-clinical research, clinical trials, production, preparation for registration filings and potential commercial launches of the other drug candidates in our pipeline	318.2	25.00	2.0	316.2
To further advance our R&D programmes, expand our R&D team, build our commercialisation team, develop our proprietary technology and enhance our full-spectrum platform	42.4	3.33	–	42.4
For the discovery and development of new drug candidates not currently in our pipeline to diversify our product portfolio	84.9	6.67	49.5	35.4

REPORT OF THE DIRECTORS

Use of proceeds	Planned applications *(HK$ million)*	Percentage of total net proceeds *(%)*	Actual utilisation up to 31 December 2019 *(HK$ million)*	Unutilised net proceeds as at 31 December 2019 *(HK$ million)*
For the construction of our Suzhou production base primarily for the commercial-scale production of our core product SM03				
For the purchase of laboratory equipment, primarily for the R&D of SM03 and potentially for the R&D of other products in our pipeline	85.8	6.74	–	85.8
For the purchase of manufacturing equipment, primarily for the production of SM03	59.7	4.69	–	59.7
For the construction of the Suzhou production base				
For the construction of additional R&D facilities and purchase of laboratory equipment to aid the ongoing R&D of SM03 for the treatment of rheumatoid arthritis, systemic lupus erythematosus, non-Hodgkin's lymphoma and other potential indications, R&D of SM03 at commercialisation to enhance craftsmanship for large-scale production, as well as the development of other products in our pipeline	107.6	8.45	–	107.6
For the construction of an upstream production facility and downstream purification facility	88.2	6.93	–	88.2
For the purchase of land from the Suzhou Dushu Lake Higher Education Town and other expenses related to the expansion of our Suzhou production base	167.9	13.19	–	167.9
For our working capital, expanding internal capabilities and other general corporate purposes	127.2	10.0	2.6	124.6
Total	1,272.8	100.0	59.5	1,213.3

Such utilisation of the net proceeds was in accordance with the proposed allocations set out in the manners set out in the Prospectus. The unutilised portion of the net proceeds will be applied in a manner consistent with the proposed allocations in the Prospectus.

REPORT OF THE DIRECTORS

R&D ACTIVITIES OF FLAGSHIP PRODUCT

Our flagship product SM03 is a potential first-in-target anti-CD22 mAb for the treatment of RA and is expected to be our first commercially available drug candidate. We hypothesised that SM03 adopts a novel mechanism of action which differentiates itself from the current treatments available in the market and we are currently working towards uncovering the mechanism.

As at 31 December 2019, a total of 288 patients have been enrolled into SM03 Phase III clinical trials for RA. We expect to complete patient enrollment for SM03's Phase III clinical trial for RA in the second half of 2020, and plan to file our BLA with the NMPA in the first half of 2021. We also plan to conduct a bridging clinical study in Australia, which will lead to the subsequent clinical trials planned in the United States.

SM03 may not ultimately be successfully developed and marketed.

The expenditure on the R&D activities of SM03 primarily consisted of:

- third party contracting costs incurred under agreements with consultants, contract research organisations and clinical trial sites that conduct R&D activities on the Group's behalf;
- costs associated with purchases of raw materials;
- employee salaries and related benefit costs; and
- expenses associated with inspection and maintenance of facilities, depreciation and amortisation expenses, travel expenses, insurance, utilities and other supplies.

During the Reporting Period, the Group incurred approximately RMB57.1 million on the R&D activities of SM03.

For details of our flagship product SM03, please refer to "Management Discussion and Analysis" of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

R&D risk of new drugs

Classified as technical innovations, the R&D of new drugs is characterised by long R&D cycles, significant investment, high risks and a low success rate. From laboratory research to obtaining approval, new drugs have to go through a lengthy process linked by complicated stages, including pre-clinical studies, clinical trials, registration and marketing of new drugs and after-sales supervision. Any of the above stages is subject to the risk of failure.

The Company will strengthen its forward-looking strategic research, and determine the direction of new drug R&D according to the needs of clinical drug use. The Company will also formulate reasonable new drug technology solutions, continuously increase the investment in R&D of new drugs, and uphold the principle of prudence in launching R&D projects for new drugs. In particular, the Company implements phase-based assessments on product candidates in the course of R&D. If it is found that the expected result cannot be achieved, the subsequent R&D of such product candidates will be terminated at once, so as to minimise the R&D risk of new drugs.

REPORT OF THE DIRECTORS

Market competition risk

The R&D and commercialisation of new drugs are highly competitive. The Company's recent drug candidates and any drug that may be sought for R&D and commercialisation in the future will face competition from pharmaceutical companies and biotechnology companies around the world. The Company's commercial opportunity could be reduced or eliminated if our competitors develop and commercialise drugs that are safer, are more effective or have fewer side effects than the drugs we have developed. The Company's competitors may also obtain approval from the NMPA or FDA sooner than the Company obtaining approval for its drugs, such that the competitors may establish a strong market position before the Company is able to enter the market. The Company will maintain its market competitiveness with its rapid advancement in R&D and clinical trials of drugs, corroborant efficacy and stable production process.

Quality control risk of drugs

The quality and safety of drugs not only concern the health of drug users but also arouse wide public concern. Due to various factors, drugs are subject to quality control risks in all stages, including R&D, manufacturing, distribution and use. Therefore, risk control runs through the entire process of drug development, manufacturing, distribution and use. The Company will secure necessary resources, strengthen training in risk management, and improve various rules and regulations, so as to ensure strict compliance with the GMP standards and control the quality risk of drugs.

Risk of not making profit in short run

One of the most prominent characteristics of the biopharmaceutical industry is a long profit cycle. Generally, a biopharmaceutical enterprise at the R&D stage takes a longer time to make a profit. As an early-stage biopharmaceutical enterprise, the Company is under a period of making significant R&D investment. With the further supplement of product pipelines, as well as rapid advancement in domestic and international clinical trials for drug candidates, the Company will continue to make significant R&D investment. Our future profit will depend on the marketing progress of drug candidates and the sale of marketed drugs. In addition, significant R&D investment, business promotion costs and operation costs create more uncertainties over making profits. Therefore, the Company is subject to the risk of not making a profit in the short run.

Risk of industry regulations and policies

In view of the various reforms in the medical industry, encouragement of innovation and reduction in drug prices by pharmaceutical enterprises have become an inevitable trend. The Company will adapt to changes in external policies and strive to enhance R&D, in order to respond to challenges through innovation. The Company will also adhere to legal compliance by adapting its business activities to changes in regulatory policies, thereby preventing policy risks.

In the face of the industry and policy risks, the Company will adapt to changes in external policies by continuous improvement in capabilities of innovation and sustainable development, increased R&D investment, and accelerated clinical trials and launching of innovative drugs, in order to respond to challenges through innovation. On this basis, the Company will further expand its production capacity and reduce the unit cost of its products, so as to address the trend of price reduction of drugs.

Foreign exchange risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations.

In response to the foreign exchange risk, the Company seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position to reduce the impact of the foreign exchange risk on the Company.

REPORT OF THE DIRECTORS

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, the Company was not aware of any material non-compliance with any relevant laws and regulations that have a significant impact to the Group.

RELATIONSHIP WITH STAKEHOLDERS

Employees are the assets of the Group. The Group provides competitive remuneration package and a pleasant workplace environment to attract and motivate the employees.

The Group also understands the importance of maintaining a good relationship with various other stakeholders, including the Shareholders and the community. The Group actively listens to and responds to the demands of its stakeholders.

ENVIRONMENTAL POLICY

The Group deeply understands the importance of environmental protection and resource conservation. The Group advocates environmentally responsible values and behaviours and strives to implement an environmentally friendly operating model.

Our main operating model concerns daily office work, laboratory operations, and small-scale drug production (used for pre-clinical research and clinical trials). The resource consumption involved is mainly electricity, tap water, steam, and gasoline. We have established the Daily Management System for Energy Conservation and Emission Reduction (《節能減排日常管理制度》), which provides a systematic management basis for resource management in all operating links, and the Administration Department is responsible for promoting the effective implementation of the management system. At the same time, with the Human Resources Department as the main organisational department, we aim to strengthen energy-saving awareness among employees.

In addition, the Group places paramount importance on the compliance management of emissions, and have formulated Laboratory Waste Management Regulations (《實驗室廢棄物管理規程》), Hazardous Waste Management Regulations (《危險廢物管理規程》), and Three Waste (Waste Gas; Waste Water; Industrial Residue) Management Regulations (《三廢管理規程》) and other policies to standardise the implementation of emission regulations.

During the Reporting Period, the Group did not have any material violations of environmental laws and regulations of PRC.

MAJOR CUSTOMERS AND SUPPLIERS

As at 31 December 2019, the Company has not commercialised its products and there was no customer.

For the Reporting Period, the Group's largest supplier accounted for 22.4% (2018: 32.8%) of its total purchases, and the five largest suppliers accounted for 68.9% of its total purchases (2018: 59.9%).

Suzhou Sinovent was the third largest supplier of the Company for the year ended 31 December 2019. For details relating to the respective interest in Suzhou Sinovent held by Mr. Jing QIANG and Ms. Wenyi LIU, our Directors, please refer to the section headed "Potential Non-exempt Continuing Connected Transactions" on pages 78 to 79 of this annual report.

Saved as disclosed above, none of the Directors or any of their close associates or any Shareholder (who or which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the consolidated financial statements.

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2019 are set out in note 1 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 20 to the consolidated financial statements.

As at 31 December 2019, 1,006,240,400 Shares were in issue.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

There was no distributable reserve as at 31 December 2019.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 December 2019 are set out in note 19 to the consolidated financial statements.

SHARE INCENTIVES

A restricted share unit scheme (the "**Scheme**") was conditionally adopted by the Shareholders on 18 October 2019, with effect from 12 November 2019. The Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules. On 5 March 2020, the Company appointed Computershare Hong Kong Investor Services Limited to manage the Scheme.

For the purpose of the operation of the Scheme, on 25 March 2020, Skytech Technology transferred 36,174,400 Shares to Computershare Hong Kong Nominees Limited which holds such Shares for the beneficiaries of the Scheme.

As at the date of this annual report, no award has been granted or agreed to be granted under the Scheme.

The grant and vesting of any restricted share units (the "**RSUs**") which may be granted pursuant to the Scheme will be in compliance with Rule 10.07 of the Listing Rules.

REPORT OF THE DIRECTORS

The Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the Scheme, including the date of grant, number of Shares involved and the vesting period, and comply with Chapter 14A of the Listing Rules.

Below sets out the principal terms of the Scheme.

Purpose of Scheme

The purpose is to incentivise the Directors, senior management and employees for their contribution to the Group and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group, by providing them with the opportunity to own equity interests in the Company.

RSU Awards

An award of RSUs gives a participant in the Scheme a conditional right to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the restricted share units, less any tax, stamp duty and other charges applicable, as determined by the Board in its absolute discretion.

Participants of Scheme

Eligible persons of the Scheme include existing employees, Directors (whether executive or non-executive, but excluding independent non-executive Directors) or officers of the Group and any person(s) whether or not an employee or officer of the Group whom the Board considers to be able to enhance the operations or value of our Group (each a "**Eligible Person**").

Subject to the conditions and restrictions on the grant, the Board may select any Eligible Person for participation in the Scheme. Eligible Persons selected by the Board to be granted RSUs under the Scheme at its discretion are regarded as selected persons (each a "**Selected Person**"). Unless so selected, no Eligible Person shall be entitled to participate in the Scheme. The basis of eligibility of any Selected Person for the grant of RSUs shall be determined by the Board from time to time on the basis of their contribution to the development and growth of our Group or such other factors as the Board may deem appropriate.

Term of Scheme

Subject to the termination clause as described under the section headed "Termination of Scheme" below, the Scheme shall be valid and effective for a period of ten years (the "**Term**"), commencing on the date of the first grant of the RSUs (unless it is terminated earlier in accordance with its terms), after which no further RSUs shall be granted or accepted, but the provisions of the Scheme shall remain in full force and effect in order to give effect to the vesting of RSUs granted and accepted prior to the expiration of the Term.

REPORT OF THE DIRECTORS

Grant of RSUs

Subject to the limitations and conditions of the Scheme, the Board may, at its absolute discretion, grant RSUs to any Selected Person on such terms and conditions as the Board thinks fit, provided that:

(a) no RSUs shall be granted after the expiry of the term of the Scheme or after the earlier termination of the Scheme in accordance with the termination clause as described under the section "Termination of Scheme"; and

(b) RSUs that have lapsed in accordance with the section headed "Lapse or Cancellation of RSUs" below or for any other reasons can be re-granted by the Board.

A grant shall be made to a Selected Person by a letter and/or any such notice or document in such form as the Board may from time to time determine (the "**Grant Letter**") and such grant shall be subject to the terms as specified in the Scheme. The Selected Person shall undertake to hold the RSUs on the terms on which it is granted and be bound by the provisions of the Scheme, such RSUs shall remain open for acceptance by the Selected Person to whom a grant is made for a period to be determined by the Board, provided that no such grant shall be open for acceptance after the tenth anniversary of the adoption date of the Scheme or after the Scheme has been terminated in accordance with the provisions of the Scheme. To the extent that the RSUs are not accepted within the period determined by the Board, it will be deemed to have been irrevocably declined and shall immediately lapse.

Acceptance of RSUs

A Selected Person may accept an offer of the grant of RSUs in such manner as set out in the Grant Letter or as otherwise determined by the Board. Once accepted, the RSUs are deemed granted from the date of the Grant Letter, unless otherwise determined by the Board. Upon acceptance, the Selected Person becomes a participant in the Scheme (the "**Participant**").

Restrictions on Grants

The Board may not grant any RSUs to any Selected Persons in any of the following circumstances:

(a) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the RSUs or in respect of the Scheme, unless the Board determines otherwise; or

(b) where granting the RSUs would result in a breach by the Company, the Subsidiaries or any of their directors of any applicable securities laws, rules or regulations; or

(c) after a price sensitive event in relation to the securities of the Company has occurred or a price sensitive matter in relation to the securities of the Company has been the subject of a decision, until an announcement of such inside information has been duly published in accordance with the Listing Rules and the inside information provisions under Part XIVA of the SFO; or

(d) within the period commencing one month immediately preceding the earlier of:

(1) the date of the meeting of the Board (or such date as first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the results of the Group for any yearly, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(2) the deadline to publish an announcement of the results for any yearly or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement; or

(e) where such grant of RSUs would result in breach of the limits of the Scheme.

Grant to Directors

Where any RSU is proposed to be granted to a Director, it shall not be granted on any day on which the financial results of the Group are published and during the period of:

(a) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(b) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

Grant to Connected Persons

Any grant of RSUs to any Director, chief executive or substantial shareholder of the Company (as defined in the Listing Rules), or any of their respective associates (as defined in the Listing Rules) shall be subject to the requirements of the Listing Rules. Notwithstanding the foregoing, any grant of RSUs to a Director pursuant to Rule 14A.73(6) of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the RSU forms part of the relevant Director's remuneration under his/her service contract.

Maximum Number of Shares pursuant to RSUs

The maximum number of RSUs that may be granted under the Scheme in aggregate shall be 36,174,400 Shares, which represents approximately 3.60% of the Shares in issue.

Rights Attached to RSUs

A Participant does not have any contingent interest in any Shares underlying the RSUs unless and until such Shares are actually transferred to the Participant. Further, a Participant may not exercise voting rights in respect of the Shares underlying the RSUs prior to their exercise and, unless otherwise specified by the Board in its entire discretion in the Grant Letter to the Participant, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the RSUs.

REPORT OF THE DIRECTORS

Rights Attached to Shares

Any Shares transferred to a Participant in respect of any RSUs will be subject to all the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of transfer or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members.

RSUs to Be Personal to Grantee

Unless otherwise approved by the Board, the RSUs granted pursuant to the Scheme are personal to each Participant, and are not assignable. Unless otherwise approved by the Board, participants are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favour of any other person over or in relation to any property held by the Trustee (as defined below) on trust for the Participants, the RSUs or any interest or benefits therein.

Appointment of RSU Trustee

The Company may appoint a professional trustee (the "**Trustee**") to assist with the administration and vesting of RSUs granted pursuant to the Scheme. The Company may (i) allot and issue Shares to the Trustee to be held by the Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the Shares underlying the RSUs upon exercise.

Vesting

The Board may determine in its absolute discretion, any vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the Grant Letter.

Provision of Funds

Upon appointing the Trustee, the Company shall procure that sufficient funds are provided to the Trustee by whatever lawful means as the Board may in its absolute discretion determine to enable the Trustee to satisfy its obligations in connection with the administration of the Scheme. All the Shares underlying the RSUs granted and to be granted under the Scheme may be transferred, allotted or issued to the Trustee as the Board may in its absolute discretion determine.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Board shall send the vesting notice to each of the relevant Participants. The vesting notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved.

Rights on Takeover

If a general offer to acquire the Shares (whether by takeover offer, merger, or otherwise in a like manner) is made to all of the Shareholders (or shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects, a Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

REPORT OF THE DIRECTORS

Rights on Compromise or Arrangement

If a compromise or arrangement between the Company and the Shareholders or creditors is proposed in connection with a scheme for the reconstruction of the Company or our amalgamation with any other company or companies and a notice is given by the Company to the Shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement and such shareholders' approval is obtained, a Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

Rights on Voluntary Winding-up

If an effective resolution is passed during the Term for the voluntary winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), all outstanding RSUs shall be treated as having vested immediately. No Shares will be transferred, and no cash alternative will be paid, to the Participant, but the Participant will be entitled to receive out of the assets available in liquidation on an equal basis with our Shareholders such sum as they would have received in respect of the RSUs.

Lapse or Cancellation of RSUs

Any unvested RSUs will automatically lapse immediately upon the earliest of:

(a) the date on which such Participant's employment or service terminates for any reason, except (1) the employment or service is terminated by reason of death, retirement or disability; (2) where the employment is terminated involuntarily without cause; (3) where the company employing the Participant ceases to be one of the Subsidiaries; or (4) any other incident occurs as the Board may at its discretion specify; or

(b) the time when the Participant makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favour of any other person over or in relation to any RSUs or any interests or benefits pursuant to the RSUs; or

(c) the date on which the offer (or, as the case may be, revised offer) referred to in the section headed "Rights on a Takeover" above closes; or

(d) the record date for determining entitlements under the compromise or arrangements referred to in the section headed "Rights on Compromise or Arrangement" above; or

(e) the date of commencement of a winding-up of the Company; or

(f) the date on which it is no longer possible to satisfy any outstanding conditions to vesting; or

(g) the time when the Board has decided that the unvested RSUs shall not be vested in the Participant in accordance with the rules of the Scheme and the terms and conditions as set out in the Grant Letter.

REPORT OF THE DIRECTORS

A Participant's RSUs will lapse on a proportional basis based on the proportion that (i) the time between the Grant Date and the occurrence of the following relevant event bears to (ii) the entire vesting period set out in the Participant's Grant Letter if:

(a) the Participant's employment or service is terminated because of the Participant's death, retirement or disability;

(b) the Participant's employment or service is terminated involuntarily without cause;

(c) the company with which the Participant is employed ceases to be one of the Subsidiaries; or

(d) any other incident occurs as the Board may at its discretion specify,

provided that the performance criteria set out in the Grant Letter have been fully satisfied and fulfilled, if capable of being satisfied or fulfilled, with reference to the date of occurrence of that event.

If at any time, a Participant:

(a) ceases to be an employee as a result of termination of his/her employment with the Group for cause. For the purpose of this paragraph, "cause" means the Participant is in breach of his/her contract of employment with or any other obligation to the Group;

(b) fails, during the course of his/her employment, to devote the whole of his/her time and attention to the business of the Group or to use his/her best endeavours to develop the business and interests of the Group;

(c) is concerned during the course of his/her employment with the Group (without the prior written consent of the Company) with any (competitive or other) business other than that of the Group;

(d) is in breach of his/her contract of employment with or any other obligation to the Group;

(e) has, in the opinion of the Board, conducted himself/herself in any manner whatsoever to the detriment of or prejudicial to the interests of the Company or its Subsidiary; or

(f) is in breach of any restrictions, terms or conditions attached to the grant of the RSUs,

then all vested and unvested RSUs shall automatically lapse and such Participant shall have no claim whatsoever in respect of the RSUs or the underlying Shares.

REPORT OF THE DIRECTORS

The Board may at its discretion cancel any RSU that has not vested or lapsed, provided that:

(a) the Company or any of its Subsidiaries pays to the Participant an amount equal to the fair value of the RSU at the date of the cancellation as determined by the Board, after consultation with the auditors or an independent financial advisor appointed by the Board;

(b) the Company or the relevant Subsidiary provides to the Participant a replacement award (or a grant or option under any other restricted share unit scheme, share option scheme or share-related incentive scheme) of equivalent value to the RSU to be cancelled; or

(c) the Board makes any arrangement as the Participant may agree in order to compensate him/her for the cancellation of the RSUs.

Reorganisation of Capital Structure

In the event of any capitalisation issue, rights issue, consolidation, sub-division or reduction of the share capital of the Company, the Board may make such equitable adjustments, designed to protect the Participants' interests, to the number of Shares underlying the outstanding RSUs or to the amount of the equivalent value, as it may deem appropriate at its absolute discretion.

Amendment to Scheme

Save as provided in the Scheme, the Board may alter any of the terms of the Scheme at any time. Written notice of any amendment to the Scheme shall be given to all Participants. Any alterations to the terms and conditions of the Scheme which are of a material nature or any changes to the terms of the RSUs granted which shall operate to affect materially adversely any subsisting rights of any Participant shall be subject to the consent of the Participants holding in aggregate three-fourths in nominal value of all underlying RSUs on the date of the relevant resolution passed by the Board in approving the amendment of the Scheme or the terms of the RSUs granted (as the case may be), except where the alterations or changes take effect automatically under the existing terms of the Scheme. The Board's determination as to whether any proposed alteration to the terms and conditions of the Scheme or the terms of the RSUs granted (as the case may be) is material shall be conclusive.

Termination of Scheme

The Board may terminate the Scheme at any time before the expiry of the Term. The provisions of the Scheme shall remain in full force and effect in respect of RSUs which are granted pursuant to the terms of the Scheme prior to the termination of the operation of the Scheme. The Company or the relevant Subsidiary shall notify the Trustee and all Participants of such termination and of how any property held by the Trustee on trust for the Participants (including, but not limited to, any Shares held) and the outstanding RSUs shall be dealt with.

REPORT OF THE DIRECTORS

Administration of Scheme

The Board has the power to administer the Scheme, including the power to construe and interpret the terms of the Scheme and the terms of the RSUs granted under it. The Board may delegate the authority to administer the Scheme to a committee of the Board. The Board may also appoint one or more independent third-party contractors to assist in the administration of the Scheme and delegate such powers and/or functions relating to the administration of the Scheme as the Board thinks fit. The Board's determinations under the Scheme need not be uniform and may be made by it selectively with respect to persons who are granted, or are eligible to be granted, RSUs under the Scheme. If a director is a Participant, he/she may, notwithstanding his/her own interest and subject to the Articles, vote on any Board resolution concerning the Scheme (other than in respect of his/her own participation in it), and may retain RSUs under it. Each Participant waives any right to contest, amongst other things, (i) the value and number of RSUs or Shares or equivalent value of cash underlying the RSUs or Shares and (ii) the Board's administration of the Scheme.

DIRECTORS

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

Executive Directors

Dr. Shui On LEUNG *(Chairman and Chief Executive Officer)*
Mr. Jing QIANG *(President) (appointed on 23 December 2019)*

Non-executive Directors

Mr. Xicheng LIU *(resigned on 29 April 2019)*
Mr. Rongbo REN *(resigned on 29 April 2019)*
Ms. Huimin TIAN *(resigned on 29 April 2019)*
Mr. Yip Sum Samuel CHAN *(resigned 29 April 2019)*
Mr. Wenyong LE *(appointed on 15 February 2019 and resigned on 29 April 2019)*
Ms. Wenyi LIU
Dr. Haigang CHEN
Mr. Senlin LIU *(appointed on 15 February 2019)*
Mr. Chang LIU *(appointed on 29 April 2019 and resigned on 23 December 2019)*
Mr. Huiyuan MA *(appointed on 29 April 2019)*
Mr. Xun DONG *(appointed on 23 December 2019)*

Independent Non-executive Directors

Mr. Dylan Carlo TINKER *(appointed on 18 October 2019 and effective from 31 October 2019)*
Mr. Michael James Connolly HOGAN *(appointed on 18 October 2019 and effective from 31 October 2019)*
Mr. Ping Cho Terence HON *(appointed on 18 October 2019 and effective from 31 October 2019)*
Mr. George William Hunter CAUTHERLEY *(appointed on 23 December 2019)*

Details of the Directors' biographies are set out on page 14 to 18 of this annual report.

In accordance with article 111(a) of the Articles, Dr. Shui On LEUNG, Ms. Wenyi LIU, Dr. Haigang CHEN and Mr. Senlin LIU shall retire from office at the AGM by rotation. In addition, Mr. Jing QIANG, Mr. Huiyuan MA, Mr. Xun DONG, Mr. Dylan Carlo TINKER, Mr. Michael James Connolly HOGAN, Mr. Ping Cho Terence HON and Mr. George William Hunter CAUTHERLEY who have been appointed by the Board during the year 2019 shall hold office until the AGM pursuant to article 110 of the Articles. All of the above Directors, being eligible, will offer themselves for re-election at the AGM.

Save as disclosed in this annual report, up to the date of this report, there were no changes to information which are required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

REPORT OF THE DIRECTORS

Service Agreement

Dr. Shui On LEUNG has entered into a service agreement with the Company on 18 October 2019 (i) for an initial fixed term of three years commencing from 12 November 2019 and (ii) subject to termination in accordance with the terms thereunder.

We have issued a letter of appointment to each of Ms. Wenyi LIU, Dr. Haigang CHEN, Mr. Senlin LIU, Mr. Chang LIU and Mr. Huiyuan MA on 18 October 2019 (i) for an initial fixed term of three years commencing from 12 November 2019 and (ii) subject to termination in accordance with the terms under their respective terms.

We have issued a letter of appointment to each of independent non-executive Directors (other than Mr. George William Hunter CAUTHERLEY) on 18 October 2019 (i) for an initial fixed term of three years commencing from 31 October 2019 and (ii) subject to termination in accordance with the terms under their respective terms.

On 23 December 2019, we have entered into a service agreement with Mr. Jing QIANG and issued a letter of appointment to each of Mr. Xun DONG and Mr. George William Hunter CAUTHERLEY (i) for a term of three years with effect from 23 December 2019, and (ii) subject to termination in accordance with the terms thereunder.

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and has been in force since 12 November 2019. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Directors' Rights to Acquire Shares or Debentures

None of the Directors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares in, or debentures of, the Company or its subsidiaries, or had exercised any such right during the Reporting Period.

Competing Interest and Other Interest

As disclosed in the Prospectus, on 23 January 2019 Hainan SinoMab Biotech Co., Ltd.* ("**Hainan SinoMab**", 海南賽樂敏生物科技有限公司) (a wholly-owned subsidiary of the Company) entered into a lease agreement with Haikou Pharmaceutical Factory Co., Ltd.* ("**Haikou Pharma**", 海口市製藥廠有限公司). Subsequently on 27 June 2019, Hainan SinoMab entered into a supplemental lease agreement (together with the original lease agreement, the "**Lease Agreement**"). The purpose of entering into the Lease Agreement is to facilitate the Company to expand its current business operations in Haikou, Hainan Province, the PRC. The Company historically leased the property under the Lease Agreement from Haikou Pharma for use as its Hainan production base. In light of the satisfactory building quality maintenance work and stable lease term provided by Haikou Pharma to the Company, the Company intended to continue to lease the property under the Lease Agreement following the listing. In addition, termination of the Lease Agreement will incur unnecessary costs and cause unnecessary disruption to the Group's operations.

REPORT OF THE DIRECTORS

Mr. Chang LIU, who was a Director at the relevant time, has served as a director of Hainan Haiyao Co., Ltd.* (海南海藥股份有限公司), which owned Haikou Pharma.

The terms of the Lease Agreement were determined after arm's length negotiation between the Company and Haikou Pharma with reference to the prevailing market rents. The Directors (excluding Mr. Liu) considered that the Lease Agreement was entered into in the ordinary and usual course of business of the Group on normal commercial terms or better. The Directors (excluding Mr. Liu) are of the opinion that the terms of the Lease Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save as disclosed above, none of the Directors or any entity connected with them has any material interest, either directly or indirectly, in any contract, transaction or arrangement of significance to the Group's business to which the Company, any of its holding companies, any of its subsidiaries, fellow subsidiaries was a party subsisted at the end of the year or at any time during the Reporting Period.

None of the Directors and their respective associates had an interest in a business which causes or may cause any significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Independence of Independent Non-executive Directors

The Company has received a confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

Management Contracts

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

Remuneration Policy

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 8 and 9 to the consolidated financial statements.

DIRECTORS OF SUBSIDIARIES

A list of names of the directors who held office in the Company's subsidiaries during the year and up to the date of this annual report is available on the Company's website (http://www.sinomab.com/).

REPORT OF THE DIRECTORS

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

As at 31 December 2019, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and Stock Exchange pursuant to the Model Code were as follows:

Name of Director/ chief executive	Capacity/nature of interest[1]	Number of Shares	Approximate percentage of shareholding[2]
Dr. Shui On LEUNG[3]	Interest in a controlled corporation	389,469,200	38.71%
Ms. Wenyi LIU[4]	Interest in a controlled corporation	212,889,400	21.16%
Mr. Huiyuan MA[5]	Interest of spouse	389,469,200	38.71%
Mr. Jing QIANG[6]	Interest of spouse	212,889,400	21.16%

Notes:

(1) All interests stated are long positions.

(2) As at 31 December 2019, the Company had 1,006,240,400 issued Shares.

(3) As at 31 December 2019, these Shares were held by Skytech Technology, which is wholly owned by Dr. Leung. Dr. Leung is deemed to be interested in these Shares for the purposes of the SFO.

(4) As at 31 December 2019, these Shares were held by Apricot Capital (上海杏澤投資管理有限公司) through Apricot Oversea Holdings Limited, West Biolake Holdings Limited, Apricot BioScience Holdings, L.P., Le Rong Limited and Zliverland Holdings Limited, which are ultimately controlled by Ms. Liu. Ms. Liu is deemed to be interested in these Shares for the purposes of the SFO.

(5) As at 31 December 2019, these Shares were held by Mr. Ma's spouse, Ms. Huimin TIAN, through Forbest Capital Investment Group Limited (致譽投資集團有限公司), in which Mr. Ma is deemed to be interested for the purposes of the SFO.

(6) Mr. Qiang is the spouse of Ms. Wenyi LIU who is deemed to have an interest in 212,889,400 Shares for the purpose of the SFO.

Save as disclosed above, as at 31 December 2019, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, 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 recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

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

As at 31 December 2019, to the best knowledge of the Directors, the following persons/entities (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which fall to be disclosed to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholder	Capacity/nature of interest[1]	Number of Shares	Approximate percentage of shareholding[2]
Skytech Technology[3]	Interest of a party to an agreement regarding interest in the Company	389,469,200	38.71%
Ms. Huimin TIAN[4]	Interest in a controlled corporation	389,469,200	38.71%
Dr. Ka Wa Benny CHEUNG[3]	Interest of a party to an agreement regarding interest in the Company	389,469,200	38.71%
Forbest Capital Investment Group Limited[3][4]	Interest of a party to an agreement regarding interest in the Company	389,469,200	38.71%
Forbest Holding Capital Group Investment Inc. [3][4]	Interest in a controlled corporation	389,469,200	38.71%
Mr. Kwan Yeung LEE[3]	Interest of a party to an agreement regarding interest in the Company	389,469,200	38.71%
Dr. Kwan Yin SIU[3]	Interest of a party to an agreement regarding interest in the Company	389,469,200	38.71%
Ms. Chau Yin Janet TSUI[3]	Interest of a party to an agreement regarding interest in the Company	389,469,200	38.71%
Mr. Kang WENG[4]	Interest in a controlled corporation	389,469,200	38.71%
Mr. Guolin XU[3]	Interest of a party to an agreement regarding interest in the Company	389,469,200	38.71%
Shanghai Yueyi Investment Centre (Limited Partnership)* (上海月溢投資中心(有限合夥)) [5][7]	Interest in a controlled corporation	212,889,400	21.16%
Apricot Capital (上海杏澤投資管理有限公司) [5][6][7]	Interest in a controlled corporation	212,889,400	21.16%
Hainan Haiyao Co., Ltd.* (海南海藥股份有限公司)	Beneficial interest	152,040,200	15.11%
Apricot Oversea Holdings Limited[5]	Beneficial interest	108,316,600	10.76%
West Biolake Holdings Limited[6]	Beneficial interest	72,349,000	7.19%
Dr. Ming Hon YAU[3]	Interest of a party to an agreement regarding interest in the Company	389,469,200	38.71%
Yunnan Baiyao Group Co., Ltd* (雲南白藥集團股份有限公司)	Beneficial interest	51,599,400	5.13%

REPORT OF THE DIRECTORS

Notes:

(1) All interests stated are long positions.

(2) As at 31 December 2019, the Company had 1,006,240,400 issued Shares.

(3) Pursuant to the Concert Party Agreement.

(4) As at 31 December 2019, Forbest Capital Investment Group Limited was wholly held by Forbest Holding Capital Group Investment Inc. which was held by Ms. Huimin TIAN and Mr. Kang WENG as to 90% and 10%, respectively. Under the SFO and pursuant to the Concert Party Agreement, each of Ms. Tian and Mr. Weng is deemed to be interested in the Shares held by Forbest Capital Investment Group Limited.

(5) Apricot Oversea Holdings Limited is the overseas holding platform of Xingze Xinghe and Shanghai Jianyi Xinghe Startup Investment Center (Limited Partnership)* (上海健益興禾創業投資中心(有限合夥) ("**Jianyi Xinghe**"), holding as to approximately 11.30% and 1.84% of the issued Shares as at 31 December 2019, respectively. Apricot Capital (上海杏澤投資管理有限公司) is the general partner of Jianyi Xinghe. Apricot Capital and Shanghai Yueyi Investment Centre (Limited Partnership)* (上海月溢投資中心(有限合夥)) ("**Yueyi Investment**") are the co-general partners of Xingze Xinghe. For the purpose of the SFO, Apricot Capital and Yueyi Investment are deemed to have an interest in the Shares held by Apricot Oversea.

(6) West Biolake Holdings Limited is the overseas holding platform of Xingze Xingzhan. Apricot Capital is the general partner of Xingze Xingzhan. For the purpose of the SFO, Apricot Capital is deemed to have an interest in the Shares held by West Biolake Holdings Limited.

(7) Save as Apricot Capital's deemed interest in West Biolake Holdings Limited and Apricot Oversea Holdings Limited pursuant to the SFO, Apricot Capital is the general partner of Xingze Xingzhan. Apricot BioScience Holdings, L.P. held approximately 1.60% of the issued Shares as at 31 December 2019. Le Rong Limited and Zliverland Holdings Limited are the overseas holding platforms of Xingze Xingzhan, holding as to approximately 1.33% and 0.98% of the issued Shares as at 31 December 2019, respectively. Apricot Capital was owned by Ms. WENYI Liu, a non-executive Director, and Shanghai Zuohe Investment Management Co., Ltd.* (上海佐禾投資管理有限公司) ("**Zuohe Investment**") as to 40% and 60%, respectively as at 31 December 2019. Zuohe Investment was owned by Ms. Liu and an independent third party as to 51% and 49% as at 31 December 2019, respectively. For the purpose of the SFO, Ms. Liu is deemed to have an interest in the Shares held by Apricot Capital and Zuohe Investment.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

POTENTIAL NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, as part of the arrangements under the BTK Transfer and Collaboration Agreement entered into between the Company and Suzhou Sinovent on 30 March 2019, the Company agreed to pay Suzhou Sinovent the following fees, which will be settled annually, under the revenue sharing arrangements (the "**Revenue Sharing Arrangements**"):

(i) In relation to any future sales of the product of the techniques and applications of BTK inhibitor (which was subsequently named SN1011) in terms of indications related to immunological diseases and all proprietary rights and interests attaching to it (the "Subject") in the PRC market

Payment to Suzhou Sinovent	=	5% x Proceeds (after relevant taxation) from any future sales of the product of the Subject in the PRC market

(ii) In relation to any future sales of the product of the Subject in the overseas market

Payment to Suzhou Sinovent	=	10% x Proceeds (after relevant taxation) from any future sales of the product of the Subject in the overseas market

(iii) In the event that we transfer any rights to sub-license in respect of the product of the Subject in the overseas markets (other than the PRC market)

Payment to Suzhou Sinovent	=	One-third (approximately 33%) x Proceeds (after relevant taxation) from transferring any rights to sub-licence in respect of the product of the Subject in the overseas markets (other than the PRC market)

As at the date of this annual report, Mr. Jing QIANG, our executive Director and the spouse of Ms. Wenyi LIU, our non-executive Director, controlled over 30% of the voting power at the shareholders meeting of Suzhou Sinovent. Suzhou Sinovent is a close associate of Mr. Qiang and Ms. Liu and therefore, the Company's connected person. Specifically, as at the date of this annual report, Mr. Qiang directly held approximately 0.81% in Suzhou Sinovent. Mr. Qiang indirectly controlled in aggregate approximately 53.77% in Suzhou Sinovent, through Shanghai Lipan Enterprise Management Center (Limited Partnership)* (上海勵攀企業管理中心(有限合夥)), Ningbo Meishan Bonded Port Yinji Equity Investment Partnership (Limited Partnership)* (寧波梅山保稅港區胤基股權投資合夥企業(有限合夥)), Ningbo Meishan Bonded Port Boyu Jian'n Equity Investment Partnership (Limited Partnership)* (寧波梅山保稅港區博裕儉安股權投資合夥企業(有限合夥)) and Ningbo Meishan Bonded Port Baichuan Lecheng Equity Investment Partnership (Limited Partnership)* (寧波梅山保稅港區百川樂成股權投資合夥企業(有限合夥)), each a limited partnership incorporated in the PRC, as Mr. Qiang beneficially owned more than 50% equity interest in each of them.

REPORT OF THE DIRECTORS

In addition, as at the date of this annual report, Suzhou Sinovent was held as to 7.37% by Xingze Xinghe, one of our Pre-IPO Investors, and as to 0.83% by Hangzhou Xingze Xingfu Investment Management Partnership (Limited Partnership)* (杭州杏澤興福投資管理合夥企業（有限合夥)), a limited partnership incorporated in the PRC with Apricot Capital (上海杏澤投資管理有限公司), which was ultimately controlled by Ms. Wenyi LIU, our non-executive Director, as its general partner, respectively. Save as disclosed above, Suzhou Sinovent was held by independent third parties as to 37.22% as at the date of this annual report.

The Revenue Sharing Arrangements was determined after arm's length negotiations between the Company and Suzhou Sinovent, taking into account the fact that it is common practice to share future sales revenue and proceeds from transfer of a sub-licensing rights under comparable drug candidate transfer agreements, which in turn lowers the upfront fixed payment payable by the licensee in the Chinese biopharmaceutical market.

Under Rule 14A.53 of the Listing Rules, a listed issuer is required to set a monetary annual cap for the continuing connected transactions. It is impracticable and extremely difficult for the Company to set monetary annual caps for the Revenue Sharing Arrangements under the BTK Transfer and Collaboration Agreement. Therefore, as disclosed in the Prospectus, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted the Company, a waiver under Rule 14A.53 of the Listing Rules from strict compliance with the momentary annual cap requirement.

In addition, the duration of the BTK Transfer and Collaboration Agreement is of an indefinite term. Under Rule 14A.52 of the Listing Rules, a listed issuer is required to set a contractual term not exceeding three years. It is impracticable and extremely difficult for the Company to set a contractual term not exceeding three years in respect of the Revenue Sharing Arrangements under the BTK Transfer and Collaboration Agreement. Therefore, as disclosed in the Prospectus, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted the Company, a waiver under Rule 14A.52 of the Listing Rules from strict compliance with the momentary annual cap requirement. For details of the basis for not setting annual caps for the Revenue Sharing Arrangements and not setting a contractual term less than three years in respect of the Revenue Sharing Arrangements under the BTK Transfer and Collaboration Agreement, please refer to the Prospectus.

As the potential non-exempt continuing connected transactions contemplated under the BTK Transfer and Collaboration Agreement will be carried out on a continuing basis and will extend over a period of time, the Directors consider that strict compliance with the announcement and/or independent shareholders' approval requirements under the Listing Rules would be impractical, unduly burdensome and would impose unnecessary administrative costs on the Company. Accordingly, the Company has applied for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the announcement and/or independent shareholders' approval requirements for three years in respect of such potential non-exempt continuing connected transactions contemplated under the BTK Transfer and Collaboration Agreement.

As the highest applicable percentage ratio in respect of each of the caps as the Company currently expects is, on an annual basis, more than 5%, apart from the requirements for three-year contractual term, setting annual cap, announcement and/or independent shareholders' approval, of which waivers have been granted, the Company will comply with the other applicable provisions under Chapter 14A of the Listing Rules in respect of the potential non-exempt continuing connected transactions contemplated under the BTK Transfer and Collaboration Agreement as and when necessary.

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with "related parties" as defined under the applicable accounting standards. Related party transactions are disclosed in note 24 to the consolidated financial statements.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (if applicable) in respect of the above related party transactions.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the relevant laws of Hong Kong that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions.

Having made specific enquiry with each of the Directors, all the Directors confirmed that they had complied with such code of conduct throughout the Reporting Period.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. As at the date of this report, the Board comprises two executive Directors, five non-executive Directors and four independent non-executive Directors. The Board has adopted the code provisions set out in the CG Code as its corporate governance code. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 21 to 34 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this annual report.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last three financial years (prepared in accordance with HKFRSs) are set out on page 3 of this annual report. This summary does not form part of the audited consolidated financial statements.

AUDIT COMMITTEE

During the Reporting Period, the Audit Committee consisted of three independent non-executive Directors being Mr. Ping Cho Terence HON (Chairman) Mr. Dylan Carlo TINKER and Mr. Michael James Connolly HOGAN. On 23 March 2020, Mr. George William Hunter CAUTHERLEY has been appointed as a member of the Audit Committee with effect from 1 April 2020.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, risk management and internal control and systems of the Group and overseeing the audit process and the relationship between the Company and its auditors.

The Audit Committee has reviewed alongside the management and external auditors the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the Reporting Period.

AUDITORS

The financial statements for the year ended 31 December 2019 has been audited by Ernst & Young. Ernst & Young shall retire in the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution to re-appoint Ernst & Young as auditors of the Company and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

REPORT OF THE DIRECTORS

SUBSEQUENT EVENTS

On 22 January 2020, the Company has made an investment amounting to HK$78,000,000 in a China Healthcare Fund Segregated Portfolio (the "**Healthcare Fund**"), which is a segregated portfolio of New China Overseas Opportunity Fund SPC (the "**Investment**"). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Healthcare Fund and the manager(s) and other participating shareholders of the Healthcare Fund are not connected person of the Company and are not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates pursuant to the Listing Rules.

The Investment serves as a corporate investment strategy to maintain and generate possible future income of the Company and is a means to better utilize the Company's current financial resources, and falls under "other general corporate purposes" of the Company in respect of the use of proceeds from the Company's listing as set out in the Prospectus.

The principal investment objective of the Healthcare Fund is to achieve absolute returns through investment in the healthcare industry in the Greater China region and to capture the investment opportunities in the fast growing healthcare industry in the Greater China region. The Healthcare Fund will mainly invest in equities listed on the Stock Exchange, as well as the stock exchanges in the PRC and the United States. In particular, the Healthcare Fund focuses on investing in equities whose operations focused mainly in, or who derive a significant amount of earnings from, the healthcare industry in the Greater China region, or which are closely related thereto. The Healthcare Fund tries to capture the investment opportunities arising from the fast growing healthcare industry in the PRC and to share the benefit from the ageing society of PRC. Based on the performance of the Healthcare Fund since its establishment in 2015, the average annualised rate of return is approximately 2.37% per annum. The Healthcare Fund yielded a steady return of approximately 8% in 2019, despite the weak global economy, social unrest and the trade war between China and the United States, as the fund manager focused on investing in equities mainly in the healthcare industry that the fund manager believed would have high growth rates, reasonable valuations and strong track records. The fund manager of the Healthcare Fund believes that the growth of the healthcare industry will be at a relatively fast rate, and the sub-sector of innovative drugs including antibody, bispecific and gene therapy would have tremendous potential in foreseeable future. It is therefore expected that the performance of the Healthcare Fund will remain steady and strong, and will yield a return of around 7% or more for the upcoming year. The Investment will mature and be redeemed on 22 January 2021.

As none of the applicable percentage ratios (as defined under the Listing Rules) was 5% or above, the Investment was not subject to announcement, circular or shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company will continue to comply with the Listing Rules and make relevant disclosures in relation to the Investment as and when necessary.

All references above to other sections, reports or notes in this annual report form part of this report.

By order of the Board of
SinoMab BioScience Limited
Dr. Shui On LEUNG
Executive Director, Chairman and Chief Executive Officer

20 April 2020

* *For identification purpose only*

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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To the members of SinoMab BioScience Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of SinoMab BioScience Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 86 to 133, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Risk of misstatement of research and development costs The Group incurred significant research and development ("R&D") costs of RMB214,342,000 as disclosed in the consolidated statement of profit or loss for the year ended 31 December 2019. Service fees paid to contract research organisations ("CROs"), clinical site management operators ("SMOs") (collectively referred as "Outsourced Service Providers"), and co-development fees paid to R&D collaboration partners are included in the Group's R&D costs. The R&D activities with these Outsourced Service Providers and R&D collaboration partners are documented in agreements and are typically performed over an extended period. These expenses are charged to the statement of profit or loss based on the progress of the R&D projects. We identified the measurement of R&D costs as a key audit matter due to its significant amount and risk of not recording R&D costs in the appropriate reporting period. The accounting policy related to R&D costs has been disclosed in note 2.4 of the consolidated financial statements.	We obtained an understanding, evaluated the design, and tested the operating effectiveness of the controls related to the Group's R&D process. We reviewed the agreements with Outsourced Service Providers and R&D collaboration partners to evaluate the method adopted by the management in setting up the calculation basis for R&D costs. We inquired the R&D project managers and inspected the progress reports and correspondences to understand the progress of R&D projects. We re-calculated the service fees using management's method. We obtained external confirmations of service fees from Outsourced Service Providers.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
23 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Other income and gains	5	**2,994**	8,666
Research and development costs		**(214,342)**	(47,283)
Administrative expenses		**(61,544)**	(8,996)
Finance costs	7	**(2,338)**	(3,030)
Other expenses		**(1,052)**	(32,967)
LOSS BEFORE TAX	6	**(276,282)**	(83,610)
Income tax expenses	10	**–**	–
LOSS FOR THE YEAR		**(276,282)**	(83,610)
Attributable to:			
Owners of the parent		**(276,282)**	(83,610)
Non-controlling interests		**–**	–
		(276,282)	(83,610)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	12	**0.33**	0.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 *RMB'000*	2018 *RMB'000*
LOSS FOR THE YEAR	**(276,282)**	(83,610)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**3,198**	4,331
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**3,198**	4,331
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**3,198**	4,331
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(273,084)**	(79,279)
Attributable to:		
Owners of the parent	**(273,084)**	(79,279)
Non-controlling interests	**–**	–
	(273,084)	(79,279)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**17,077**	5,808
Right-of-use assets	14	**25,091**	32,601
Other non-current assets	15	**26,955**	140
Total non-current assets		**69,123**	38,549
CURRENT ASSETS			
Prepayments, deposits and other receivables	16	**14,174**	8,758
Cash and cash equivalents	17	**1,200,868**	41,512
Total current assets		**1,215,042**	50,270
CURRENT LIABILITIES			
Other payables and accruals	18	**98,635**	1,146
Lease liabilities	14	**8,040**	17,273
Other borrowings	19	**–**	10,000
Total current liabilities		**106,675**	28,419

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NET CURRENT ASSETS		**1,108,367**	21,851
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,177,490**	60,400
NON-CURRENT LIABILITIES			
Lease liabilities	*14*	**25,292**	32,994
Interest-bearing bank borrowings	*19*	**20,282**	–
Total non-current liabilities		**45,574**	32,994
Net assets		**1,131,916**	27,406
EQUITY			
Equity attributable to owners of the parent			
Share capital	*20*	**1,679,126**	301,532
Reserves	*21*	**(547,210)**	(274,126)
Total equity		**1,131,916**	27,406

Leung Shui On
Director

Qiang Jing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent						
	Share capital *RMB'000*	Capital reserve* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Accumulated losses* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2018	152,532	–	(11,209)	(192,275)	(50,952)	–	(50,952)
Loss for the year	–	–	–	(83,610)	(83,610)	–	(83,610)
Other comprehensive income for the year:							
Exchange differences on translation of the Company	–	–	4,331	–	4,331	–	4,331
Total comprehensive loss for the year	–	–	4,331	(83,610)	(79,279)	–	(79,279)
Contribution by a non-controlling shareholder *(note a)*	–	8,637	–	–	8,637	–	8,637
Issue of shares	150,000	–	–	–	150,000	–	150,000
Share issue expenses	(1,000)	–	–	–	(1,000)	–	(1,000)
At 31 December 2018	301,532	8,637	(6,878)	(275,885)	27,406	–	27,406

Note:

(a) In 2018, a non-controlling shareholder contributed RMB8,637,146 in SinoMab BioScience Limited.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent						
	Share capital *RMB'000*	Capital reserve* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Accumulated losses* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2019	301,532	8,637	(6,878)	(275,885)	27,406	–	27,406
Loss for the year	–	–	–	(276,282)	(276,282)	–	(276,282)
Other comprehensive income for the year:							
Exchange differences on translation of the Company	–	–	3,198	–	3,198	–	3,198
Total comprehensive loss for the year	–	–	3,198	(276,282)	(273,084)	–	(273,084)
Issue of shares	1,437,460	–	–	–	1,437,460	–	1,437,460
Share issue expenses	(59,866)	–	–	–	(59,866)	–	(59,866)
At 31 December 2019	1,679,126	8,637	(3,680)	(552,167)	1,131,916	–	1,131,916

* These reserve accounts comprise the consolidated reserves of RMB547,209,889 (2018: RMB274,125,640) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(276,282)**	(83,610)
Adjustments for:			
Finance costs	*7*	**2,338**	3,030
Bank interest income	*5*	**(2,993)**	(116)
Dividend income from equity investments at fair value through profit or loss	*5*	**–**	(1,855)
Loss on disposal of items of property, plant and equipment	*13*	**7**	–
Loss on disposal of financial assets at fair value through profit or loss	*6*	**–**	29,694
Fair value gains, net:			
Equity investments at fair value through profit or loss	*5*	**–**	(5,211)
Depreciation of property, plant and equipment	*6*	**2,236**	1,075
Depreciation of right-of-use assets	*6*	**6,253**	4,267
(Increase)/decrease in prepayments, deposits and other receivables		**(3,473)**	5,223
Increase in other payables and accruals		**46,432**	558
Cash used in operations		**(225,482)**	(46,945)
Interest received	*5*	**2,993**	116
Net cash flows used in operating activities		**(222,489)**	(46,829)

continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income from equity investments at fair value through profit or loss		–	1,855
Purchases of items of property, plant and equipment		(42,286)	(2,746)
Proceeds from disposal of equity investments at fair value through profit or loss		–	22,357
Net cash flows (used in)/from investing activities		(42,286)	21,466
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	*20*	1,437,460	150,000
Share issue expenses		(8,749)	(1,091)
New bank loans	*22(b)*	20,282	–
Principal portion of lease payments	*22(b)*	(14,168)	(184)
Proceeds from a non-controlling shareholder		–	8,637
Repayment of other borrowings	*22(b)*	(10,000)	(160,000)
Interest paid		(4,023)	(917)
Net cash flows from/(used in) financing activities		1,420,802	(3,555)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,156,027	(28,918)
Cash and cash equivalents at beginning of year		41,512	66,096
Effect of foreign exchange rate changes, net		3,329	4,334
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,200,868	41,512
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		703,983	41,512
Non-pledged time deposits with original maturity of less than three months when acquired		496,885	–
Cash and cash equivalents as stated in the statement of financial position	*17*	1,200,868	41,512
Cash and cash equivalents as stated in the statement of cash flows		1,200,868	41,512

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Hong Kong. The registered office of the Company is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were involved in the research and development of pharmaceutical products.

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 November 2019.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
SinoMab BioScience (Shenzhen) Limited (深圳賽樂敏生物科技有限公司) (note (a))	People's Republic of China/ Mainland China	HKD 96,428,600	100%	–	Research and development of pharmaceutical products
Hainan SinoMab Biotech Co., Ltd. (海南賽樂敏生物科技有限公司)	People's Republic of China/ Mainland China	RMB 50,000,000	–	100%	Research and development of pharmaceutical products
SinoLink Pharma (Suzhou) Co., Ltd. (杏聯藥業（蘇州）有限公司) (note (a))	People's Republic of China/ Mainland China	RMB 200,000,000	100%	–	Research and development of pharmaceutical products
SINOMAB PTY LTD	Australia/Australia	AUD 100	100%	–	Research and development of pharmaceutical products

Notes:

(a) These subsidiaries are registered as wholly-foreign-owned enterprises under People's Republic of China ("**PRC**") law.

NOTES TO THE FINANCIAL STATEMENTS

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2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

All HKFRSs effective for the accounting period commencing from 1 January 2018 and 1 January 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the historical financial information for the years ended 31December 2017 and 2018 and the four months ended 30 April 2019, which is included in the Prospectus.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

The directors of the Company anticipate that application of the new and revised HKFRSs and interpretations will have no material impact on the Group's consolidated financial statements in the future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

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

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;
(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
(iii) the entity and the Group are joint ventures of the same third party;
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
(vi) the entity is controlled or jointly controlled by a person identified in (a);
(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Production and R&D equipment	20%
Office equipment	10%-75%
Motor vehicles	20%
Leasehold improvements	Over the shorter of the lease terms and 20%

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

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

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

Research and development costs

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

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

Leases

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee

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

At inception or on reassessment of a contract that contains a lease component and a non-lease component, the Group adopts the practical expedient not to separate the non-lease component and to account for the lease component and the associated non-lease component (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

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

Buildings	3 to 10 years

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

(b) Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

***Group as a lessee** (continued)*

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments*: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

***General approach** (continued)*

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost is subject to impairment under the general approach and is classified within the following stages for measurement of ECLs.

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

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

The Group's financial liabilities include other payables and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Other employee benefits

Pension scheme

The Company operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

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

The functional currency of the Company and an overseas subsidiary are currencies other than the RMB. As at the end of the year, the assets and liabilities of the Company and an overseas subsidiary are translated into RMB at the exchange rates prevailing at the end of the year and their statements of profit or loss are translated into RMB at the weighted average exchange rate for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of non-PRC-established companies are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non-PRC-established companies which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Research and development costs

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

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

Estimation uncertainty

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

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the repair and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is recognised if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of each reporting period based on changes in circumstances.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

Non-current assets

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**59,134**	30,689
Hong Kong	**9,989**	7,860
	69,123	38,549

The non-current asset information above is based on the locations of the assets.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2019 RMB'000	2018 RMB'000
Other income and gains		
Bank interest income	2,993	116
Dividend income from equity investments at fair value through profit or loss	–	1,855
Governmental subsidy	–	1,480
Changes in fair value of equity investments at fair value through profit or loss	–	5,211
Others	1	4
	2,994	8,666

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Notes	2019 RMB'000	2018 RMB'000
Depreciation of property, plant and equipment	13	2,236	1,075
Depreciation of right-of-use assets	14(a)	6,253	4,267
Research and development costs		214,342	47,283
Lease payments not included in the measurement of lease liabilities	14(c)	255	810
Auditor's remuneration		1,702	718
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		17,484	9,584
Pension scheme contributions		1,945	1,327
Staff welfare expenses		271	131
		244,488	65,195
Other expenses:			
Loss on derecognition of equity investments at fair value		–	29,694
Foreign exchange loss, net		974	2,652
Others		78	621
		1,052	32,967

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans	**385**	–
Interest on lease liabilities	**1,720**	2,121
Interest on other borrowings	**233**	909
	2,338	3,030

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2019	2018
	RMB'000	*RMB'000*
Fees	**165**	–
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**2,948**	2,135
Pension scheme contributions	**16**	15
	2,964	2,150
	3,129	2,150

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2019 RMB'000	2018 RMB'000
Mr. Michael James Connolly HOGAN (i)	55	–
Mr. Dylan Carlo TINKER (i)	55	–
Mr. Ping Cho Terence HON (i)	55	–
Mr. George William Hunter CAUTHERLEY (ii)	–	–
	165	–

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

(b) Executive directors and non-executive directors

Year ended 31 December 2019	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:			
Dr. Shui On LEUNG (iii)	2,948	16	2,964
Mr. Jing QIANG (iv)	–	–	–
	2,948	16	2,964
Non-executive directors:			
Mr. Xicheng LIU (v)	–	–	–
Mr. Rongbo REN (v)	–	–	–
Ms. Huimin TIAN (vi)	–	–	–
Mr. Yip Sum Samuel CHAN (vii)	–	–	–
Dr. Haigang CHEN (viii)	–	–	–
Ms. Wenyi LIU (viii)	–	–	–
Mr. Huiyuan MA (ix)	–	–	–
Mr. Chang LIU (ix)	–	–	–
Mr. Senlin LIU (ix)	–	–	–
Mr. Wenyong LE (x)	–	–	–
Mr. Xun DONG (xi)	–	–	–
	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

(b) Executive directors and non-executive directors (continued)

Year ended 31 December 2018	Salaries, bonuses, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive director:			
Dr. Shui On LEUNG (iii)	2,135	15	2,150
	2,135	15	2,150
Non-executive directors:			
Mr. Xicheng LIU (v)	–	–	–
Mr. Rongbo REN (v)	–	–	–
Ms. Huimin TIAN (vi)	–	–	–
Mr. Yip Sum Samuel CHAN (vii)	–	–	–
Dr. Haigang CHEN (viii)	–	–	–
Ms. Wenyi LIU (viii)	–	–	–
	–	–	–

(i) Mr. Michael James Connolly HOGAN, Mr. Dylan Carlo TINKER, and Mr. Ping Cho Terence HON were appointed as independent non-executive directors of the Company with effect from 18 October 2019.

(ii) Mr. George William Hunter CAUTHERLEY was appointed as an independent non-executive Director of the Company with effect from 23 December 2019.

(iii) Dr. Shui On LEUNG was appointed as an executive director of the Company with effect from 12 September 2011. Dr. Shui On LEUNG was also the chief executive of the Company during the year.

(iv) Mr. Jing QIANG was appointed as an executive director of the Company with effect from 23 December 2019.

(v) Mr. Xicheng LIU and Mr. Rongbo REN were appointed as non-executive directors of the Company with effect from 30 March 2013, and both of them resigned on 29 April 2019.

(vi) Ms. Huimin TIAN was appointed as a non-executive director of the Company with effect from 21 September 2011, and she resigned on 29 April 2019.

(vii) Mr. Yip Sum Samuel CHAN was appointed as a non-executive director of the Company with effect from 31 August 2017, and he resigned on 29 April 2019.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

(b) Executive directors and non-executive directors (continued)

(viii) Dr. Haigang CHEN and Ms. Wenyi LIU were appointed as non-executive directors of the Company with effect from 31 August 2017.

(ix) Mr. Senlin LIU was appointed as a non-executive director of the Company with effect from 15 February 2019. Mr. Huiyuan MA and Mr. Chang LIU were appointed as non-executive directors of the Company with effect from 29 April 2019. Mr. Chang LIU resigned on 23 December 2019.

(x) Mr. Wenyong LE was appointed as a non-executive director of the Company with effect from 15 February 2019, and resigned on 29 April 2019.

(xi) Mr. Xun DONG was appointed as a non-executive director of the Company with effect from 23 December 2019.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director, details of whose remuneration is set out in note 8 above. Details of the remuneration for the year of the remaining four highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019	2018
	RMB'000	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	**4,853**	2,054
Pension scheme contributions	**60**	60
	4,913	2,114

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

	Number of employees	
	2019	2018
Nil to HKD1,000,000	**3**	4
HKD1,000,001 to HKD3,000,000	**–**	–
HKD3,000,001 to HKD3,500,000	**1**	–
	4	4

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

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

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

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

2019

	Hong Kong *RMB'000*	Mainland China *RMB'000*	Australia *RMB'000*	Total *RMB'000*
Loss before tax	(210,686)	(59,099)	(6,497)	(276,282)
Tax at the statutory tax rates	(34,763)	(14,775)	(1,949)	(51,487)
Income not subject to tax	(471)	–	–	(471)
Expenses not deductible for tax	14,392	–	–	14,392
Temporary difference not recognised	(133)	3,089	–	2,956
Tax losses not recognised	20,975	11,686	1,949	34,610
Tax charge at the Group's effective rate	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

10. INCOME TAX (continued)

2018

	Hong Kong *RMB'000*	Mainland China *RMB'000*	Total *RMB'000*
Loss before tax	(13,041)	(70,569)	(83,610)
Tax at the statutory tax rates	(2,152)	(17,642)	(19,794)
Income not subject to tax	(8)	–	(8)
Expenses not deductible for tax	681	150	831
Temporary difference not recognised	57	(917)	(860)
Tax losses not recognised	1,422	18,409	19,831
Tax charge at the Group's effective rate	–	–	–

The Group has accumulated tax losses arising in Hong Kong of HKD261,066,779 and HKD117,417,797 as at 31 December 2019 and 2018, respectively, that can be used to offset against future taxable profits.

The Group has accumulated tax losses arising in Mainland China of RMB158,409,183 and RMB114,029,234 as at 31 December 2019 and 2018, respectively, that will expire in one to five years for offsetting against future taxable profits.

The Group has accumulated tax loss arising in Australia of AUD1,349,093 as at 31 December 2019 (2018: Nil) that can be used to offset against future taxable profits.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

11. DIVIDENDS

No dividend was paid or declared by the Company during the years ended 31 December 2019 and 2018.

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The weighted average numbers of ordinary shares for the years ended 31 December 2019 and 2018 were calculated based on the assumption that the bonus issue as detailed in note 20(c) to the financial statements has been adjusted retrospectively.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

The calculations of basic and diluted earnings per share are based on:

	2019	2018
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent	**276,282**	83,610

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year	**836,654,781**	691,735,915

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

13. PROPERTY, PLANT AND EQUIPMENT

	Production and R&D equipment *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improve-ments *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2019						
At 1 January 2019:						
Cost	8,883	661	273	836	1,826	12,479
Accumulated depreciation	(5,376)	(474)	(209)	(612)	–	(6,671)
Net carrying amount	3,507	187	64	224	1,826	5,808
At 1 January 2019, net of accumulated depreciation	3,507	187	64	224	1,826	5,808
Additions	2,589	778	495	3,676	5,899	13,437
Disposals	–	(7)	–	–	–	(7)
Depreciation provided during the year	(1,126)	(126)	(90)	(894)	–	(2,236)
Transfer from construction in progress	–	1,221	–	1,826	(3,047)	–
Exchange realignment	6	11	5	53	–	75
At 31 December 2019, net of accumulated depreciation	4,976	2,064	474	4,885	4,678	17,077
At 31 December 2019:						
Cost	11,356	2,382	774	6,019	4,678	25,209
Accumulated depreciation	(6,380)	(318)	(300)	(1,134)	–	(8,132)
Net carrying amount	4,976	2,064	474	4,885	4,678	17,077
31 December 2018						
At 1 January 2018:						
Cost	7,994	599	273	708	–	9,574
Accumulated depreciation	(4,326)	(390)	(160)	(513)	–	(5,389)
Net carrying amount	3,668	209	113	195	–	4,185
At 1 January 2018, net of accumulated depreciation	3,668	209	113	195	–	4,185
Additions	714	40	–	111	1,826	2,691
Depreciation provided during the year	(876)	(68)	(49)	(82)	–	(1,075)
Exchange realignment	1	6	–	–	–	7
At 31 December 2018, net of accumulated depreciation	3,507	187	64	224	1,826	5,808
At 31 December 2018:						
Cost	8,883	661	273	836	1,826	12,479
Accumulated depreciation	(5,376)	(474)	(209)	(612)	–	(6,671)
Net carrying amount	3,507	187	64	224	1,826	5,808

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

14. LEASES

The Group as a lessee

The Group has lease contracts for buildings used in its operations. Leases of buildings generally have lease terms between 3 to 10 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	2019 Buildings *RMB'000*	2018 Buildings *RMB'000*
As at 1 January	**32,601**	30,520
Additions	**2,349**	6,204
Lease modification	**(3,514)**	–
Exchange realignment	**(92)**	144
Depreciation charge	**(6,253)**	(4,267)
As at 31 December	**25,091**	32,601

(b) Lease Liabilities

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

	2019 Lease liabilities *RMB'000*	2018 Lease liabilities *RMB'000*
Carrying amount at 1 January	**50,267**	41,980
New leases	**2,331**	6,204
Lease modification	**(3,514)**	–
Foreign exchange movement	**114**	154
Accretion of interest recognised during the year	**1,720**	2,121
Payments	**(17,586)**	(192)
Carrying amount at 31 December	**33,332**	50,267
Analysed into:		
Current portion	**8,040**	17,273
Non-current portion	**25,292**	32,994

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

14. LEASES (continued)

The Group as a lessee (continued)

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

	2019 RMB'000	2018 RMB'000
Interest on lease liabilities	1,720	2,121
Depreciation charge of right-of-use assets	6,253	4,267
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	224	803
Expense relating to leases of low-value assets (included in administrative expenses)	31	7
Total amount recognised in profit or loss	8,228	7,198

(d) The total cash outflow for leases is disclosed in note 22(c) to the financial statements.

15. OTHER NON-CURRENT ASSETS

	2019 RMB'000	2018 RMB'000
Prepayments for purchases of long-term assets	26,955	140

The amount as at 31 December 2019 mainly represents prepayments for purchases of long-term assets for the construction of Suzhou production base primarily for the commercial-scale production of core product SM03.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Prepayments	7,685	7,655
Deposits and other receivables	6,489	1,103
	14,174	8,758

Deposits and other receivables mainly represent rental deposits and deposits with suppliers, interest receivable, and deductible input Value-Added Tax in Mainland China. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

17. CASH AND CASH EQUIVALENTS

	2019	2018
	RMB'000	*RMB'000*
Cash and bank balances	**703,983**	41,512
Time deposits	**496,885**	–
	1,200,868	41,512
Denominated in:		
RMB	**27,867**	8,096
USD	**197,371**	28,442
AUD	**357**	–
HKD	**975,273**	4,974
Cash and cash equivalents	**1,200,868**	41,512

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

18. OTHER PAYABLES AND ACCRUALS

	Note	2019 ***RMB'000***	2018 *RMB'000*
Due to a related party	*(a)*	**20,000**	268
Accrued expenses		**56,630**	113
Payroll payable		**679**	660
Taxes other than income tax		**29**	19
Deferred revenue		**7,625**	–
Other payables		**13,672**	86
		98,635	1,146

Note:

(a) The amount as at 31 December 2019 represents the outstanding balance of co-development fee due to Suzhou Sinovent Pharmaceutical Technology Co., Ltd. ("**Suzhou Sinovent**"), which is a close associate of the executive director, Mr. Jing QIANG, and non-executive director, Ms. Wenyi LIU, as detailed in note 24(a)(ii) to the financial statements.

Other payables are non-interest-bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2019 RMB'000	2018 RMB'000
Bank loans repayable:	(i)		
in the second year		5,000	–
in the third to fifth years, inclusive		15,282	–
		20,282	–
Other borrowings repayable:	(ii)		
within one year		–	10,000
		–	10,000

The details of interest-bearing bank and other borrowings are set out below:

(i) In July 2019, in order to facilitate the construction of Suzhou production base primarily for the commercial-scale production of core product SM03, the Group entered into a loan agreement with a reputable banking institution, which agreed to provide a credit facility of RMB200 million for a term of nine years at a variable rate of interest equal to the People's Bank of China RMB base lending rate, which was 4.9% as of 31 December 2019. As at 31 December 2019, the amount of utilised facilities was RMB20,281,650.

(ii) As at 31 December 2018, other borrowings amounted to RMB10,000,000 was from a non-controlling shareholder of the Group that was unsecured with an annual interest rate of 5%.

20. SHARE CAPITAL

	2019 RMB'000	2018 RMB'000
Issued and fully paid:		
1,006,240,400 (2018: 3,617,445) ordinary shares	1,679,126	301,532

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

20. SHARE CAPITAL (continued)

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

	Notes	Number of shares in issue	Share capital *RMB'000*
At 1 January 2018		3,075,862	152,532
Shares issued	*(a)*	541,583	150,000
Share issue expenses		–	(1,000)
At 31 December 2018 and 1 January 2019		3,617,445	301,532
Issue of shares on 15 February 2019	*(b)*	503,110	200,000
Bonus issue	*(c)*	819,990,445	–
Issue of shares on 12 November 2019	*(d)*	182,129,400	1,237,460
Share issue expenses		–	(59,866)
At 31 December 2019		1,006,240,400	1,679,126

Note:

(a) 541,583 shares were issued for cash at an average price of RMB276.97 per share, resulting in the issue of 541,583 shares for a total cash consideration, before expenses, of RMB150,000,000.

(b) 503,110 shares were issued for cash at an average price of RMB397.53 per share, resulting in the issue of 503,110 shares for a total cash consideration, before expenses, of RMB200,000,000.

(c) Pursuant to the resolution of shareholders of the Company passed on 18 October 2019, subject to the Global Offering becoming unconditional in all respects, directors of the Company were authorised to allot and issue 819,990,445 shares at nil consideration to all existing shareholders pro rata under the bonus issue.

(d) In connection with the Company's initial public offering, 182,129,400 ordinary shares were issued at a price of HKD7.60 per share for a total cash consideration, before expenses, of approximately HKD1,384,183,000 (equivalent to approximately RMB1,237,460,000). Dealings in these shares on the Stock Exchange commenced on 12 November 2019.

21. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on pages 90 to 91 of the financial statements.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

22. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

The group had non-cash additions to right-of-use assets and lease liabilities of RMB2,349,000 and RMB2,331,000, respectively, in respect of lease arrangement for buildings (2018: right-of-use assets and lease liabilities of RMB6,204,000 and RMB6,204,000, respectively).

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings ***RMB'000***	**Lease liabilities** ***RMB'000***
At 1 January 2019	**10,000**	**50,267**
Changes from financing cash flows	**10,282**	**(17,586)**
Lease modification	**–**	**(3,514)**
New leases	**–**	**2,331**
Foreign exchange movements	**–**	**114**
Interest expense	**–**	**1,720**
At 31 December 2019	**20,282**	**33,332**

	Bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*
At 1 January 2018	170,000	41,980
Changes from financing cash flows	(160,000)	(192)
New leases	–	6,204
Foreign exchange movements	–	154
Interest expense	–	2,121
At 31 December 2018	10,000	50,267

(c) Total cash outflow for leases

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

	2019 ***RMB'000***	2018 *RMB'000*
Within operating activities	**255**	810
Within financing activities	**17,586**	192
	17,841	1,002

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

23. COMMITMENTS

The Group had the following capital commitments at the end of each reporting period:

	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Plant and machinery	**72,793**	4,272

24. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the year:

	Notes	2019	2018
		RMB'000	*RMB'000*
Repayment of borrowings from a related party:			
Hainan Haiyao Co., Ltd	*(i)*	**10,000**	10,000
Interest expense paid to a related party:			
Hainan Haiyao Co., Ltd	*(i)*	**233**	909
Co-development fee paid to a related party:			
Suzhou Sinovent Pharmaceutical Technology Co., Ltd.	*(ii)*	**40,000**	–
Operating lease from a related party:			
Haikou Pharmaceutical Factory Co., Ltd.		**5,000**	5,000

Notes:

(i) The borrowing from a related party was unsecured, and guaranteed by Forbest Capital Investment Group Limited, which is one of the controlling shareholders of the Group, bore interest at 5% per annum and was repaid during the year ended 31 December 2019.

(ii) On 30 March 2019, the Company entered into a technology transfer and collaboration agreement with Suzhou Sinovent. Pursuant to the agreement, the Company agreed to acquire and Suzhou Sinovent agreed to transfer the techniques and applications of BTK inhibitor. The total consideration of the agreement is RMB140 million assuming all the milestones described in the agreement have materialised. For the year ended 31 December 2019, RMB40,000,000 was recognised in the statement of profit or loss in this regard, among which RMB20,000,000 was paid to Suzhou Sinovent.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

24. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

	2019 RMB'000	2018 RMB'000
Other borrowings:		
Hainan Haiyao Co.,Ltd	–	10,000
Other payables and accruals:		
Haikou Pharmaceutical Factory Co., Ltd.	–	268
Suzhou Sinovent Pharmaceutical Technology Co., Ltd.	20,000	–
Lease liabilities:		
Haikou Pharmaceutical Factory Co., Ltd.	27,389	44,037

The other payables due to related parties are unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Group:

	2019 RMB'000	2018 RMB'000
Short term employee benefits	7,801	3,784
Pension scheme contributions	76	60
Total compensation paid to key management personnel	7,877	3,844

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

25. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 31 December 2019

Financial assets

	Financial assets at amortised cost *RMB'000*
Financial assets included in prepayments, deposits and other receivables	**2,150**
Cash and cash equivalents	**1,200,868**
	1,203,018

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Lease liabilities	**33,332**
Financial liabilities included in other payables and accruals	**90,302**
Interest-bearing bank borrowings	**20,282**
	143,916

As at 31 December 2018

Financial assets

	Financial assets at amortised cost *RMB'000*
Financial assets included in prepayments, deposits and other receivables	1,012
Cash and cash equivalents	41,512
	42,524

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Lease liabilities	50,267
Financial liabilities included in other payables and accruals	467
Other borrowings	10,000
	60,734

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations.

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

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in in rate of foreign currency	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	*RMB'000*	*RMB'000*
31 December 2019			
If RMB weakens against USD	5	9,869	9,869
If RMB strengthens against USD	(5)	(9,869)	(9,869)
If RMB weakens against HKD	5	48,764	48,764
If RMB strengthens against HKD	(5)	(48,764)	(48,764)
31 December 2018			
If RMB weakens against USD	5	1,422	1,422
If RMB strengthens against USD	(5)	(1,422)	(1,422)
If RMB weakens against HKD	5	249	249
If RMB strengthens against HKD	(5)	(249)	(249)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

	As at 31 December 2019				
	On demand *RMB'000*	Less than 1 month *RMB'000*	1 to less than 12 months *RMB'000*	1 to 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	–	–	8,040	25,292	33,332
Interest-bearing bank borrowings	–	–	–	20,282	20,282
Other payables and accruals	6,317	1,454	82,531	–	90,302
	6,317	1,454	90,571	45,574	143,916

	As at 31 December 2018				
	On demand *RMB'000*	Less than 1 month *RMB'000*	1 to less than 12 months *RMB'000*	1 to 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	–	–	17,273	32,994	50,267
Other borrowings	–	–	10,000	–	10,000
Other payables and accruals	467	–	–	–	467
	467	–	27,273	32,994	60,734

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

27. EVENTS AFTER THE REPORTING PERIOD

(a) On 22 January 2020, the Company has made an investment amounting to HKD78,000,000 in a China Healthcare Fund Segregated Portfolio, which is a segregated portfolio of New China Overseas Opportunity Fund SPC (the "**Investment**"). The Investment serves as a corporate investment strategy to maintain and generate possible future income of the Company and is a means to better utilise the Company's current financial resources, and falls under "other general corporate purposes" of the Company in respect of the use of proceeds from the Company's listing as set out in the Prospectus.

(b) Where the outbreak of the Coronavirus disease continues and/or worsens, the Company's clinical trial development will continue to be affected. As at the date of this report, the pandemic has affected one clinical trial in the PRC since a number of out-patient clinics have closed temporarily, patients have generally avoided to visit hospitals and certain hospitals have put on hold the enrollment of patients for clinical trials. As at the date of this report, all other operations of the Company have been conducted as normal so far, but can be impacted if the pandemic continues.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	6,077	1,964
Right-of-use assets	3,355	5,896
Investments in subsidiaries	256,334	112,985
Other non-current assets	557	–
Total non-current assets	266,323	120,845
CURRENT ASSETS		
Prepayments, deposits and other receivables	20,774	14,235
Cash and cash equivalents	1,135,195	32,096
Total current assets	1,155,969	46,331
CURRENT LIABILITIES		
Other payables and accruals	82,564	772
Lease liabilities	2,092	2,273
Total current liabilities	84,656	3,045
NET CURRENT ASSETS	1,071,313	43,286
TOTAL ASSETS LESS CURRENT LIABILITIES	1,337,636	164,131
NON-CURRENT LIABILITIES		
Lease liabilities	1,747	3,956
Total non-current liabilities	1,747	3,956
Net assets	1,335,889	160,175
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,679,126	301,532
Reserves (note)	(343,237)	(141,357)
Total equity	1,335,889	160,175

Leung Shui On
Director

Qiang Jing
Director

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

Note:

A summary of the Company's reserves is as follows:

	Exchange fluctuation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2018	(11,222)	(122,197)	(133,419)
Loss for the year	–	(13,041)	(13,041)
Exchange differences on translation of the Company	5,103	–	5,103
Total comprehensive loss for the year	5,103	(13,041)	(7,938)
At 31 December 2018	(6,119)	(135,238)	(141,357)
At 31 December 2018 and 1 January 2019	(6,119)	(135,238)	(141,357)
Loss for the year	–	(210,686)	(210,686)
Exchange differences on translation of the Company	8,806	–	8,806
Total comprehensive loss for the year	8,806	(210,686)	(201,880)
At 31 December 2019	2,687	(345,924)	(343,237)

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2020.

DEFINITIONS

"Articles"	the articles of association of the Company, as amended from time to time
"AGM"	2019 annual general meeting of the Company to be held on Monday, 15 June 2020
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors and for the purposes of the Scheme, "**Board**" means the board of Directors or a duly authorised committee of the Board
"BTK Transfer and Collaboration Agreement"	a technology transfer and collaboration agreement entered into between the Company and Suzhou Sinovent on 30 March 2019
"CFA"	Chartered Financial Analyst
"Company" or "our Company"	SinoMab BioScience Limited (中國抗體製藥有限公司), a company incorporated in Hong Kong on April 27, 2001 with limited liability
"Concert Group"	Skytech Technology, Forbest Capital Investment Group Limited (致譽投資集團有限公司), Dr. Kwan Yin SIU, Dr. Ming Hon YAU, Dr. Ka Wa Benny CHEUNG, Mr. Kwan Yeung LEE, Ms. Chau Yin Janet TSUI and Mr. Guolin XU
"Concert Party Agreement"	the agreement entered into among the Concert Group on 30 October 2017, pursuant to which the Concert Group has undertaken to, among other things, vote unanimously for any resolutions proposed at Board meetings and Shareholder meetings (as applicable) of the Company and has confirmed that its members have acted in concert in respect of their equity interests in the Company since the date they joined the Company as a shareholder or director (as applicable) and up until the end of three years after 12 November 2019
"connected person"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"FDA"	the United States Food and Drug Administration
"GMP"	Good Manufacturing Practice
"Group" or "our Group"	the Company and its subsidiaries
"HKFRSs"	the Hong Kong Financial Reporting Standards

DEFINITIONS

"HK$" or "HKD" or "Hong Kong Dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Listing Date"	12 November 2019, the date on which the Shares were first listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NMPA"	National Medical Products Administration of the PRC
"Nomination Committee"	the nomination committee of the Company
"PCT"	Patent Cooperation Treaty
"PRC" or "China"	the People's Republic of China
"Pre-IPO Investor(s)"	the investor(s) undertaking the pre-IPO investments in the Company
"Prospectus"	the prospectus of the Company dated 31 October 2019
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended 31 December 2019
"RMB" or "Renminbi"	the lawful currency of the PRC
"RSU"	restricted share unit
"Scheme"	the restricted share unit scheme of the Company conditionally adopted by the Shareholders on 18 October 2019, with effect from 12 November 2019
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares

DEFINITIONS

"Skytech Technology"	Skytech Technology Limited, a limited company incorporated in the British Virgin Islands on 2 January 2001 and wholly-owned by Dr. Shui On LEUNG
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiaries"	the Company's subsidiaries and "subsidiaries" has the meaning ascribed to it under section 2 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time)
"Suzhou Sinovent"	Suzhou Sinovent Pharmaceutical Technology Co., Ltd.* (蘇州信諾維醫藥科技有限公司), a connected person of the Company
"U.S." or "U.S.A." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"we", "our" or "us"	the Company or the Group as the context requires
"Xingze Xinghe"	Shanghai Xingze Xinghe Startup Investment Centre (Limited Partnership)* (上海杏澤興禾創業投資中心 (有限合夥)), formerly known as Shanghai Xingze Xinghe Investment Management Centre (Limited Partnership)* (上海杏澤興禾投資管理中心 (有限合夥)), a limited partnership established in the PRC on 8 January 2016
"Xingze Xingzhan"	Shanghai Xingze Xingzhan Enterprise Management Centre (Limited Partnership)* (上海杏澤興瞻企業管理中心 (有限合夥)), a limited partnership established in the PRC on 16 October 2018
%	per cent

** For identification purpose only*