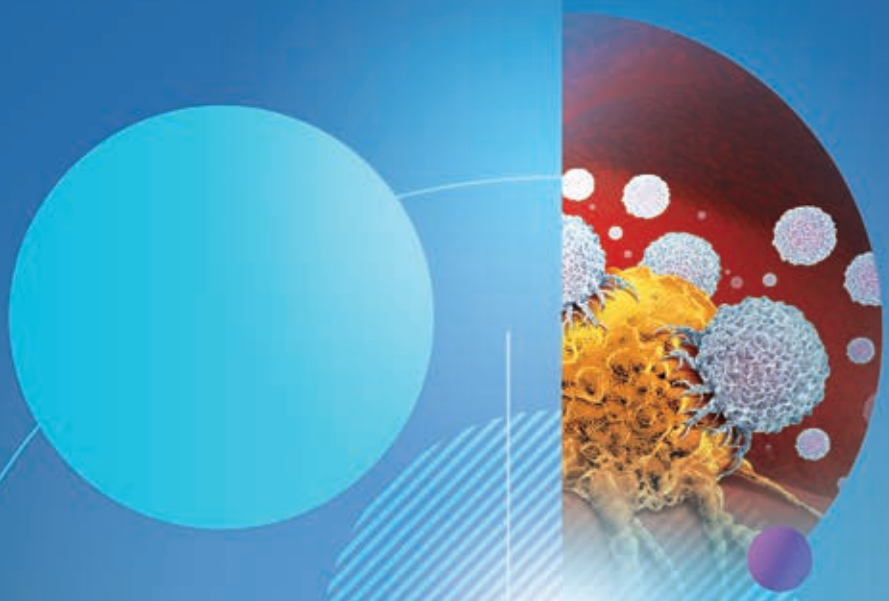
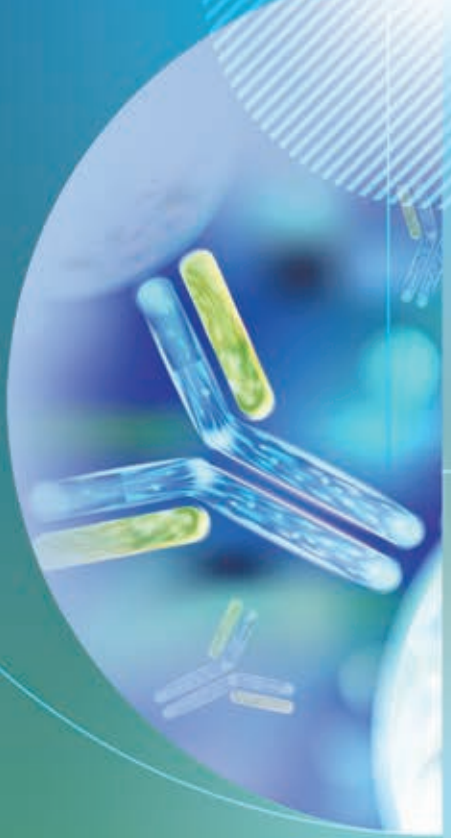
HARBOUR BIOMED

和鉑醫藥控股有限公司
HBM HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 02142





Annual Report

2020

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Jingsong Wang
Dr. Mai-Jing Liao
Dr. Atul Mukund Deshpande

NON-EXECUTIVE DIRECTORS

Mr. Yu Min Qiu
Mr. Junfeng Wang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Robert Irwin Kamen
Dr. Xiaoping Ye
Ms. Weiwei Chen

AUDIT COMMITTEE

Ms. Weiwei Chen *(Chairperson)*
Mr. Yu Min Qiu
Dr. Xiaoping Ye

REMUNERATION COMMITTEE

Dr. Xiaoping Ye *(Chairperson)*
Dr. Jingsong Wang
Ms. Weiwei Chen

NOMINATION COMMITTEE

Dr. Jingsong Wang *(Chairperson)*
Dr. Robert Irwin Kamen
Dr. Xiaoping Ye

COMPANY SECRETARY

Mr. Wing Yat Christopher Lui

REGISTERED OFFICE IN THE CAYMAN ISLANDS

P.O. Box 472, Harbour Place, 2nd Floor
103 South Church Street, George Town
Grand Cayman KY1-1106
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PRINCIPLE PLACE OF BUSINESS IN CHINA

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Shanghai, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Grand Cayman KY1-1106, Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre, 183 Queen's Road East,
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AUDITOR

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

LEGAL ADVISER

Skadden, Arps, Slate, Meagher & Flom and affiliates

COMPLIANCE ADVISER

Guotai Junan Capital Limited

PRINCIPAL BANKS

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Shenzhen, China

COMPANY WEBSITE

www.harbourbiomed.com

STOCK CODE

02142

Corporate Profile

Incorporated in July 2016, we are a clinical-stage biopharmaceutical company engaged in the discovery and development of differentiated antibody therapeutics in immunology and oncology disease areas. We are committed to the discovery, development and commercialization of novel antibody therapeutics to address current patients' needs. We have a robust and diversified pipeline of more than ten potentially differentiated drug candidates, five of which are in clinical development stage.

BATOCLIMAB (HBM9161)

Batoclimab is designed as a fully human monoclonal antibody that selectively binds to and inhibits the neonatal fragment crystallizable receptor ("**FcRn**"). FcRn plays a pivotal role in preventing the degradation of IgG antibodies. High levels of pathogenic IgG antibodies drive many autoimmune diseases. As the clinically most advanced FcRn inhibitor being developed in Greater China, batoclimab has the potential to be a breakthrough treatment for a wide spectrum of autoimmune diseases in Greater China. We are developing batoclimab in Greater China with an initial focus on immune thrombocytopenia (ITP), graves' ophthalmopathy (GO), myasthenia gravis (MG) and neuromyelitis optical spectrum disorder (NMOSD).

TANFANERCEPT (HBM9036)

Tanfanercept is our most advanced product candidate which is in Phase III clinical trial. It is designed to treat moderate-to-severe dry eye disease (DED). It has a mechanism of inhibiting tumor necrosis factor (TNF)-α that causes inflammation in the eye. With the rapid increase in the use of electronic devices, as well as the aggravation of social aging problem, more people are suffering from dry eye disease in their work and life. Tanfanercept has the potential to seize a majority market share in a fast-growing DED drug market in China.

HBM4003

HBM4003 is a next-generation, fully human anti-CTLA-4 antibody against cytotoxic T-lymphocyte-associated antigen-4 (CTLA-4), one of the major negative regulators of T cell responses. HBM4003 is the first fully human heavy chain only antibody in clinical development. It is also our first internally developed molecule generated on our HCAb Platform, which we have advanced from candidate selection to clinical stage within three years. HBM4003 is the first fully human heavy chain only anti CTLA-4 antibody entered into clinical development around the world in history, and has favorable properties compared with conventional anti-CTLA-4 antibodies in pre-clinical settings. Compared with conventional CTLA-4 antibody, HBM4003 has unique, favorable properties including significant Treg cell depletion and improved pharmacokinetics ("**PK**") for better safety. It has great potential to overcome the efficacy and toxicity bottleneck with the existing CTLA-4 therapy, and become the core product in cancer immunotherapy.

HBM9022

HBM9022 is a fully human, neutralizing antibody 47D11 co-discovered by Utrecht University (UU) and Erasmus Medical Center ("Erasmus MC") using our Harbour antibody platforms. In 2020, we entered into a collaboration with UU, Erasmus Medical Center and AbbVie Inc. (NYSE: ABBV), a global leader in developing innovative antiviral therapies, to co-develop HBM9022 to prevent and treat COVID-19, the pandemic respiratory disease caused by the SARS-CoV-2 virus. The global right of HBM9022 was licensed-out to AbbVie and the clinical trial was initiated in December 2020.

Corporate Profile

We also developed multiple programs including in-house ones such as HBM7008 (a 4-1BB based bispecific antibody), HBM1022(CCR8), HBM1007(CD73), ones under co-development such as HBM7015(PD-L1xTGF -β), HBM1029(CLDN18.2), HBM7020 (a CD3 based bispecific antibody) and HBM9378 (a co-developed immunology program).

HBM4003, HBM9022 and other multiple in-house programs were developed through our proprietary Harbour Mice® Platform. Our Harbour Mice® Platform generates fully human monoclonal antibodies in the classical two heavy and two light chain H2L2 formant as well as heavy chain only (HCAb) formant. Our H2L2 Platform generates, at a rapid rate and in a scalable fashion, classical two heavy and two light immunoglobulin chain antibodies (H2L2) with optimized fully human variable regions, allowing for endogenous affinity maturation and immune effector function. Our HCAb Platform is a human antibody platform that engineers "heavy chain only" antibodies (HCAb) in a wide variety of formats (such as nanobodies, bispecific or multispecific antibodies and CAR-T) and with favorable developability. Leveraging the technology know-how we accumulated on our HCAb Platform, we have independently developed the HBICE™ Platform, which focuses on generating differentiated HCAb-based bispecific immune cell engagers potentially capable of delivering tumor-killing effects unachievable by combination therapies. Integrated with our single B-cell cloning platform, our antibody discovery engine is highly productive and efficient to drive innovation and sustainable growth of the Company. Our Harbour antibody platforms have been validated by over 45 industry and academic partners with projects having entered clinical stage as of 31 December 2020. Built upon our strong track record of collaborations, we believe our Harbour antibody platforms will provide revenue creation potential and broaden the scope of our development efforts. We own global rights to use and develop our Harbour antibody platforms, enabling us to maximize the value of our platforms to address global unmet medical needs.

Financial Highlights

	As at December 31/year ended December 31		
	2020 US$ in thousands	2019 US$ in thousands	2018 US$ in thousands
Revenue	**14,107**	5,419	1,483
Cost of sales	**(449)**	(623)	(647)
Other income and gains	**5,270**	1,581	528
Research and development expenses	**(55,244)**	(49,477)	(31,630)
Administrative expenses	**(46,294)**	(10,587)	(6,496)
Finance costs	**(280)**	(213)	(532)
(Loss)/gain on fair value change of convertible redeemable preferred shares	**(213,703)**	(13,387)	2,853
Other expenses	**(45)**	(301)	(198)
Income tax credit	**99**	92	56
Loss for the year	**(296,539)**	(67,496)	(34,583)
Loss per share (Basic and diluted) (USD)	**(1.69)**	(0.57)	(0.30)
Cash and bank balances	**356,794**	33,391	60,292
Total assets	**388,738**	69,499	83,499
Total liabilities	**27,730**	222,946	169,370
Total equity/(deficit)	**361,008**	(153,447)	(85,871)

We recorded adjusted loss of US$45.9 million for the year ended December 31, 2020, representing a decrease of US$8.2 million from US$54.1 million for the year ended December 31, 2019, primarily attributable to an increase of US$8.7 million in revenue.

This adjusted loss is arrived at by deducting the IFRS loss for the year of US$296.5 million (2019: US$67.5 million) from (i) a one-time, non-cash, IFRS fair value adjustments loss of US$213.7 million for our pre-IPO convertible redeemable preferred shares, which were subsequently converted to ordinary shares upon our listing (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), and (ii) the share-based payment expenses of US$36.9 million.

Business Highlights

1. BATOCLIMAB HBM9161

a. Completed Phase I of the first clinical trial in Greater China in February 2020.

b. Initiated acute NMOSD's Phase Ib/IIa clinical trial and completed first dosing in April 2020.

c. Obtained the approval for clinical Phase II/III of ITP from the NMPA in April 2020.

d. Obtained the approval for clinical Phase II/III of GO from the NMPA in June 2020.

e. Initiated Phase II clinical trial of MG and completed first dosing in September 2020.

f. Initiated Phase II/III seamless clinical trial of ITP and completed last patient first dosing of Phase II in January 2021.

g. The China Center for Drug Evaluation (the "**CDE**") has granted Breakthrough Therapy Designation ("**BTD**") to therapy for MG in January 2021.

2. TANFANERCEPT HBM9036

a. Published Phase II clinical trial data in China in November 2020.

b. Initiated Phase III clinical trial and completed first dosing in March 2021.

3. HBM4003

a. Obtained the approval for the monotherapy clinical trial from the U.S. FDA in February 2020.

b. Obtained the approval for the monotherapy clinical trial from the PRC NMPA in September 2020.

c. Obtained the approval for the combination therapy with PD-1 clinical trial from PRC NMPA for melanoma and other advanced solid tumors in China in September 2020.

d. Obtained the approval for the combination therapy with PD-1/chemotherapy clinical trial from PRC NMPA for Non-Small Cell Lung Cancer (NSCLC) and other advanced solid tumors in China in February 2021.

e. Ongoing Phase I clinical trial of monotherapy in Australia and expected data readout in the first half of 2021.

f. Completed first dosing of Phase I clinical trial of combination therapy for melanoma and other advanced solid tumors in China in March 2021.

4. BUSINESS DEVELOPMENT

a. Entered into strategic collaboration with AbbVie in respect of the co-development of a fully human antibody which could effectively block infection by the SARS-CoV-2 and SARS-CoV viruses in June 2020. The Company and its partners has authorized AbbVie the global right of the product in December 2020. AbbVie initiated Phase I clinical trial and completed first dosing in December 2020.

b. Entered into a strategic partnership with Vir Biotechnology, a clinical-stage immunology company focusing on combining immunologic insights with cutting-edge technology to treat and prevent serious infections diseases, for the early discovery, development and commercialization of innovative therapeutic molecules in the field of oncology and infectious diseases in August 2020.

c. Further advanced strategic collaboration with Hualan Genetic Engineering Co., Ltd. ("**Hualan Genetic**") in respect of three innovative monoclonal antibody and bispecific antibody drugs independently developed by the Company for therapies in various types of tumors.

5. ACADEMIC CONVENTION

a. Presented results from Phase I clinical trial with batoclimab (HBM9161) in patients in China at the 6th European Academy of Neurology ("**EAN**").

b. Presented pre-clinical data on HBM1007 at the American Association for Cancer Research ("**AACR**").

c. Presented a poster on newly discovered BCMA x CD3 bispecific antibody HBM7020 at Cell Engager Summit 2020.

d. Presented a poster on newly discovered anti-human CCR8 novel monoclonal antibody HBM1022 at the 16th Protein Engineering & Cell Therapy Summit ("**PEGS**").

e. Presented new platform HBICE™ (Heavy chain only antibody (HCAb) Based Immune Cell Engager) at the 16th PEGS.

f. Presented results from Phase II clinical trial with tanfanercept (HBM9036) in patients with moderate-to-severe Dry Eye Disease (DED) in China at the 25th Congress of Chinese Ophthalmological Society.

For details of any of the foregoing, please refer to the rest of this annual report and, where applicable, the Company's prior announcements.

Chairman's Statement

Dear Shareholders,

On behalf of the Board, it is my pleasure to share with you the first annual report of the Group. I would like to take this opportunity to walk you through the results we achieved in 2020 and exciting milestones for 2021.

Last year was a special year across the world, bringing with it changes and challenges which resulted from COVID-19. It influenced and will continue to influence our way of living and working. However, it also brought everyone's attention to human health and the ever-growing expectations of advancement from the life science industry.

For us, 2020 was an extraordinary year as well. We successfully completed series B2 and C round of pre-IPO financing in March and July, respectively, and culminated the year with the Listing on the Main Board of the Stock Exchange in December. The Company became a public company with international investors, leveraging our unique, global patent protected technology platforms, sustained discovery engine, robust portfolio and worldwide collaboration network. The Company is well positioned in this new era to achieve results that will propel the company to new heights and create robust returns for our Shareholders.

The Company is dedicated to the research and development ("**R&D**") and commercialization of our portfolio products to address patients' needs across the globe. In 2020, despite the impact of COVID-19, we achieved rapid advancement of our core products, further strengthened our R&D capabilities and out-licensed internally discovered molecules to top-tier companies across the world.

ADVANCEMENT OF ROBUST PORTFOLIO AND DIFFERENTIATED PIPELINE

Focused on oncology and immunology, our differentiated portfolio consists of five innovative drug candidates in clinical stage and seven novel candidates in pre-clinical stages.

Our core products, batoclimab (HBM9161) and tanfanercept (HBM9036), are in late stage of clinical development with multiple on-going pivotal and non-pivotal trials. In 2020, for batoclimab, we completed Phase I clinical trial in Greater China and reported the result at the EAN. As the first in class FcRn inhibitor being developed in Greater China, we have formulated a tiered "portfolio-in-a-product" development strategy for batoclimab with an aim to submit BLA to the NMPA for the first indication in 2022. We are very excited to bring this novel therapy to patients in China and are optimistic about its market potential.

For tanfanercept, we see great potential to seize a sizeable market share in a fast-growing dry eye disease drug market in China. With a growing aging population and dramatic increase in screen usage time the incidence of dry eye disease has rapidly increased and we believe it may continue to do so. We aim to provide effective therapy to fight against it. We published our completed Phase II trial data at the Chinese Ophthalmological Society Annual Conference in November 2020 and initiated Phase III clinical trial in the second half of 2020.

LEADING DRUG INNOVATION AND DISCOVERY ENGINE

Driven by our unique platforms, we recently developed our HBICE™ (HCAb-Based platform for Immune Cell Engagers) platform and presented it at the 16th PEGS in 2020. We also presented multiple pre-clinical programs including HBM7008 (a 4-1BB based bispecific antibody), HBM7020 (a CD3 based bispecific antibody), HBM1022 (CCR8) at the same conference. We aim to continuously deliver two or more IND submissions generated from our discovery engine each year from 2021 and beyond.

As a pioneer, HBM4003 is the next-generation, fully human heavy chain only anti-CTLA-4 antibody discovered and developed through in-house efforts. It is also the first fully human heavy chain only antibody entered into clinical development around the world in history. This flagship program advanced from candidate selection to clinical stage within three years and the Phase I study in Australia is on-going which we aim to share the key data in the first half of 2021. In 2020, we obtained clinical trial approvals of monotherapy from U.S. FDA and PRC NMPA. These approvals are of great significance in the field of monotherapy and we place great expectation on its potential. Furthermore, we obtained two clinical trial approvals of combination therapy from NMPA, with PD-1 for melanoma and NSCLC, respectively. We plan to obtain initial therapeutic activity validation data for multiple indications in 2021 and rapidly initiate the global registration of clinical studies in 2022.

Another example demonstrating our strong research capabilities is the discovery of HBM9022 (47D11)– an antibody co-discovered by scientists from the Company, Utrecht University and Erasmus Medical Center, to potentially prevent and treat COVID-19. Three separate manuscripts with data around the unique characteristics have been published so far. In December 2020, we out-licensed full rights of HBM9022 to AbbVie to carry out global clinical trials and commercialization worldwide. Currently, it is in phase I clinical trial across multiple sites around the world.

PLATFORM-VALUE MAXIMIZED BUSINESS COLLABORATIONS

In 2020, we continued to expand our business collaborations with leading academic institutions and select industrial partners focusing on innovation and efficiency across the world. We believe our flexible business models built around our proprietary technologies and platforms can and will maximize our platform value by leveraging complementary advantages from the Company and our collaborators.

We established strategic collaborations with academic institutions such as Mount Sinai Health System, Utrecht University, Erasmus Medical Center, among others to translate bench side to bedside in real world setting. We strategically collaborated with Vir Biotechnology to develop innovative therapy for immune-oncology and infectious diseases by fully leveraging expertise in both companies across different disease areas. We out-licensed the Greater China rights of three antibodies to Hualan Genetic to accelerate their development with higher capital efficiency.

2021 OUTLOOK

Looking to the future, we will keep moving towards our mission to become the leading company driving global innovation of next generation antibody therapeutics.

In 2021, we will advance the multiple clinical trials of our core products, batoclimab and tanfanercept, and get prepared for their commercial launch in the near future. The launch readiness work has already been initiated. We will further invest in HBM4003, next generation anti-CTLA-4, and other projects generated from our discovery engine with an approach of designing molecules against novel targets or innovative molecules against known targets.

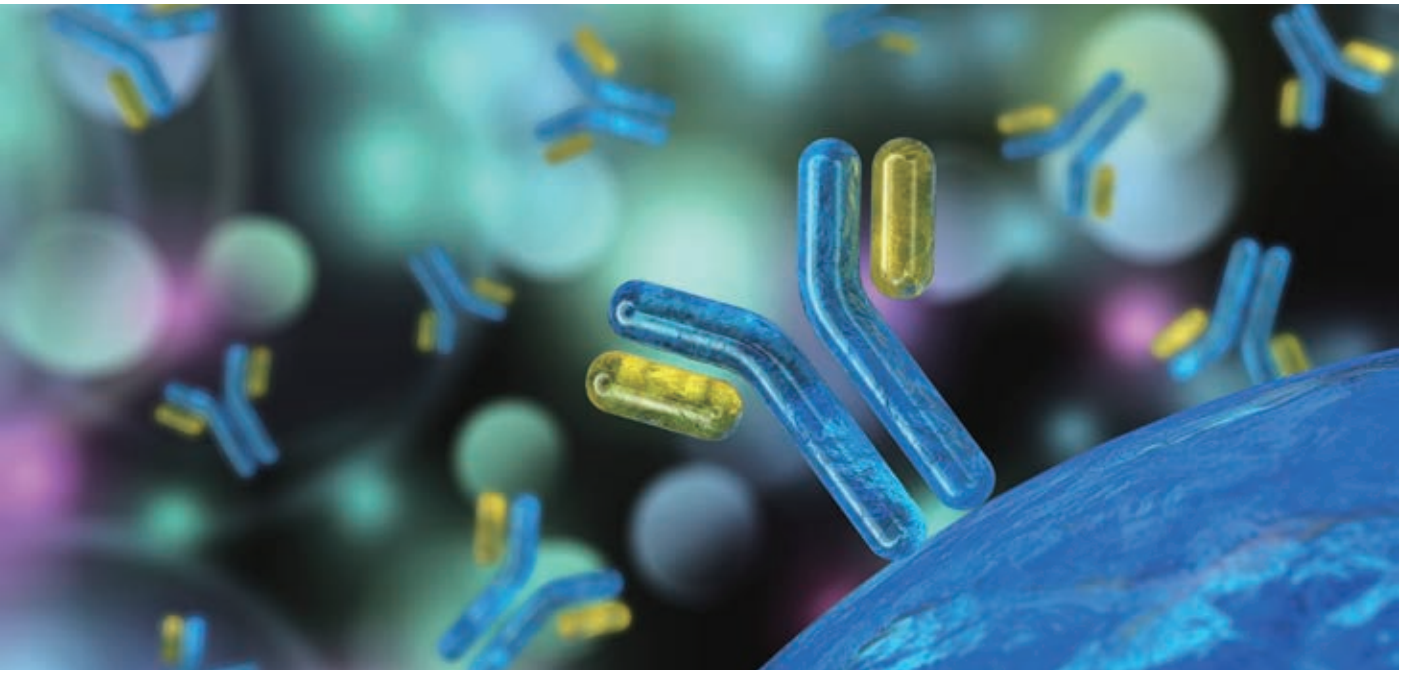
With the maturity of our pre-clinical products, we plan to build internal manufacture capabilities and capacity in due course, starting from pilot scale to commercial production. It is a phased long-term plan to meet the needs of the fast growth of the Group.

We insist on innovation and believe that the Company will thrive in the fast evolutionary industry. With your support, we are confident that we will continue to bring sustainable and considerable values to our patients, our employees and our Shareholders.

Last but not the least, on behalf of the Board and management team, I would like to thank our colleagues for their dedication and contribution. Our gratitude also extends to our Shareholders, our partners and external service providers for their continued support. We look forward to building another prosperous year in 2021 with all relevant parties.

Jingsong Wang
Chairman of the Board
29 March 2021

Management Discussion and Analysis



OVERVIEW

We are a global clinical-stage biopharmaceutical company committed to the discovery, development and commercialization of novel antibody therapeutics focusing on oncology and immunology. We have built a robust portfolio and differentiated pipeline by leveraging on our unique antibody technology platforms as well as based on our biological understanding and industry experiences. Our portfolio also consists of strategically selected, in-licensed and risk-mitigated clinical assets with near-term revenue potential targeting diseases with high unmet needs and taking the lead in filling the gap of Greater China market.

Our proprietary antibody technology platforms, Harbour Mice®, generate fully human monoclonal antibodies in the classical two heavy and two light chain (H2L2) format, as well as heavy chain only (HCAb) format. Building upon our HCAb antibodies, the HCAb-based immune cell engagers (HBICE™) are capable of delivering tumor killing effects unachievable by combination therapies. Integrated with our single B cell cloning platform, our antibody discovery engine is highly productive and efficient to drive innovation and sustainable growth of the Company.

In order to become the leader in the development of the next generation of antibody therapy in immunology and oncology, we not only innovate through our internal research and development capability, but also expand our business collaborations with leading academic institutions and select industrial partners across the world. We believe our flexible business models which are built around our proprietary technologies and platforms can and will maximize our platform value by leveraging on the complementary advantages from the Company and our collaborators.

PORTFOLIO:

We have 12 drug candidates focused on oncology and immunological diseases in pre-clinical to late clinical stages. The following table summarizes our product pipeline and the development status of each drug candidate in the areas indicated in the chart at the bottom of the right column.

	Project	Target	Indication	Commercial Rights	Status
Immunology	● Batoclimab HBM9161	FcRn	ITP	Greater China	MAINLAND CHINA ★ Initiated Ph 2/3 in Mar 2020
			GO	Greater China	MAINLAND CHINA ★ Obtained IND approval for Phase 2/3 clinical trial (expected early 2021)
			MG	Greater China	US MAINLAND CHINA Initiated Ph 2 in Mar 2020
			NMOSD	Greater China	US MAINLAND CHINA Initiated Ph 1b/2 in Jan 2020
			Second Wave of Indications	Greater China	MAINLAND CHINA IND Preparation
	● Tanfanercept HBM9036	TNFα	Dry Eye Disease	Greater China	MAINLAND CHINA ★ Initiated Ph 3 in Aug 2020 US
	● HBM9378	undisclosed	undisclosed	undisclosed	
	● HBM9022	SARS-COV-2	COVID-19	Global license to AbbVie	US
Immuno-Oncology	● HBM4003	CTLA-4	Advanced Solid Tumors	Global	AUSTRALIA Part 1 Ongoing
			Advanced Solid Tumors		MAINLAND CHINA Obtained IND Approval in Sep 2020
			Advanced Solid Tumors		US Obtained IND Approval in Jan 2020
			Melanoma & Other Advanced Solid Tumors		MAINLAND CHINA Combo with PD-1, Obtained IND Approval in Sep 2020
			NSCLC & Other Advanced Solid Tumors		MAINLAND CHINA Combo with PD-1, Obtained IND Approval in Feb 2021
	● HBM9302	HER2×CD3	Breast Cancer and Gastric Cancer	Greater China	MAINLAND CHINA IND Preparation US (Conducted by Licensing party)
	● HBM1007	CD73	Solid Tumors	Global	
	● HBM1029	Claudin 18.2	Solid Tumors	Ex-Greater China	
	● HBM7020	BCMA×CD3	Multiple Myeloma	Ex-Greater China	
	● HBM7015	PD-L1×TGF-β	Solid Tumors	Ex-Greater China	
	● HBM7008	TAA1×4-1BB	Solid Tumors	Global	
	● HBM1022	CCR8	Solid Tumors	Global	

Status: Discovery | Pre-Clinical | IND | Phase I | Phase II | Phase III | BLA

HBM | Partner | ★ Registrational Clinical Trial | ● In-license Program | ● Program from Harbour Discovery Platforms

Notes:

ITP: Immune thrombocytopenia

GO: Graves' ophthalmopathy

MG: Myasthenia Gravis

NMOSD: Neuromyelitis optica spectrum disorder

NSCLC: Non-Small Cell Lung Cancer

BUSINESS REVIEW

Since 2020, China's healthcare reform has further deepened, and the reform of the pharmaceutical industry has gradually developed in depth and breadth amidst policy and market changes. Looking back at the overall industry landscape, the adjustment of medical insurance catalogs, medical insurance price negotiations and the new round of volume-based procurement have brought continuous challenges to drug prices, especially for the pricing of less differentiated products. Meanwhile, the exploration of medical insurance payment reform has also driven the industry to focus more on the drugs' potency-price ratio. On one hand, the newly revised "Administrative Measures for Drug Registration" (the "**New Measures**") took effect on 1 July 2020. The New Measures and its complementary measures provide an accelerated pathway for new drug launches, aiming to encourage clinical value-oriented drug innovation, accelerate the filing of clinically urgent drugs and address unmet clinical needs, which will ultimately benefit more patients. On the other hand, the new policy imposes new requirements on the quality of clinical trials and the protection of patient privacy. We are also paying attention to relevant policy changes in major countries around the world to align our product development with the rules and regulations of the region where the products are registered. Overall, against the backdrop of healthcare services upgrades and acceleration of the aging of the population, industry demand is still huge and growing steadily, and the industry as a whole is still on an upward trend which brings greater market opportunities for differentiated innovative drugs.

With the gradual improvement of the structural adjustment of the pharmaceutical industry, a new ecology has formed in the industry, and the Company will further optimize its strategies such as research, development, registration and patent, focus on the development of highly differentiated products with clear value that can meet clinical needs, plan the product cycles sufficiently and initiate market education and marketing cycle. We believe that the Company's pipeline products will have broad market prospects in the future.

OUR PRODUCT DEVELOPMENT

Development Progress of Main Products

1. Batoclimab HBM9161

As the first in class FcRn inhibitor being developed in Greater China, we have formulated a tiered "portfolio-in-a-product" development strategy for batoclimab with an aim to submit the BLA to NMPA for the first indication in 2022. We are very excited to bring this novel therapy to patients in China and are optimistic about its market potential. During the Reporting Period, batoclimab entered into comprehensive clinical development stage:

A. Obtained two indications' clinical trial approvals, including clinical Phase II/III of ITP and GO during the Reporting Period.

B. Completed Phase I clinical trial in Greater China and fully validated that batoclimab showed no racial difference among Chinese and Caucasian population during the Reporting Period. This trial result was reported in 2020 EAN.

C. Initiated three clinical trials, and completed first closing of the trials, including seamless research of Phase Ib/IIa of acute NMOSD in April 2020, Phase II of MG and Phase II/III of ITP in September 2020.

D. Fully initiated MG's Phase II trial and first dosing in September 2020 and obtained designation as "breakthrough therapy" from the NMPA/CDE in January 2021. It is expected to initiate Phase III trial in 2021 and we planned to file the BLA in 2022.

E. Fully initiated Phase II/III trial of ITP during the Reporting Period and completed the first dosing of last patient of Phase II in January 2021. In order to further enhance clinical benefits of ITP patient treatment, the Company submitted new IND application in the end of 2020 to the NMPA for optimization of dosing and it is expected to be approved and initiated in 2021. Furthermore, we plan to file the BLA to NMPA in 2023.

F. Fully initiated NMOSD's Phase Ib trial and first dosing during the Reporting Period. We expect to obtain designation as "breakthrough therapy" in the first half of 2021. We plan to file the BLA in 2022.

G. Plan to initiate a Phase III registrational trial for GO directly in 2021 and submitting the BLA to the NMPA in 2023.

H. Plan to submit the clinical trial applications to the NMPA for the second wave of indications in 2021.

2. Tanfanercept HBM9036

For tanfanercept, we see great potential to seize a sizeable market share in a fast-growing dry eye disease drug market in China. With a growing aging population and dramatic increase in screen usage time, the incidence of dry eye disease has rapidly increased and we believe it may continue to do so. We aim to provide effective therapy to fight against it and we are fully engaged in the clinical development:

A. Published Phase II trial data of China at "Chinese Ophthalmological Society" in November 2020.

B. Based on the first Phase III clinical result of partner HanAll initiated in the U.S. and combined with the recommendations of clinical researchers in China, the original design of Phase III clinical protocol in China was further optimized and received permission from the CDE under the NMPA in China. The Phase III clinical trial has initiated during the Reporting Period.

C. Completed first dosing of Phase III clinical trial in March 2021.

D. We aim to submit the BLA to the NMPA in 2022.

3. HBM4003

HBM4003 is the next-generation, fully human heavy chain only anti-CTLA-4 antibody discovered and developed through our in-house efforts. It is also the first fully human heavy chain only antibody entered into clinical development around the world in history. This flagship program advanced from candidate selection to clinical stage within three years and made significant progress.

A. Obtained clinical trial approvals from major drug registration regulatory body worldwide during the Reporting Period, including clinical trial approvals of monotherapy approved by the U.S. FDA in February 2020 and clinical trial approvals of monotherapy and combination (combined with PD-1 for melanoma and other advanced solid tumors in September 2020 and combined with PD-1/chemotherapy for NSCLC and other advanced solid tumors in February 2021) therapy approved by the PRC NMPA.

B. Conducted Phase 1 clinical trial of monotherapy in Australia is currently progressing. We plan to announce key data of the trial in the first half of 2021.

C. Completed first dosing of Phase I clinical trial for melanoma and other advanced solid tumors in China in March 2021.

D. Plan to fully initiate monotherapy and combination therapy programs in 2021 in multiple oncology areas, including trial centers in China, the U.S. and Australia. We plan to obtain initial therapeutic validation data for multiple indications in 2021, and to rapidly initiate global registration of clinical trials in 2022.

Other development projects (including projects of collaboration development)

Besides the main products mentioned above, we also developed multiple programs and we aim to continuously deliver two or more IND submissions generated from our discovery engine each year from 2021 and beyond.

1. HBM9022

HBM9022 (47D11) is a fully human antibody that targets SARS-CoV-2.

In December 2020, the Company and UU jointly announced to licence out the global right of HBM9022 to AbbVie and authorise it to initiate clinical trial. The Company's H2L2 Harbour Mice® platform could find and develop effective drug candidates quickly, of which the neutralizing nature of ABBV-47D11's cross-reactiveness makes it an ideal drug candidate for fighting against COVID-19 or its mutations. Please see the Company's announcement dated 8 December 2020 for further details.

2. HBM1007

HBM1007 is a fully human mAb against CD73 generated from our H2L2 Platform. HBM1007 is an ecto-enzyme expressed on stromal cells and tumors that converts extracellular adenosine monophosphate (AMP) to adenosine. With unique epitopes to recognize CD73, HBM1007 works through dual modes of action: first, it can block the enzymatic activity of both membrane and soluble CD73 independent of AMP concentration, suggesting its sustainable activity in TME, and second, it reduces the surface expression of CD73. As a result, both enzymatic and non-enzymatic dependent functions of CD73 were significantly reduced.

HBM1007 is being studied in pre-clinical settings. We expect to file an IND for HBM1007 in 2021.

3. HBM7008

HBM7008 is a bispecific antibody targeting Tumor Associated Antigen TAA1x4-1BB that not only displays high potency in the T cell co-stimulation and tumor growth inhibition, and potentially may also translate to better safety due to its strict dependency on TAA-mediated crosslinking T cell activation. HBM7008 is another fully human bispecific antibody discovered from the HBICE™ platform of the Company. It is the only bispecific against these two targets globally. Its unique specificity in tumors and immune modulation activity makes it a promising therapeutics in PD-L1 negative or PD1/PD-L1 resistant patients. It also has the potential to avoid 4-1BB liver toxicity risk observed in other products due to its innovative biology mechanisms and bispecific design.

HBM7008 is being studied in pre-clinical setting. We expect to file an IND for HBM7008 in 2022.

4. HBM1022

CCR8 is a novel G protein-coupled receptor ("**GPCR**") target on Treg cells. It serves as a specific tumor infiltrated Treg cell surface marker and can be targeted by antibody. We have developed a CCR8 antibody (HBM1022) which cross-reactive with monkey CCR8 and demonstrated its significant tumor growth inhibition efficacy in mouse tumor models. As an innovative novel target, no product against CCR8 has entered clinical trial yet globally.

HBM1022 is being studied in pre-clinical settings. We expect to file an IND for HBM1022 in 2022.

5. HBM9378

We rely on in-house technology platforms to co-develop fully human monoclonal antibody drugs of new targets, wherein HBM9378 has entered into pre-clinical development stage.

HBM9378 is a potential best in class antibody therapeutics for autoimmune disease which is currently in preclinical settings. We expect to to file an IND by the end of 2022 and drive global clinical development.

6. HBM1029, HBM7015 & HBM7020

In 2020, we authorized the Greater China rights of three pre-clinical products (HBM1029, HBM7015 and HBM7020) developed by our in-house technology platform to Hualan Genetic, a China biopharmaceutical corporation. After completing technology transfer, the two companies co-advanced the development of these three projects.

HBM1029 is a fully human monoclonal antibody developed based on our H2L2 platform equipped with higher CLDN18.2 binding affinity, stronger ADCC and CDC anti-tumor activities. In addition, HBM1029 was shown to have a longer half-life in mouse PK studies. We believe HBM1029 has the potential to become a highly efficacious antibody to specifically kill CLDN18.2 high expressed tumor cells and represent a differentiated therapeutic biologics for patients with gastric or gastroesophageal junction ("**GEJ**") cancer and pancreatic cancer.

HBM1029 is being studied in pre-clinical settings. We expect to file an IND for HBM1029 by the end of 2021.

HBM7015 is a bifunctional fusion protein, consisting of a fully human IgG1 monoclonal antibody against PD-L1 generated on our H2L2 Platform and the soluble extracellular domain transforming growth factor, beta receptor II (TGFBR2) from the natural human TGFbRII protein sequence, which acts as a TGF-β trap. By our in-house antibody engineering design, these two parts are fused together to generate the bifunctional fusion protein. HBM7015 has better stability and developability due to its optimized structure design. In in-vitro studies, HBM7015 has shown better PD-L1 binding activity and TGF-β blocking potency than competitor drugs.

HBM7015 is being studied in pre-clinical settings. We expect to file an IND for HBM7015 by early 2022.

HBM7020 is a BCMAxCD3 bispecific antibody equipped with HCAb-based immune cell engagers (HBICE™ technology) potentially capable of delivering tumor-killing effects unachievable by combination therapies. HBM7020 is a new "2+1" format bispecific antibody. It has optimized or attenuated anti-CD3 activity and its format and geometry design have improved selectivity to kill BCMA positive multiple myeloma cells without affecting BCMA negative/low normal cells to minimize the cytokine storm risk. It has the potential to expand the therapeutic window and achieve the balance between high efficacy and low cytokine storm toxicity. The intact Fc and smaller molecule size further represent its best-in-class potential as BCMA targeted therapy. We believe HBM7020 has the potential to become a highly efficacious bispecific antibody to specifically kill BCMA-positive Multiple Myeloma (MM) cells and represent a differentiated immunotherapeutic antibody for patients with MM.

HBM7020 is being studied in pre-clinical settings. We expect to file an IND for HBM7020 in 2022.

7. HBM9302

HBM9302 is a bispecific antibody targeting HER2xCD3 engineered to bind to two targets: (i) the HER2 molecule, over-expressed in a significant proportion of patients with solid tumors; and (ii) the CD3 molecule expressing on the surface of T cells. By binding to both targets simultaneously, HBM9302 bridges cytotoxic T cells (independent of their specificity) to HER2-positive cancer cells and exerts their cytotoxic effects against tumor cells. We have obtained an exclusive license from Ichnos to develop HBM9302 in Greater China.

We expect to file an IND for HBM9302 in the first half of 2021.

Research, Development and Technology

We focus on innovative next-generation therapies in immunology and oncology areas. Our discovery and pre-clinical research teams conduct drug discovery, formulation development, process development and pre-clinical studies on new candidates.

Meanwhile, we have a professional team of scientists to optimize, upgrade and redevelop our technology platforms. During the Reporting Period, the Company made major progress in discovery, platform and patents as follows:

- Applied for nearly 20 patents during the Reporting Period, of which four have been granted invention patent license by the China National Intellectual Property Administration. These patent applications have further strengthened the protection of intellectual property rights of the Company's core products and technology platforms.

- The discovery of the fully human, neutralizing antibody 47D11 (HBM9022) by UU, Erasmus MC and the Company was reported in Nature Communications. Three separate manuscripts with data around the unique characteristics have been published so far.

- Developed an innovative monoclonal antibody against the GPCR target, CCR8, a novel GPCR target, and presented the antibody (HBM1022) at the 16th PEGS.

- Optimized and upgraded the HCAb technology platform and developed HBICE™ (an HCAb platform based immune cell engagers) bispecific platform with HBM7015 and HBM7020 generated from the platform. The data for this project was reported at the 16th PEGS. We applied for the related patent technology. Early stage projects based on the HBICE™ platform entered the CMC phase gradually.

The Company has established a robust antibody discovery platform and GPCR drug development platform. Based on these technology platforms, the Company may move towards more novel and challenging drug targets globally.

For details of our progress in clinical development of our products, please see the section titled "Business Review - Our Product Development" in this section.

Business Development

During the Reporting Period, we continued to expand our business collaborations with leading academic institutions and select industrial partners focusing on innovation and efficiency across the world. We believe our flexible business models built around our proprietary technologies and platforms can and will maximize our platform value by leveraging complementary advantages from the Company and our collaborators.

In May 2020, the Company announced that a fully human antibody which could effectively block novel coronavirus infection was co-discovered with scientists from Utrecht University and Erasmus Medical Center in the Netherlands. This newly discovered fully human antibody series was found utilizing H2L2 Harbour Mice® platform. In June 2020, the Company, Utrecht University and Erasmus Medical Center in the Netherlands entered into strategic collaboration with AbbVie in respect of the co-development of this antibody. According to the terms of the collaboration, AbbVie will fully support us and our partners through earlier studies and clinical development preparation work. Later, the Company with its partners has granted AbbVie the exclusive worldwide development and commercialization rights of this project. This project entered into Phase I clinical trial in December 2020.

In June 2020, the Company entered into a collaboration framework agreement with Nanjing Tiangang Immuno-pharmaceutical Research Institute Co ("**Tiangang Immune**"). Our collaboration with Tiangang Immune and its affiliates will be based on our own H2L2 transgenic mouse fully human antibody technology platform, years of international and local clinical development experience and resources, and Tiangang Immune's strong resource advantage in the nature killer (NK) cell field. The collaboration includes the whole process of new drug creation, from whole human antibody preparation screening to clinical studies and new drug registration, to promote the development of innovative antibodies. In the future, the two companies may jointly promote the development of monoclonal and bispecific antibodies for NK cell-related targets and products for NK cell therapeutic areas.

In August 2020, we entered into a strategic partnership with Vir Biotechnology (NASDAQ: VIR), a clinical-stage immunology company, focusing on combining immunologic insights with cutting-edge technology to treat and prevent serious infections diseases for the early discovery, development and commercialization of innovative therapeutic molecules in the field of oncology and infectious diseases. We will leverage our next-generation technologies, including our own transgenic mice platform, Harbour Mice®, to develop antibodies for this collaboration. Both parties will fully integrate their respective expertise in basic science to accelerate the research process of innovative immunotherapies and further advance the clinical development of collaborative projects in oncology and infectious diseases.

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: The Company cannot guarantee that it will be able to develop, or ultimately market, any of the products in its pipeline successfully. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

Material Investment, acquisition and disposals

The Group did not make any investment, acquisition or disposals in any company amounting to 5% or more of the value of the Group's total assets during the Reporting Period.

We have no current plan for material investment, acquisition and disposals.

Impact of and response to COVID-19

In 2020, we did not have any suspected or confirmed cases of COVID-19 at our sites or among our employees. To prevent the spread of COVID-19 in our offices and research facilities, we have implemented a comprehensive disease prevention program to protect our employees from COVID-19 infection. The measures we have taken include:

During severe outbreak period –

a. The Company's management set up an epidemic prevention management team and hold regular meetings to guide epidemic prevention measures;

b. Track the travel history and health status of employees and their immediate family members/household members;

c. Send guidance notices such as epidemic prevention guidelines to employees regularly;

d. Perform declaration and registration on employees who return to work each day;

e. Temperature check and registration before employees enter the office premises;

f. Provide masks and alcohol disinfectant wipes for employees;

g. Require employees to reduce the number of physical meetings and use video and telephone conferencing as much as possible, and sit apart from each other in offline meetings with opened windows and ventilation;

h. Place disinfectant instant hand sanitizer in office/laboratory venues to strengthen disinfection and ventilation measures;

i. Require employees to sit apart from each other while having meals in the offices;

j. Reduce visitor arrivals, check health code verification and check temperature for limited visitors, and request visitors to wear masks, among other epidemic prevention measures.

During normalized managing period –

a. Strengthen reminders and requirements for employees' personal protection through email, WeChat groups, bulletin boards, etc.;

b. Provide masks and alcohol disinfectant wipes for employees;

c. Temperature check before employees enter the office premises;

d. Arrange instant hand sanitizer and other epidemic prevention materials in office, regular disinfection and ventilation;

e. Carry out registration and temperature check for visitors;

f. Arrange COVID-19 nucleic acid tests for employees according to the epidemic situation.

During the Reporting Period, the impact of the epidemic on the Company's business was relatively insignificant. The Company's offices and laboratories in Rotterdam, the Netherlands and Boston, the U.S. have taken effective measures in response to the epidemic, such as telecommuting and site disinfection. As of the publication date of this annual report, all of the Company's offices and laboratories are in good operating condition. The epidemic has minimal impact on the Company's overseas operations and there was no significant delay, suspension or termination due to the epidemic. In 2021, the Company will continue to closely monitor the epidemic and take proactive and effective measures to ensure the smooth operation of its global business, R&D and operations.

Prospect and Outlook

Despite the challenges posed by the global COVID-19 epidemic, the Company is well prepared in terms of research and development and operations, and we expect the epidemic to have a relatively limited impact on our operations in 2021. The Company's achievements and growth momentum in 2020 give us confidence that we will be able to successfully address the complex market environment and provide innovative therapeutic drugs for immune diseases and cancer patients in the near future.

Since its establishment, we have been committed to developing innovative therapies for patients around the world and become an innovative biopharmaceutical company with core technology edges and differentiated portfolio. In 2021, the Company will further accelerate the progress of its portfolio. We will advance the multiple clinical trials of our core products, batoclimab and tanfanercept, and get prepared for their commercial launch in the near future. The launch readiness work has already been initiated. We will further invest in HBM4003 and other projects generated from our discovery engine with an approach of designing molecules against novel targets or innovative molecules against known targets. In addition, we expect to file INDs for at least two new products, and we will continue to identify new quality candidates through Harbour Mice®, our highly effective drug discovery engine.

With the maturity of our pre-clinical products, we plan to build internal manufacture capabilities and capacity in due course, starting from pilot scale to commercial production. It is a phased long-term plan to meet the needs of the fast growth of the Group.

FINANCIAL REVIEW

OVERVIEW

For the year ended 31 December 2020, the Group recorded a revenue of US$14.1 million, and a loss of US$296.5 million. Other income and gains was US$5.3 million for the year ended 31 December 2020, as compared with US$1.6 million for the year ended 31 December 2019. The research and development costs of the Group was US$55.2 million for the year ended 31 December 2020, as compared with US$49.5 million for the year ended 31 December 2019. The administrative expenses was US$46.3 million for the year ended 31 December 2020, as compared with US$10.6 million for the year ended 31 December 2019. The fair value change of convertible redeemable preferred shares was US$213.7 million for the year ended 31 December 2020, as compared with US$13.4 million for the year ended 31 December 2019.

REVENUE

Our total revenue increased significantly from US$5.4 million for the year ended 31 December 2019 to US$14.1 million for the year ended 31 December 2020, primarily due to the increase in our revenue from recognizing molecule license fee. Our molecule license fee increased from US$2.7 million for the year ended 31 December 2019 to US$12.8 million for the year ended 31 December 2020, primarily attributable to our license and collaboration agreement with Hualan Genetic and AbbVie. Our platform-based research fee decreased from US$1.5 million for the year ended 31 December 2019 to US$0.1 million for the year ended 31 December 2020. Our technology license fee remained stable at US$1.2 million and US$1.1 million for the year ended 31 December 2019 and 2020, respectively.

COST OF SALES

Our cost of sales remained stable at approximately US$0.6 million and US$0.4 million for the years ended 31 December 2019 and 31 December 2020, respectively.

OTHER INCOME AND GAINS

Our other income and gains increased significantly from US$1.6 million for the year ended 31 December 2019 to US$5.3 million for the year ended 31 December 2020, primarily due to (i) an increase in government grants recognized from US$0.9 million for the year ended 31 December 2019 to US$2.4 million for the year ended 31 December 2020; and (ii) foreign exchange gains amounting to US$2.0 million for the year ended 31 December 2020, mainly due to the depreciation of the US dollar against RMB in the second half of 2020. The increase in government grants recognized was primarily attributable to more research and development activities that are eligible for government subsidies.

Research and Development Expenses

Our research and development expenses increased from US$49.5 million for the year ended 31 December 2019 to US$55.2 million in 2020. This increase was primarily attributable to the combined impact of (i) an increase in employee cost from US$13.1 million for the year ended 31 December 2019 to US$22.7 million for the year ended 31 December 2020, mainly caused by share-based payment expenses before the IPO and increase of headcount of research and development; (ii) a decrease in our upfront and milestone fees from US$5.0 million for the year ended 31 December 2019 to US$1.0 million for the year ended 31 December 2020 pursuant to the payment schedules under relevant licensing agreements with our partners; and (iii) a decrease in clinical third-party contracting costs related to discovery and pre-clinical development from US$6.2 million for the year ended 31 December 2019 to US$5.5 million for the year ended 31 December 2020 due to postponement in the clinical development of our drug candidates amid the COVID-19 outbreak in the first half of 2020.

	For the year ended December 31			
	2020		2019	
	US$ in thousands		US$ in thousands	
Upfront and milestone fees	**1,000**	**1.8%**	5,000	10.1%
Employee costs	**22,724**	**41.1%**	13,107	26.5%
Materials	**4,304**	**7.8%**	4,842	9.8%
Third-party contracting costs related to discovery and pre-clinical development	**5,474**	**9.9%**	6,224	12.6%
Clinical trial expenses	**15,183**	**27.6%**	15,382	31.1%
Depreciation and amortization	**4,105**	**7.4%**	3,170	6.4%
Others	**2,454**	**4.4%**	1,752	3.5%
	55,244	**100.0%**	49,477	100.0%

Administrative Expenses

Our administrative expense increased from US$10.6 million for the year ended 31 December 2019 to US$46.3 million for the year ended 31 December 2020, primarily attributable to (i) an increase in employee cost from US$5.3 million for the year ended 31 December 2019 to US$33.6 million for the year ended 31 December 2020 caused by share-based payment expenses before our initial public offering and increase of headcount in administrative function, and (ii) US$6.6 million listing expenses for the year ended 31 December 2020 mainly attributable to legal and professional fees in relation to our initial public offering. We did not incur any listing expenses for the year ended 31 December 2019.

	For the year ended December 31			
	2020		2019	
	US$ in thousands		US$ in thousands	
Employee costs	**33,640**	**72.7%**	5,255	49.6%
Professional expenses	**3,786**	**8.2%**	2,908	27.5%
Depreciation and amortization	**1,128**	**2.4%**	954	9.0%
Listing expenses	**6,580**	**14.2%**	–	0.0%
Others	**1,160**	**2.5%**	1,470	13.9%
	46,294	**100.0%**	10,587	100.0%

Loss on Fair Value Change of Convertible Redeemable Preferred Shares

For the year ended 31 December 2020, we recorded US$213.7 million of the fair value losses of convertible redeemable preferred shares, compared to US$13.4 million of the fair value losses of convertible redeemable preferred shares for the year ended 31 December 2019, primarily attributable to the conversion of all preferred shares in the ordinary shares upon the Listing. After the conversion, we did not recognize any further loss or gain on fair value changes from preferred shares.

Loss for the Year

As a result of the above factors, the loss for the year of the Group increased by US$229.0 million from US$67.5 million for the year ended 31 December 2019 to US$296.5 million for the year ended 31 December 2020.

Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use a non-IFRS measure, adjusted loss for the year, as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that such non-IFRS measure facilitates comparisons of our operating performance from period to period by eliminating impacts of such non-cash items (and, for loss on fair value change of convertible redeemable preferred shares, also an item that pertains to financial instruments that have ceased upon Listing) that our management considers to be not indicative of our operating performance and providing useful information to investors and shareholders in evaluating our operating results in the same manner of our management. However, our presentation of the adjusted loss for the year may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and investors and shareholders should not consider it in isolation, or as a substitute for the analysis of, our results of operations or financial position as reported under IFRS. We define adjusted loss for the year as loss for the year adjusted by adding back (i) loss on fair value change of convertible redeemable preferred shares and (ii) share-based payment expenses. The following table reconciles our non-IFRS adjusted loss for the year with our loss for the year, which is the most directly comparable financial measure calculated and presented in accordance with IFRS:

	For the Year ended 31 December	
	2020	2019
	US$ in thousands	US$ in thousands
Loss for the year	**(296,539)**	(67,496)
Add:		
Loss on fair value change of convertible redeemable preferred shares	**213,703**	13,387
Share-based payment expenses	**36,889**	–
Non-IFRS adjusted loss for the year	**(45,947)**	(54,109)

Ageing Analysis of Accounts Receivable

A majority of the accounts receivables aged less than one year.

Liquidity and Source of Funding

Our primary uses of cash are to fund our clinical trials, research, purchase of equipment and materials and other expenses. During the Reporting Period, we primarily funded our working capital requirements through proceeds from pre-IPO fund raising. We closely monitor uses of cash and bank balances and strive to maintain a healthy liquidity for our operations.

Key Financial Ratios

The following table sets forth the key financial ratios for the periods indicated:

	As at 31 December	
	2020	2019
Current ratio[1]	**14.45**	2.59
Gearing ratio[2]	**N/A[3]**	N/A[3]

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

(2) Gearing ratio is calculated by net debt divided by the adjusted capital plus net debt. Net debt includes lease liabilities, trade payables and financial liabilities included in other payables and accruals, less cash and bank balances. Adjusted capital includes convertible redeemable preferred shares and equity attributable to owners of the parent.

(3) As at 31 December 2020, the Group's cash and bank balances exceeded the financial liabilities (excluding convertible redeemable preferred shares). As such, no gearing ratio as at 31 December 2020 was presented.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the year ended 31 December 2020.

Future Plans for Material Investments or Capital Asset

The Group did not have detailed future plans for material investments or capital assets.

Pledge of Assets

As at 31 December 2020, the Group had no pledge of assets.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2020 (as at 31 December 2019: nil).

Foreign Exchange Exposure

During the year ended 31 December 2020, the Group mainly operated in China and the majority of the transactions were settled in the United States dollar ("**US$**"), the functional currency of the Company. Our financial assets and liabilities are subject to foreign currency risk as a result of certain bank deposits, trade and other receivables and trade and other payables denominated in non-functional currency. Therefore, the fluctuations in the exchange rate of functional currency against non-functional currency could affect our results of operations. We have not entered into any hedging transactions to manage the potential fluctuation in foreign currency as at 31 December 2020.

Bank Loans and Other Borrowings

As at 31 December 2020, we had lease liabilities of US$1.7 million.

The table below summarizes the maturity profile of the Group's lease liabilities as of the dates indicated, based on contractual undiscounted payments:

	Less than 1 year US$ in thousands	Between 1-5 years US$ in thousands	Total US$ in thousands
As of 31 December 2020			
Lease liabilities	1,447	290	1,737
As of 31 December 2019			
Lease liabilities	1,190	802	1,992

Employees and Remuneration

As of 31 December 2020, 236 of our employees were located in the PRC, 11 were located in the United States, and 1 was located in the Netherlands. The following table sets forth the total number of employees by function as of 31 December 2020:

Function	Number	% of Total
Research and Development	180	72.6
General and Administrative	68	27.4
Total	248	100.0

The total remuneration cost incurred by the Group for the year ended 31 December 2020 was US$56.4 million (including share-based payment expenses amounting to US$36.9 million), as compared to US$18.4 million (nil for share-based payment expenses) for the year ended 31 December 2019.

The Group has also adopted a pre-IPO equity plan, a post-IPO share option scheme and a post-IPO share award scheme.

Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Jingsong Wang, M.D., Ph.D. (王勁松), aged 56, is an executive Director, the chief executive officer and chairman of the Board of our Company. Dr. Wang is also a director of HBM Holdings BVI and HBM Therapeutics, as well as the legal representative and chief executive officer of HBM Shanghai, HBM Suzhou, HBM Guangzhou and HBM Beijing. Dr. Wang is the principal founder of the Group and joined the Group in July 2016.

Dr. Wang was the associate director of translational medicine at Wyeth from July 2005 to May 2007. After that, he served as director of clinical discovery immunology at Bristol-Myers Squibb from June 2007 to November 2011. From November 2011 to December 2015, Dr. Wang served as the head of China research and development at Sanofi.

Dr. Wang has served as an independent non-executive Director of Frontage Holdings Corporation (HKEX: 1521) since April 2018. He has also served as independent non-executive Director of Silicon Therapeutics since August 2016.

Dr. Wang received his M.D. in clinical medicine from Xuzhou Medical College in China in June 1986, his master's degree in medical science (immunology) from Jilin University in China in July 1989, and his Ph.D. in molecular pharmacology from China Pharmaceutical University in China in July 2011. Dr. Wang also obtained a physician qualification awarded by the Commonwealth of Massachusetts Board of Registration in Medicine in May 2002, as well as a Diplomate in Internal Medicine and a Diplomate in Rheumatology, both awarded by the American Board of Internal Medicine in 2003 and 2004 respectively. He obtained an unrestricted licensure in medicine awarded by the State Board of Medicine of the Commonwealth of Pennsylvania in 2005. In addition, Dr. Wang served as a research/clinical fellow in rheumatology at Brigham and Women's Hospital and Harvard Medical School from June 2001 to June 2005.

Dr. Mai-Jing Liao, Ph.D., MBA (廖邁菁), aged 50, is an executive Director and the chief commercial officer of our Company. Dr. Liao is also the chief business officer of HBM U.S., HBM Shanghai, HBM Suzhou and HBM Therapeutics. Dr. Liao joined the Group in July 2016.

In July 2007, Dr. Liao joined Janssen (formerly Centocor), a Johnson & Johnson company, and had served as associate director, strategic marketing since March 2013 until he departed from Janssen in June 2016.

Dr. Liao received his Ph.D. in biochemistry and biophysics from the School of Medicine at the University of North Carolina at Chapel Hill in the United States in June 1999 and his master of business administration degree from the Johnson School of Management at Cornell University in the United States in June 2007.

Dr. Atul Mukund Deshpande, Ph.D., MBA, aged 41, is an executive Director and the chief strategy officer and head of U.S. operations of our Company.

Dr. Deshpande served as a consultant at Deallus from July 2011 to August 2012. He subsequently joined Sanofi in September 2012, where he served as associate director, unit strategy officer of the Asia Pacific therapeutic strategy unit from September 2012 to December 2014, unit management officer of the immunology franchise from January 2015 to October 2016, and global operations lead of the Dupixent franchise from October 2016 to December 2018. After that, Dr. Deshpande joined the Group in December 2018.

Dr. Deshpande received his bachelor's degree in microbiology and biotechnology and his master's degree of science in neuroscience from the University of Mumbai in India in December 2000 and December 2002, respectively. He received his Ph.D. in neuroscience from the University of California, Irvine in the United States in June 2007 and his master of business administration degree from Cranfield University in the United Kingdom in June 2011. Dr. Deshpande has been a member of the Association of Project Management since July 2010.

Mr. Yu Min Qiu (裘育敏), aged 47, is a non-executive Director of our Company and was designated by Advantech Capital, one of our Pre-IPO Investors. Mr. Qiu joined the Group in December 2016.

Mr. Qiu worked at Vancouver Coastal Health Authority from May 2004 to April 2007. From April 2007 to May 2010, he worked at the advisory department in PricewaterhouseCoopers Consultants (Shenzhen) Ltd. (Beijing branch) and his last position held was manager. From May 2010 to April 2013, he was a vice president of investment management firm GL Capital. He served as director at New Horizon Capital, a private equity fund, from May 2013 to December 2014 and as an executive director from January 2015 to December 2015. Thereafter, he joined Advantech Capital, a private equity fund, as an executive director in January 2016 and has been a partner at Advantech Capital since October 2017.

Mr. Qiu has served as a non-executive director of TOT BIOPHARM International Company Limited (HKEX: 1875) since September 2018 and a non-executive director of Alphamab Oncology (HKEX: 9966) since October 2018.

Mr. Qiu received his bachelor's degree in power engineering from the East China University of Technology (which was subsequently amalgamated with Shanghai Institute of Mechanical Technology to become the University of Shanghai for Science and Technology) in China in July 1994, and his master of business administration degree in finance from the University of British Columbia in Canada in May 2004. He has also been a Certified Management Accountant (conferred by the Institute of Management Accountants) since May 2006 and a Chartered Financial Analyst (conferred by the Chartered Financial Analyst Institute) since September 2007.

Mr. Junfeng Wang (王俊峰), aged 46, is a non-executive Director of our Company and was designated by Legend Capital, one of our Pre-IPO Investors. Mr. Wang joined the Group in March 2018.

Mr. Wang served as the assistant general manager of the key accounts department of the Lenovo Group from April 1997 to May 2001, prior to joining Legend Capital in May 2004, where he has served as a managing director since October 2009.

Mr. Wang served as a non-executive director on the boards of the following listed companies during the past three years:

- Beijing GeoEnviron Engineering & Technology, Inc. (SSE: 603588) since June 2010;
- Qingdao Huicheng Environmental Technology Co., Ltd. (SZSE: 300779) since September 2015;
- Shenzhen Colibri Technologies Co., Ltd. (SZSE: 002957) since September 2016;
- Berry Genomics Co., Ltd. (SZSE: 000710) since May 2018;
- Hiconics Eco-energy Technology Co., Ltd. (SZSE: 300048), from March 2009 to December 2018;
- Sevalo Machinery Supply Chain Co., Ltd. (National Equities Exchange and Quotations: 833704) from October 2011 to August 2018; and
- Innovent Biologics, Inc. (HKEX: 1801) prior to its listing and from April 2018 to October 2018.

Mr. Wang received his bachelor's degree in polymer chemistry from Lanzhou University in China in June 1995, his master of business administration degree in international finance from McMaster University in Canada in June 2004 and his executive master of business administration degree from the PBC School of Finance, Tsinghua University in China in July 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Robert Irwin Kamen, Ph.D., aged 76, is an independent non-executive Director of our Company. Dr. Kamen joined the Group in December 2016. He also served as a director of Harbour Antibodies from December 2007 to December 2016 prior to the acquisition of Harbour Antibodies by our Group. Dr. Kamen has served as an independent Director on our Board as well as a member of our scientific advisory board since December 2016. He provides our Group with independent consulting and advisory services and is not involved in the day-to-day management of the Group.

Dr. Kamen was the head of the transcription laboratory and a principal investigator of the Imperial Cancer Research Fund from 1976 to 1982, after which he served as the senior vice president of scientific affairs at Genetics Institute, Inc. from 1982 to 1989, where he was the overall head of research and development. He then served as the president of the BASF Research Corporation from 1991 to 2000, and the president and unit head of the Abbott Bioresearch Center, where he was also a member of the Abbott Labs executive committee, from 2000 to 2002. Dr. Kamen served as an executive in residence at Oxford Bioscience Partners, a venture capital firm, from 2002 to 2008. He has served as a venture partner at Third Rock Ventures since 2010.

Dr. Kamen has served as a director of the following listed companies:

- Jounce Therapeutics (NASDAQ: JNCE), since June 2013; and
- Neon Therapeutics (which was formerly NASDAQ-listed with ticker symbol NTGN and subsequently acquired by Biopharmaceutical New Technologies (NASDAQ: BNTX), in May 2020), since October 2015.

Dr. Kamen received his bachelor's degree of arts in biophysics from Amherst College in the United States in 1965 and his Ph.D. in biochemistry and molecular biology from the Harvard University Graduate School of Arts and Sciences in the United States in 1970. He has also been a member of the European Molecular Biology Organization since 1976.

Dr. Xiaoping Ye, Ph.D. (葉小平), aged 57, in an independence non-executive Director of our Company. Dr. Ye joined the Group in December 2020.

From March 2005 to September 2010, Dr. Ye served successively as manager, director and general manager at Hangzhou Tigermed Limited, the predecessor of Hangzhou Tigermed Consulting Co., Ltd. (HKEX: 3347) ("**Hangzhou Tigermed**"). After the incorporation of Hangzhou Tigermed in September 2010, he served as the general manager from September 2010 to April 2019. He has served as the chairman of the board and a director of Hangzhou Tigermed since its incorporation in September 2010 and also as an executive director since April 2020. Dr. Ye is also the chairman of the Strategy Development Committee of Hangzhou Tigermed.

Dr. Ye has served as a director of Dian Diagnostics (SZSE: 300244) since March 2020 and Coland Holdings Limited (TWSE: 4144) since December 2010. Dr. Ye also served as a director of Shanghai Lide Biotech Co., Ltd., the shares of which ceased to be quoted on the National Equities Exchange and Quotations in April 2019.

Dr. Ye received his Ph.D. in immunology from Oxford University in April 2001.

Ms. Weiwei Chen (陳維維), aged 55, is an independent non-executive Director of our Company. Ms. Chen joined the Group in December 2020.

Ms. Chen joined Sanofi Group in February 2004 as chief financial officer (China) and had subsequently served as the chief financial officer (Asia) since April 2011 until her departure in June 2012. Ms. Chen then served as the chief financial officer of Yum! Brands, Inc. (China Division) between July 2012 and May 2015. Subsequently, she joined Starbucks (China) where she has served as vice president and chief financial officer from June 2015 to December 2020.

Ms. Chen received her bachelor's degree in accountancy from the University of Illinois in the United States in May 1993 and her master of administration degree from Rutgers University in the United States in October 2002.

SENIOR MANAGEMENT

Dr. Jingsong Wang, M.D., Ph.D. (王勁松), aged 56, is an executive Director, the chief executive officer and chairman of the Board of our Company. For further details, see "Executive Directors" above.

Dr. Mai-Jing Liao, Ph.D., MBA (廖邁菁), aged 50, is an executive Director and the chief commercial officer of our Company. For further details, see "Executive Directors" above.

Dr. Atul Mukund Deshpande, Ph.D., MBA, aged 41, is an executive Director and the chief strategy officer and head of U.S. operations of our Company. For further details, see "Executive Directors" above.

Mr. Lile Liu (劉禮樂), aged 58, has served as our senior vice president and head of technology platform since October 2018. He also serves as head of Suzhou operations.

Mr. Liu worked as a researcher at the Institute of Radiation Medicine of Chinese Academy of Medical Sciences from August 1985 to December 1992. In 1995, Mr. Liu joined Syntron Bioresearch, Inc. and worked as a senior researcher, manager of research & development department and supervisor in the tissue culture laboratory and the antibody & antigen production laboratory. After working in the U.S. in several positions, Mr. Liu returned to China and joined GenScript as director of antibody department, subsequently becoming operational vice president of antibody division from January 2010 to May 2010. Prior to joining our Company, he served as research fellow and then vice president, head of biologics discovery at ChemPartner from May 2010 to November 2018.

Mr. Liu received his bachelor's degree in radiology from Norman Bethune Medical University (now Jilin University) in China in May 1985. He has been a member of Chinese Association of Nuclear Medicine of Chinese Medical Society since 1992.

Directors' Report

The Board is pleased to present its Directors' Report for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the discovery and development of differentiated antibody therapeutics in immunology and oncology disease areas. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year. Record of the Company's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company will be set out in the "Environmental, Social and Governance Report" which will be published subsequently.

RESULTS

The Group's loss for the year ended 31 December 2020 and the Group's financial position at that date are set out in the consolidated financial statements.

FINAL DIVIDEND

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020 and the business outlook of the Group are set out in the section headed "Management Discussion and Analysis" on pages 11 to 27 of this annual report.

KEY FINANCIAL PERFORMANCE INDICATORS

The key financial performance indicators of the Group for the year ended 31 December 2020 are set out in the section headed "Financial Highlights" on page 5 of this annual report.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last three financial years are set out on page 5 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the Group's purchases from its largest supplier accounted for 14.2% (2019: 10.0%) of its total purchases, and the purchases from the five largest suppliers in aggregate accounted for 40.3% (2019: 33.2%) of its total purchases.

For the year ended 31 December 2020, the Group's sales to its largest customer accounted for 44.5% (2019: 50.5%) of the Group's revenue, and the sales to the five largest customers in aggregate accounted for 95.5% (2019: 87.1%) of its total revenue.

None of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of the number of issued Shares of the Company) has any interest in the Group's five largest customers and suppliers.

SUBSIDIARIES

Details of the major subsidiaries of the Company as of 31 December 2020 are set out in note 1 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2020 are set out in note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company did not have any distributable reserves.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2020 are set out in the "Financial Review" section of the Annual Report.

EQUITY-LINKED AGREEMENTS

Save for the share award schemes as set out in the section headed "equity incentive plans" below, the Group has not entered into any equity-linked agreements, nor there were any equity-linked agreements subsisted during the year ended 31 December 2020.

RISKS AND UNCERTAINTIES RELATING TO THE GROUP'S BUSINESS

The Group's financial positions, results of operations, businesses and prospects shall be subject to a number of risks and uncertainties. The Group's key risk exposures are summarised as follows:

(i) Risks related to our reliance on third parties;

(ii) Risks related to our financial positions and need for additional capital;

(iii) Risks related to clinical development of our drug candidates;

(iv) Risks related to obtaining regulatory approval for our drug candidates;

(v) Risks related to commercialization of our drug candidates;

(vi) Risks related to our intellectual property rights;

(vii) Risks related to our industry, business and operations; and

(viii) Risks related to doing business in China.

RISKS RELATED TO OUR RELIANCE ON THIRD PARTIES

- As we rely on third parties (such as CROs and CMOs) to conduct our pre-clinical studies and clinical trials, we may have limited control over the manufacturing and clinical development of our drug candidates. In addition, if we lose our relationships with these third parties or if they do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed.

- We expect to rely on third parties to manufacture our drug candidate supplies, and we intend to rely on third parties for the manufacturing process of our drug candidates, if approved. Our business could be harmed if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices.

- We have entered into collaborations and may form or seek collaborations or strategic alliances or enter into additional licensing arrangements in the future. We may not realize the benefits of such alliances or licensing arrangements.

RISKS RELATED TO OUR FINANCIAL POSITIONS AND NEED FOR ADDITIONAL CAPITAL

- We have incurred net losses in previous years and anticipate that we may continue to incur net losses for the foreseeable future and may never achieve or maintain profitability. Investors are at risk of losing substantially all of their investments in our Shares.

- We have recorded net operating cash outflows during the Reporting Period.

- We have a large balance of intangible assets and we may incur significant impairment charges which could materially impact our financial positions.

- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance. The risks involved in our business may cause prospective investors to substantially lose all of their investments in our business.

- We may need to obtain additional financing to fund our operations. If we fail to obtain such financing, we may be unable to complete the development and commercialization of our major drug candidates.

- Raising additional capital may cause dilution to the interests to the Shareholders, restrict our operations or require us to relinquish rights to our technologies or drug candidates.

Details of the Group's financial risk management are set out in note 33 to the consolidated financial statements.

RISKS RELATED TO CLINICAL DEVELOPMENT OF OUR DRUG CANDIDATES

- Our approach to developing and identifying our antibodies using our antibody platforms is novel and unproven and may not result in marketable products.

- We were established in 2016 and our business, including most of our drug candidates, is in early stages of development. It may take a long time before we commercialize a drug candidate, if ever. If we are unable to advance our drug candidates to clinical development, obtain regulatory approval and ultimately commercialize our drug candidates, or experience significant delays in doing so, our business will be materially harmed.

- Clinical development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results.

- We depend substantially on the success of our drug candidates, all of which are in pre-clinical or clinical development. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our drug candidates, or experience significant delays in doing so, our business will be materially harmed.

- We may not be successful in our efforts to use and expand our technology platforms to build a pipeline of drug candidates.

- If we encounter delays or difficulties enrolling patients in our clinical trials, our clinical development progress could be delayed or otherwise adversely affected.

- If clinical trials of our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates.

RISKS RELATED TO OBTAINING REGULATORY APPROVAL FOR OUR DRUG CANDIDATES

- All material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated.

- The regulatory approval processes of the NMPA, the U.S. FDA and other comparable regulatory authorities are time-consuming and may evolve over time. If we are ultimately unable to obtain regulatory approval for our drug candidates, our business will be substantially harmed.

- The absence of patent linkage, patent term extension and data and market exclusivity for NMPA-approved pharmaceutical products could increase the risk of early generic competition with our products in China.

- Our drug candidates may cause undesirable adverse events or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following regulatory approval.

- If we are unable to obtain the NMPA approval for our drug candidates to be eligible for an expedited registration pathway as innovative or breakthrough treatment drug candidates, the time and cost we incur to obtain regulatory approvals may increase.

- Even if we receive regulatory approval for our drug candidates, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expenses and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our drug candidates.

RISKS RELATED TO COMMERCIALIZATION OF OUR DRUG CANDIDATES

- Our drug candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success.

- We may not be able to identify, discover or in-license new drug candidates, and may allocate our limited resources to pursue a particular drug candidate or indication and fail to capitalize on drug candidates or indications that may later prove to be more profitable, or for which there is a greater likelihood of success.

- We face intense competition and rapid technological change and the possibility that our competitors may develop therapies that are similar, more advanced, or more effective than ours, which may adversely affect our financial condition and our ability to successfully commercialize our drug candidates.

- The manufacture of biologics is a complex process which requires significant expertise and capital investment. If we encounter problems in manufacturing our future products, our business could suffer.

- We have no experience in launching and marketing drug candidates. We may not be able to effectively build and manage our sales network, or benefit from third-party collaborators' sales networks.

- Even if we are able to commercialize any approved drug candidates, reimbursement may be limited or unavailable in certain market segments for our drug candidates, and we may be subject to unfavorable pricing regulations, which could harm our business.

- Current and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our drug candidates and affect the prices we may obtain.

- As we out-license some of our commercialization rights and engage in other forms of collaboration worldwide, including conducting clinical trials abroad, we may be exposed to specific risks of conducting our business and operations in international markets.

- If safety, efficacy, or other issues arise with any medical product that is used in combination with our drug candidates, we may be unable to market such drug candidate or may experience significant regulatory delays or supply shortages, and our business could be materially harmed.

- Illegal and/or parallel imports and counterfeit pharmaceutical products may reduce demand for our future approved drug candidates and could have a negative impact on our reputation and business.

- Lack of third-party combination drugs may materially and adversely affect demand for our drugs.

RISKS RELATED TO OUR INTELLECTUAL PROPERTY RIGHTS

- If we are unable to obtain and maintain patent and other intellectual property protection for our drug candidates or technology platforms, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us. Our ability to successfully commercialize any product or technology may be adversely affected.

- Changes in either patent laws or in interpretations of patent laws may diminish the value of our intellectual property.

- We may from time to time be involved in lawsuits to protect or enforce our patents or defend against patent infringements by third parties, which could be expensive, time consuming and unsuccessful.

- We enjoy only limited geographical protection with respect to certain patents and may not be able to protect our intellectual property rights throughout the world, including in the PRC.

- Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies. Our patent protection could be reduced or eliminated for non-compliance with these requirements.

- Our owned and in-licensed patents and other intellectual property may be subject to further priority disputes or to inventorship disputes and similar proceedings. If we or our licensors are unsuccessful in any of these proceedings, we may be required to obtain licenses from third parties, which may not be available on commercially reasonable terms or at all, or to modify or cease the development, manufacture and commercialization of one or more of the drug candidates we may develop, which could have a material adverse impact on our business.

- Claims that our drug candidates or the sale or use of our future products infringe, misappropriate or otherwise violate the patents or other intellectual property rights of third parties could result in costly litigation or could require substantial time and money to resolve, even if litigation is avoided.

- Issued patents covering one or more of our drug candidates could be found invalid or unenforceable if challenged in court.

- Intellectual property litigation may lead to unfavorable publicity which may harm our reputation and cause the market price of our Shares to decline. Any unfavorable outcome from such litigation could limit our research and development activities and/or our ability to commercialize our drug candidates.

- Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our drug candidates.

- If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed. We may also be subject to claims that our employees, consultants, or advisers have wrongfully used or disclosed alleged trade secrets of their former employers or claims asserting ownership of what we regard as our own intellectual property.

- We may not be successful in obtaining or maintaining necessary rights for our development pipeline through acquisitions and in-licenses.

- Our rights to develop and commercialize our drug candidates are subject, in part, to the terms and conditions of licenses granted to us by others.

- If we fail to comply with our obligations in the agreements under which we license intellectual property rights from third parties or otherwise experience disruptions to our business relationships with our licensors, we could be required to pay monetary damages or could lose license rights that are important to our business.

- Intellectual property rights do not necessarily protect us from all potential threats to our competitive advantage.

- If our trademarks and trade names are not adequately protected, we may not be able to build name recognition in our markets of interest and our competitive position may be adversely affected.

- Terms of our future patents may not be sufficient to effectively protect our drug candidates and business.

RISKS RELATED TO OUR INDUSTRY, BUSINESS AND OPERATIONS

- We face competition from entities that have developed or may develop technology platforms for the treatment of the diseases that we may target. If these entities develop technology platforms more rapidly than we do, or if their technology platforms are more effective, our ability to develop and successfully commercialize our technology platforms may be adversely affected.

- Our future success depends on our ability to attract, retain and motivate senior management and qualified scientific employees.

- We will need to increase the size and capabilities of our organization, and we may experience difficulties in managing our growth.

- The data and information that we gather in our research and development process could be inaccurate or incomplete, which could harm our business, reputation, financial condition and results of operations.

- We may be subject to liability lawsuits arising from our clinical trials.
- We have limited insurance coverage. Any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.
- Disruptions in the financial markets and economic conditions could affect our ability to raise capital.
- Our employees, independent contractors, consultants, commercial partners and vendors may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements.
- If we engage in future acquisitions or strategic partnerships, this may increase our capital requirements, dilute the value of your investment in our Shares, cause us to incur debt or assume contingent liabilities, and subject us to other risks.
- If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.
- Any failure to comply with applicable regulations and industry standards or obtain various licenses and permits could harm our reputation and our business, results of operations and prospects.
- If we or our CROs or other contractors or consultants fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.
- If we face allegations of non-compliance with laws and encounter sanctions, our reputation, revenues and liquidity may suffer. Our drug candidates and future drugs could be subject to restrictions or withdrawal from the market.
- Our internal computer systems, or those used by our CROs or other contractors or consultants, may fail or suffer security breaches.
- Product liability claims or lawsuits could cause us to incur substantial liabilities.
- Failure to comply with existing or future laws and regulations related to privacy or data security could lead to government enforcement actions, which could include civil or criminal fines or penalties, private litigation, other liabilities, and/or adverse publicity. Compliance or the failure to comply with such laws could increase the costs of our products and services, could limit their use or adoption, and could otherwise negatively affect our operating results and business.

- Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.

- Any harm to our brand recognition and reputation may materially and adversely affect our business, results of operations and prospects.

- Negative publicity with respect to us, our management, employees, business partners, affiliates, or our industry, may materially and adversely affect our reputation, business, results of operations and prospects.

- We are subject to changing law and regulations regarding regulatory matters, corporate governance and public disclosure that have increased both our costs and the risk of non-compliance.

RISKS RELATED TO DOING BUSINESS IN CHINA

- The biotechnology industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialization of our drugs.

- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

- There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

- It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.

- Our business benefits from certain financial incentives and discretionary policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.

- We may be restricted from transferring our scientific data abroad.

- Changes in U.S. and international policies, particularly with regard to China, may adversely impact our business and operating results.

- If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

- Failure to renew our current leases could materially and adversely affect our business.

- All of our leasehold interests in leased properties in the PRC have not been registered with the relevant PRC governmental authorities as required by relevant PRC laws. The failure to register leasehold interests may expose us to potential fines.

- Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

- Certain PRC regulations may make it more difficult for us to pursue growth through acquisitions.

- We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

- Any failure to comply with PRC regulations regarding our share incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

- PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to change their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC laws.

- PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of our Global Offering to make loans to our PRC subsidiaries in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

- We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributable to a PRC establishment of a non-PRC company.

There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could be material in the future.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's business is principally to discover and develop differentiated antibody therapeutics in immunology and oncology disease areas, which in general does not have any material impact on the environment. The Group is committed to the long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopts effective measures to achieve efficient use of resources, energy saving and waste reduction. The "Environmental, Social and Governance Report" containing further details of the Group's environmental policies and performance will be published subsequent to the publication of this report.

DIRECTORS

The Directors in office during the year ended 31 December 2020 and up to the date of this annual report were:

Executive Directors: Dr. Jingsong Wang (chairman of the Board, chief executive officer), Dr. Mai-Jing Liao, Dr. Atul Mukund Deshpande

Non-executive Directors: Mr. Yu Min Qiu, Mr. Junfeng Wang

Independent non-executive Directors: Dr. Robert Irwin Kamen, Dr. Xiaoping Ye, Ms. Weiwei Chen

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 28 to 33 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors. The Company considers such Directors to be independent.

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

EXECUTIVE DIRECTORS

Each of the executive Directors has entered into a service contract with the Company on 23 November 2020. The term of appointment is for an initial term of three years from the Listing Date or until the third annual general meeting of the Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The executive Directors are not entitled to receive any remuneration in their capacities as executive Directors under their respective service contracts.

NON-EXECUTIVE DIRECTORS

The non-executive Directors have entered into an appointment letter with the Company on 23 November 2020. The term of appointment is for an initial term of three years from 30 November 2020 or until the third annual general meeting of the Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The non-executive Directors are not entitled to receive any remuneration and benefits in their capacities as non-executive Directors under their respective appointment letters.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors entered into an appointment letter with the Company on 23 November 2020. The term of appointment is for an initial term of three years from 30 November 2020 or until the third annual general meeting of the Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The annual director's fees payable to the independent non-executive Directors under their respective appointment letters is US$50,000.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for those transactions disclosed in note 30 to the consolidated financial statements and in the section headed "Connected Transaction" below, no Director nor any entity connected with a Director is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is of significance to the business of the Group to which the Company or any of its subsidiaries, its parent company or fellow subsidiaries was a party during or at the end of the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and operation of the whole or any substantial part of the business of the Company were entered into or subsisted during the year ended 31 December 2020.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2020, the Group had an aggregate of 248 full-time employees. The Company has established the remuneration committee (the "**Remuneration Committee**") for reviewing the Group's remuneration policy and the remuneration structure of all of the Directors and senior management of the Group taking into consideration the Group's operating results, individual performance of each of the Directors and senior management and comparable market practices.

The Company has also adopted the Pre-IPO Share Option Scheme, the Post-IPO Stock Option Plan and the Post-IPO Share Award Scheme to incentivize eligible employees, details of which are set out in the section headed "Equity Incentive Plans" below.

Expect Mr. Junfeng Wang and Mr. Yu Min Qiu, no Directors waived or agreed to waive any remuneration, and no remunerations were paid by the Group to any Directors as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

CHANGES IN INFORMATION OF DIRECTORS

During the year ended 31 December 2020, no changes in information of Directors is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or which will be required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in the Listing Rules, to be notified to the Company and the Stock Exchange are set out below:

INTEREST IN THE COMPANY

Name of Director	Nature of interest	Number of Shares[1]	Approximate percentage of interest in the Company [1]
Dr. Jingsong Wang[3]	Interest in controlled corporations	60.334,400 (L)	7.86%
Dr. Mai-Jing Liao	Beneficial interest	8,308,000 (L)	1.08%
Dr. Atul Mukund Deshpande[4]	Beneficial interest	2,880,000 (L)	0.38%
Dr. Robert Irwin Kamen[5]	Beneficial interest	4,128,040 (L)	0.54%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The calculation is based on the total number of 767,891,160 Shares in issue as of 31 December 2020 and rounded off to two decimal places.

(3) As of 31 December 2020, Dr. Wang's interests in the Shares were held by HARBOURBIO LLC the membership interests of which were in turned held in three trusts of which he is the settlor. South Dakota Trust Company LLC (acting on the instructions of Dr. Wang) is the trustee of two of the trusts which together own 99.96% equity interest in HARBOURBIO LLC.

(4) Dr. Deshpande has been granted 2,880,000 restricted shares pursuant to the pre-IPO equity plan which are held on his behalf by Shuxin Biotech Limited.

(5) Dr Kamen holds 2,625,960 shares in his personal capacity, and the other 1,502,080 shares are restricted shares granted to Dr Kamen pursuant to the listed corporation's pre-IPO equity plan being held on his behalf by Shuxin Biotech Limited.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at any time during the year ended 31 December 2020, there were no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouses or children under 18 years of age, nor were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouses or children under 18 years of age to acquire such rights in any other body corporate.

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

As at 31 December 2020, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares[1]	Approximate percentage of interest in the Company[2]
Golden Link Investment Limited[3]	Beneficial owner	93,561,360 (L)	12.18%
Advantech Master Investment Limited[3]	Interest in controlled corporations	93,561,360 (L)	12.18%
Advantech Capital L.P.[3]	Interest in controlled corporations	93,561,360 (L)	12.18%
Advantech Capital Partners Ltd.[3]	Interest in controlled corporations	93,561,360 (L)	12.18%
Advantech Capital Holdings Ltd.[3]	Interest in controlled corporations	93,561,360 (L)	12.18%
Pang Kee Chan Hebert[3]	Interest in controlled corporations	93,561,360 (L)	12.18%
LC Healthcare Fund I, L.P.[4]	Beneficial owner	68,601,000 (L)	8.93%
LC Healthcare Fund I GP, L.P[4]	Interest in controlled corporations	68,601,000 (L)	8.93%
LC Fund GP Limited[4]	Interest in controlled corporations	68,601,000 (L)	8.93%
Union Season Holdings Limited[4]	Interest in controlled corporations	68,601,000 (L)	8.93%
Legend Capital Co., Ltd[4]	Interest in controlled corporations	68,601,000 (L)	8.93%
HARBOURBIO LLC[5]	Beneficial owner	60,334,400 (L)	7.86%
South Dakota Trust Company LLC	Trustee	60,334,400 (L)	7.86%
Jingsong Wang[5]	Interest in controlled corporations	60,334,400 (L)	7.86%
Owap Investment Pte Ltd.[6]	Beneficial owner	50,632,400 (L)	6.59%
GIC (Ventures) Pte Ltd[6]	Interest in controlled corporations	50,632,400 (L)	6.59%
GIC Special Investments Pte. Ltd[6]	Interest in controlled corporations	50,632,400 (L)	6.59%
GIC Private Limited[6]	Interest in controlled corporations	53,632,400 (L)	6.98%
Morgan Stanley	Interest in controlled corporations	46,874,355 (L)	6.10%
		20,733,000 (S)	2.69%
Morgan Stanley & Co. International plc	Underwriter	39,941,000 (L)	5.20%
		20,733,000 (S)	2.69%
Morgan Stanley International Holdings Inc.	Interest in controlled corporations	39,941,000 (L)	5.20%
		20,733,000 (S)	2.69%
Morgan Stanley International Limited	Interest in controlled corporations	39,941,000 (L)	5.20%
		20,733,000 (S)	2.69%
Morgan Stanley Investments (UK)	Interest in controlled corporations	39,941,000 (L)	5.20%
		20,733,000 (S)	2.69%

Notes:

(1) The letter "L" denotes the person's long position in the Shares. The letter "S" denotes the person's short position in the Shares.

(2) The calculation is based on the total number of 76,789,160 Share in issue as of 31 December 2020 and rounded off two decimal places.

(3) Golden Link Investment Limited is a wholly-owned subsidiary of Advantech Master Investment Limited, which is in turn a wholly-owned subsidiary of Advantech Capital L.P. ("**Advantech Capital**"). The general partner of Advantech Capital is Advantech Capital Partners Ltd., which is wholly-owned by Advantech Capital Holdings Ltd., which is in turn wholly-owned by Mr. PANG Kee Chan Hebert. Therefore, under the SFO, Advantech Master Investment Limited, Advantech Capital, Advantech Capital Partners Ltd., Advantech Capital Holdings Ltd. and Mr. Pang are deemed to be interested in the 2,339,034 Shares held by Golden Link Investment Limited.

(4) Legend Capital Co., Ltd is deemed to be interested in the equity interests held by LC Healthcare Fund I, L.P., due to the fact that it is the sole shareholder of Union Season Holdings Limited, which is the sole shareholder of LC Fund GP Limited, which in turn is the general partner of LC Healthcare Fund I GP, L.P, which in turn is the general partner of LC Healthcare Fund I, L.P.. Legend Capital Co., Ltd is ultimately controlled by each of Zhu Linan, Chen Hao and Wang Nengguang. Therefore, under the SFO, LC Healthcare Fund I GP, L.P, LC Fund GP Limited, Union Season Holdings Limited and Legend Capital Co., Ltd are deemed to be interested in the 1,636,750 Shares (or 65,470,000 Shares after the Share Subdivision and Conversion) held by LC Healthcare Fund I, L.P..

(5) HARBOURBIO LLC is a company incorporated in the State of South Dakota in the U.S. and is wholly owned and controlled by Dr. Jingsong Wang.

(6) Owap Investment Pte Ltd. is wholly-owned by GIC (Ventures) Pte Ltd and managed by GIC Special Investments Pte. Ltd, which is wholly-owned by GIC Private Limited. Therefore, under the SFO, GIC (Ventures) Pte Ltd, GIC Special Investments Pte. Ltd and GIC Private Limited are deemed to be interested in the 1,265,810 Shares (or 50,632,400 Shares after the Share Subdivision and Conversion) held by Owap Investment Pte Ltd..

Save as disclosed above, as of 31 December 2020, the Directors are not aware of any other person who have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting Shares of the Company or any other member of the Group.

EQUITY INCENTIVE PLANS

1. PRE-IPO EQUITY PLAN

The Pre-IPO Equity Plan was approved and adopted pursuant to the written resolution of the sole shareholder of the Company dated 11 November 2016 and amended on 26 October 2017, 6 August 2018, 19 September 2019 and 24 June 2020.

The purposes of the Pre-IPO Equity Plan are:

(a) to attract and retain the best available personnel for positions of substantial responsibility;

(b) to provide incentives that align the interests of employees, Directors and Consultants with those of the Company's shareholders; and

(c) to promote the success of the Company's business.

The Pre-IPO Equity Plan permits the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock and restricted stock snits (each an "**Award**").

Incentive stock options may be granted only to employees (as defined in the Plan), while nonstatutory stock options, stock appreciation rights, Restricted stock and restricted stock units may be granted to employees, Directors or consultants.

The maximum aggregate number of Shares that are available for all Awards is 132,499,240 Shares.

The Pre-IPO Equity Plan has a term of ten years commencing from 11 November 2016. The Scheme is administrated by the Board and the trustee of the Pre-IPO Equity Plan. For details of the Pre-IPO Equity Plan, please refer to the prospectus of the Company.

As of 31 December 2020, the aggregate number of restricted shares and restricted share units granted under the Pre-IPO Equity Plan (which remain outstanding) were 105,688,400 and 9,775,760, respectively, including those were granted, as resolved by the Board, to 182 grantees, comprised of 161 current employees of the Group, eight ex-employees of the Group, six members of the scientific advisory board, six external researchers in the Netherlands and an external consultant (Dr. Xun Zhu (朱迅)), who have been granted share awards pursuant to the Pre-IPO Equity Plan with the number of underlying ordinary shares ranging from 14,400 to 2,880,000 and are collectively interested in 41,389,160 ordinary shares of the Company. Those Shares included 144,000 Award Shares not vested due to the departure of the Company's employees.

2. POST-IPO SHARE OPTION SCHEME

The Post-IPO Share Option Scheme was conditionally adopted pursuant to the written resolutions of the Shareholders passed on 23 November 2020.

The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options.

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company is 76,789,116, being no more than 10% of the Shares in issue on the Listing Date (the "**Option Scheme Mandate Limit**").

As at 31 December 2020, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 76,789,116 Shares (representing approximately 10% of the number of issued Shares as at the date of this annual report).

The Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the Option Scheme Mandate Limit as refreshed cannot exceed 10% of the Shares in issue as at the date of such approval. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date (after which no further options shall be offered or granted).

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company to each selected participant (including both exercised and outstanding options) in any 12 month period shall not exceed 1% of the total number of Shares in issue.

A consideration of HK$1.00 is payable within 20 business days from the date of grant of an option.

An option may, subject to the rules of the Post-IPO Share Option Scheme and the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as our Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

Pursuant to the Post-IPO Share Option Scheme, the participants may subscribe for the Shares on the exercise of an option at the price determined by the Board provided that it shall be at least the highest of (a) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

3. POST-IPO SHARE AWARD SCHEME

The Post-IPO Share Award Scheme conditionally adopted by resolutions passed in the meeting of our Shareholders dated 23 November 2020.

Any individual, being an employee, director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (an "**Eligible Person**" and, collectively "**Eligible Persons**") who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an Award.

The purposes of the Post-IPO Share Award Scheme are to align the interests of Eligible Persons' with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group

The aggregate number of Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 38,394,558 Shares (representing approximately 5% of the total issued Shares immediately after completion of the Global Offering) without Shareholders' approval, subject to an annual limit of 1% of the total number of issued Shares at the relevant time.

The Post-IPO Share Award Scheme has a term of ten years commencing on the Listing Date.

As at 31 December 2020, no Shares had been granted or agreed to be granted pursuant to the Post-IPO Share Award Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Award Scheme was 38,394,558 Shares (representing approximately 5% of the number of issued Shares as at the date of this annual report).

CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the year ended 31 December 2020, the Company has no controlling shareholder.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Other than the Global Offering, from the Listing Date until 31 December 2020, the Company and its subsidiaries have neither sold, purchased or redeemed any of its listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at 31 December 2020, none of the Directors or their respective associates engaged in or had any interest in any business which competes or may compete, either directly or indirectly, with the businesses of the Group.

CONNECTED TRANSACTIONS

During the Reporting Period, the Group has not entered into any connected transactions (or continuing connected transactions) which are not exempt from the annual reporting requirements pursuant to Chapter 14A of the Listing Rules.

Significant related party transaction of the Group for the year ended 31 December 2020 are disclosed in note 30 to the consolidated financial statements. None of the related party transactions identified in Note 30 to the consolidated financial statements would constitute a connected transaction under Chapter 14A of the Listing Rules and the Company has complied with the requirements under Chapter 14A of the Listing Rules as and where applicable and relevant.

CHARITABLE DONATIONS

For the year ended 31 December 2020, the Group has made a charitable donation of RMB1.00 million to the Red Cross Society of China in support of its humanitarian aid. The donation was specifically made for the construction of the Leishenshan Hospital in Wuhan.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2020, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance as known to the Directors to be pending or threatened against the Company.

PERMITTED INDEMNITY PROVISION

For the year ended 31 December 2020, the Company has arranged appropriate liability insurance to cover the Directors for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

POST BALANCE SHEET EVENTS

The Group did not have any material post balance sheet events.

DISCLOSURE UNDER RULES 13.20 TO 13.22 OF THE LISTING RULES

The Directors are not aware of any circumstances resulting in a disclosure obligation under Rules 13.20 to 13.22 of the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 60 to 73 of this annual report.

USE OF NET PROCEEDS

The Company's shares were listed on the Stock Exchange on 10 December 2020 with a total of 138,221,000 offer shares issued and the net proceeds raised during the Global Offering were approximately HK$1,656.6 million. There was no change in the intended use of proceeds as previously disclosed in the Prospectus. The Company plans to utilize the balance of net proceeds of the Global Offering by the end of 2023.

Set out below is the status of use of proceeds from the Global Offering as at 31 December 2020.

Purpose	% of use of proceeds	Net proceeds (HK$ million)	Utilised for the year ended 31 December 2020	Unutilised amount as at 31 December 2020
Funding ongoing and planned clinical trials and other related research and development activities, preparation for registration filings and potential commercial launches in Greater China of batoclimab (HBM9161), one of our Core Products	29%	408.4	0	480.4
Funding ongoing and planned clinical trials and other related research and development activities, preparation for registration filings and potential commercial launches in Greater China of tanfanercept (HBM9036), one of our Core Products	8%	132.5	0	132.5
Funding ongoing and planned clinical trials in Greater China and Australia, preparation for registration filings and potential commercial launches of HBM4003, our anchor asset, in Greater China, the United States and other jurisdictions	23%	381.0	0	381.0
Funding the research and development of our other drug candidates seeking IND approvals and yet to commence clinical trials or those in pre-clinical studies	15%	248.5	0	248.5
Funding the discovery of innovative molecules generated from our Harbour antibody platforms	12%	198.8	0	198.8
Funding the continued improvement of our platform technologies and our pursuit of licensing and collaboration opportunities utilizing our Harbour antibody platforms	5%	82.9	0	82.9
Working capital and other general corporate purposes	8%	132.5	0	132.5
Total	**100%**	**1,656.6**	**0**	**1,656.6**

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, were held by the public at all times as of the date of this annual report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2020 have been audited by Ernst & Young. A resolution will be proposed by the Company in the forthcoming Annual General Meeting ("AGM") to re-appoint Ernst & Young as the auditor of the Company.

On behalf of the Board
Dr. Jingsong Wang
Chairman
29, March 2021

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company during the period from the Listing Date to 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving and establishing high standards of corporate governance, which are essential in 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.

In order to accomplish this, we have adopted and complied with the applicable principles and code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules during the period from the Listing Date to 31 December 2020, except as disclosed in this corporate governance report.

The Company has devised its own Corporate Governance Policy which incorporates the principles and practices as set out in the CG Code.

The Board is of the view that throughout the period from the Listing Date to 31 December 2020, the Company has complied with all the applicable code provisions as set out in the CG Code, except for the deviation from code provisions A.1.1 and A.2.1, details of which are set out below.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. Our Audit Committee would assist the Board in leading the management and overseeing the design, implementation and supervision of internal control.

During the Reporting Period, we regularly reviewed and enhanced our risk management and internal control system, which have been designed to manage the risks and uncertainties that could cause the Group's financial condition or business performance to differ materially from expected or historical results. Below is a summary of the risk management and internal control policies, measures and procedures we have implemented or plan to implement:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as protection of intellectual property, environment protection and occupational health and safety.

- We have established standard operating programs that govern our activities, including an integrated procure-to-pay process, standardized accrual methods, and budgeting and tracking mechanisms.

- We provide our staff with staff handbooks that are revised from time to time. To enhance compliance awareness, we established a staff induction training program and we also provide regular internal and external compliance training to our staff as a part of the staff training program.

- With the help of our legal advisers, the Directors who are responsible for monitoring the Group's corporate governance also regularly review our compliance with all relevant laws and regulations.

- Our Audit Committee assists the Board in overseeing the effectiveness of the risk management of the internal control system. Our Audit Committee maintains a regular dialogue with the Company's external auditors and reviews the Company's financial statements. Our Audit Committee makes recommendations to the Directors on the appointment and removal of the external auditors and makes recommendations on financial reporting and supervision of the Group's internal control procedures. The Company has established a compliance team to review grants and sponsorships and other compliance initiatives.

- The Board evaluates the design and operational effectiveness of the Company's internal control system and no material weaknesses are revealed in the evaluation results.

- We have engaged a PRC law firm to regularly advise us on and keep us abreast with the PRC laws and regulations. We will continue to arrange various trainings to be provided by external advisers from time to time when necessary and/or by any appropriate accredited institution to update our Directors, senior management and relevant employees on the latest PRC laws and regulations.

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

We have established procedures and internal controls for the handling and dissemination of inside information. We have reviewed the effectiveness of the risk management and internal control systems which has been conducted in 2020. We consider such procedures and internal controls are effective and adequate.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix X of the Listing Rules as its code of conduct regarding Directors' securities transactions. The Company has made specific enquiry on all Directors and they confirmed that they have complied with the Model Code during the period from the Listing Date to the date of this annual report.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by 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 employees was noted by the Company.

BOARD OF DIRECTORS

RESPONSIBILITY

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

All Directors shall ensure that they perform their duties in good faith, comply with applicable laws and regulations, and at all times act in the interests of the Company and its Shareholders.

As stipulated in Principle A.1 of the CG Code, 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.

The Company has arranged for Directors to take out appropriate liability insurance to indemnify them against liabilities arising from their corporate activities. The scope of the insurance will be reviewed annually.

COMPOSITION OF THE BOARD

Our Board currently consists of three executive Directors (namely Dr. Jingsong Wang (chief executive officer and chairman of the Board), Dr. Mai-Jing Liao and Dr. Atul Mukund Deshpande), two non-executive Directors (namely Mr. Yu Min Qiu and Mr. Junfeng Wang) and three independent non-executive Directors (namely Dr. Robert Irwin Kamen, Dr. Xiaoping Ye and Ms. Weiwei Chen). The biographical details of the Directors are set out in the section titled "Directors and Senior Management" on pages 28 to 33 in this annual report.

During the year ended 31 December 2020, the Board has complied with the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of at least three independent non-executive Directors and at least one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.

Under Rule 3.10A of the Listing Rules, a listed issuer must appoint independent non-executive Directors representing at least one-third of the board. The Company currently has three independent non-executive Directors representing more than one-third of the Board, and hence the Company is in compliance with Rule 3.10A of the Listing Rules.

The Company has received from each of the independent non-executive Directors an annual written confirmation of 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 the independent non-executive Directors are independent.

None of the Directors has any personal relationships (including financial, business, family or other materially related relationships) with any other Directors and members of senior management.

All Directors, including the independent non-executive Directors, bring a variety of valuable business experience, knowledge and expertise to the Board for efficient and effective operation. The independent non-executive Directors are invited to join the Audit Committee, the Remuneration Committee and the Nomination Committee.

To the extent that the provisions of the CG Code require Directors to disclose to the issuer the number and nature of offices held in public companies or organizations and other significant commitments and the duties and the time involved, the Directors have agreed to disclose their duties and commitments to the Company in a timely manner.

APPOINTMENT AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed director will receive formal, comprehensive and individually tailored induction training upon his or her appointment to ensure that he or she has a proper understanding of the business and operations of the Company and is fully aware of the duties and responsibilities of directors under the Listing Rules and relevant statutory requirements.

The Company arranges regular seminars for the Directors from time to time to provide updates on the latest development and changes in the Listing Rules and other relevant laws and regulatory requirements. The Directors are also provided with regular updates on the performance, position and prospects of the Company to facilitate the discharge of their duties by the Board as a whole and each of the Directors.

The Company encourages the Directors to participate in continuous professional development to develop and update their knowledge and skills. During the period from the Listing Date to 31 December 2020, all the Directors, participated in continuous professional development to develop and update their knowledge and skills in accordance with code provision A.6.5 of the CG Code. The Company's external lawyers also provided briefings, presentations and information to the Directors to enable each of them to have further training on the roles, functions and responsibilities of directors of listed companies. All Directors received this training. The Company's external company secretarial service organization updates and provides written training materials on the roles, functions and responsibilities of Directors from time to time and all Directors study such materials and are required to submit signed training records to the Company annually.

The training records of the Directors for the year ended 31 December 2020 and up to date of this report are summarized as follows:

Name of Directors	Types of Training [Note]
Dr. Jingsong Wang	A, B
Dr. Mai-Jing Liao	A, B
Dr. Atul Mukund Deshpande	A, B
Mr. Yu Min Qiu	A, B
Mr. Junfeng Wang	A, B
Dr. Robert Irwin Kamen	A, B
Dr. Xiaoping Ye	A, B
Ms. Weiwei Chen	A, B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications (such as the Stock Exchange's letters to authorized representatives of listed issuers)

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the CG Code,, the responsibilities between the chairman and the chief executive officer should be separate and should not be performed by the same individual. Companies listed on the Stock Exchange are expected to comply with such requirement, but may choose to deviate from such requirement. Currently, the Company does not have a separate chairman and chief executive officer and Dr. Jingsong Wang currently performs both roles.

Our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors entered into a service contract with our Company on 23 November 2020. The term of appointment is for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

NON-EXECUTIVE DIRECTORS

Each of our non-executive Directors entered into an appointment letter with our Company on 23 November 2020. The term of appointment is for an initial term of three years from 30 November 2020 or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

Each of our independent non-executive Directors entered into an appointment letter with our Company on 23 November 2020. The term of appointment is for an initial term of three years from 30 November 2020 or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

Pursuant to the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

The procedures and processes for the appointment, re-election and removal of Directors are set out in the Articles of Association.

The Nomination Committee is responsible for reviewing the composition of the Board and monitoring the appointment, re-election and succession plan of the Directors.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

The Company adopts the practice of holding regular Board meetings at least four times a year and approximately once every quarter, involving active participation, either in person or through electronic means of communication, of a majority of Directors. The Company gives not less than 14 days' notice of all regularly scheduled Board meetings to give all Directors an opportunity to attend the regular meetings and to put relevant matters on the agenda. For other Board and committee meetings, reasonable notice will generally be given. The agenda and accompanying Board papers are sent to the Directors or committee members at least three days prior to the meeting to ensure that they have sufficient time to review the documents and prepare adequately for the meeting. When a Director or committee member is unable to attend a meeting, he or she will be informed of the matters to be discussed and will have an opportunity to express his or her views to the Chairman prior to the meeting. Minutes of the meetings are kept by the company secretary of the Company and copies will be sent to all Directors for reference and records.

Minutes of Board and committee meetings record in sufficient detail of the matters considered and decisions reached by the Board and the respective committee, including any questions from the Directors. Draft minutes of each Board meeting and committee meeting are sent to the Directors for comment within a reasonable time after the date of the meeting. The Directors have the right to inspect the minutes of the Board meetings.

Code provision A.1.1 of the CG Code stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on the Listing Date, the Board has held one meeting and did not hold any general meeting.

The Board will make arrangements for holding at least four regular Board meetings and a meeting between the Chairman and the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors once a year.

The attendance record of each of the Directors at such meeting is set out in the following table:

Director	Attendance/Eligible Attendance Board meeting	General meeting
Dr. Jingsong Wang	1/1	N/A
Dr. Mai-Jing Liao	1/1	N/A
Dr. Atul Mukund Deshpande	1/1	N/A
Mr. Yu Min Qiu	1/1	N/A
Mr. Junfeng Wang	1/1	N/A
Dr. Robert Irwin Kamen	1/1	N/A
Dr. Xiaoping Ye	1/1	N/A
Ms. Weiwei Chen	1/1	N/A

As the Company was listed on the Stock Exchange on the Listing Date, the Chairman of the Board did not hold a meeting with the independent non-executive Directors.

AUTHORIZATION BY THE BOARD

The Board reserves the right of decisions making on all major issues of the Company, including: approving and monitoring all policy matters, overall strategy and budget, internal control and risk management systems, material transactions (especially those with potential conflicts of interest), financial information, appointment of directors and other material financial and operational matters. Directors may seek independent professional advice at the Company's expense when they perform their duties and the Company encourages the Directors to seek independent advice from the Company's senior management.

Responsibility for the day-to-day management, administration and operations of the Group has been delegated to the senior management. The delegated functions and responsibilities are regularly reviewed by the Board. Management shall obtain the Board's approval before entering into any material transactions.

CORPORATE GOVERNANCE FUNCTIONS

The Board is aware that corporate governance is a shared responsibility of all Directors. The corporate governance responsibilities delegated to the Nomination Committee include:

- To develop, review and implement the Company's policies and practices on corporate governance and make recommendations to the Board;
- To review and monitor the training and continuous professional development of Directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual applicable to employees and directors;
- To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

– To develop, review and monitor the implementation of shareholders' communication policy to ensure its effectiveness, and to make recommendations to the Board when appropriate to help strengthen the relationship between the Company and its shareholders.

During the year ended 31 December 2020, the Company has updated the compliance manual on disclosable transactions and inside information in accordance with the Listing Rules as a guide for employees to report undisclosed inside information to the Company to ensure consistent and timely disclosure and to meet the Company's continuous disclosure obligations.

BOARD COMMITTEE

NOMINATION COMMITTEE

For the year ended 31 December 2020, the Nomination Committee consists of three members, namely Dr. Jingsong Wang (Executive Director), Dr. Robert Irwin Kamen (independent non-executive Director) and Dr. Xiaoping Ye (independent non-executive Director). Dr. Jingsong Wang is the chairman of the Nomination Committee.

The major duties of the Nomination Committee include the following:

– To review the structure, size and composition of the Board, and to make recommendations for any proposed change;

– To identify suitable candidates to be appointed as directors;

– To make recommendations to the Board on the appointment or re-appointment of directors and succession planning; and

– To assess the independence of independent non-executive Directors.

The Nomination Committee will evaluate the candidates or incumbent candidates based on criteria such as integrity, experience, skills and ability to commit time and effort to perform their duties and responsibilities. The recommendation of the Nomination Committee will then be put to the Board for decision and its written terms of reference is available on the websites of the Stock Exchange and the Company.

As the Company was listed on the Stock Exchange on the Listing Date, no Nomination Committee meeting was held.

Director	Attendance/ Eligible Attendance
Dr. Jingsong Wang (Chairman)	N/A
Dr. Robert Irwin Kamen	N/A
Dr. Xiaoping Ye	N/A

NOMINATION COMMITTEE'S POLICY FOR THE NOMINATION OF DIRECTORS

Nomination criteria

When considering a candidate nominated for directorship or a director's proposed re-appointment, the Nomination Committee will take into account the following factors:

- Age, skills, experience, professional and educational qualifications, background and other personal qualities of the candidate;
- Effect on the Board members' composition and diversity;
- Potential/actual conflicts of interest that may arise if the candidate is selected, and independence of the candidate;
- Commitment of the candidate to devote sufficient time to effectively carry out his/her duties;
- In the case of a proposed re-appointment of an independent non-executive Director, the number of years he/she has already served the Company; and
- Other factors considered to be relevant by the Nomination Committee on a case by case basis.

NOMINATION PROCEDURES

The Nomination Committee shall consider the suitability of such person and assess the independence of the proposed independent non-executive Director in accordance with the Listing Rules, the Board's Diversity Policy and the Board's Nomination Policy;

The Nomination Committee shall make recommendations to the Board;

The Board shall consider the people recommended by the Nomination Committee in accordance with the Listing Rules (including CG Code in Appendix 14 of the Listing Rules), the Board's Nomination Policy and the Board's Diversity Policy;

When filling a vacancy and appointing a new director, the Board confirms the person appointed as a director and the new director is subject to re-election by the shareholders of the Company at the next annual general meeting in accordance with the Articles of Association;

Upon retirement of a retiring Director, the Board shall recommend the retiring Directors for re-election at the annual general meeting pursuant to the recommendation of the Nomination Committee. The appointment of the retiring Directors is subject to the approval of the Shareholders at the annual general meeting; and

The Board reserves the right of final decision on all matters relating to the selection and appointment of Directors.

REMUNERATION COMMITTEE

For the year ended 31 December 2020, the Remuneration Committee consists of three members, namely Dr. Jingsong Wang (Executive Director), Dr. Xiaoping Ye (independent non-executive Director) and Ms. Weiwei Chen (independent non-executive Director), Dr. Xiaoping Ye is the chairman of the Remuneration Committee.

The major duties of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management; reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives; and making recommendations to the Board on specific remuneration packages for all Executive Directors and senior management. The Remuneration Committee is also responsible for establishing a transparent process for developing such remuneration policy and structure to ensure that no Director or any of his/her associates is involved in determining his/her own remuneration, which will be determined with reference to individual and Company performance as well as market practice and market conditions, and its written terms of reference is available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2020, one Remuneration Committee meeting was held.

Director	Attendance/ Eligible Attendance
Dr. Xiaoping Ye (Chairman)	1/1
Dr. Jingsong Wang	1/1
Ms. Weiwei Chen	1/1

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

Remuneration by band of the 4 members of the senior management of the Company for the year ended 31 December 2020 are set out below.

Annual Remuneration	Number of Individual(s)
Below HK$5,000,000	1
HK$5,000,001 to HK$10,000,000	0
HK$10,000,001 to HK$15,000,000	1
HK$15,000,001 to HK$20,000,000	1
Above HK$20,000,001	1
	4

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code set out in Appendix 14 to the Listing Rules. For the year ended 31 December 2020, the Audit Committee consists of three members, namely Mr. Yu Min Qiu (Non-Executive Director), Dr. Xiaoping Ye (independent non-executive Director) and Ms. Weiwei Chen (independent non-executive Director). Ms. Weiwei Chen is the chairwoman of the Audit Committee and has appropriate qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The major duties of the Audit Committee include the following:

– To review the financial statements and reports before submission to the Board and to consider any significant or unusual items raised by the internal audit department or the external auditors;

– To review the relationship with the external auditor with reference to the work performed by the auditor, its fees and terms of engagement, and to make recommendations to the Board on the appointment, reappointment and removal of the external auditor; and

– To review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control system and related programs, including the adequacy of the Company's resources, staff qualifications and experience, training programs and budget for the accounting and financial reporting function.

As the Company was listed on the Stock Exchange on the Listing Date, no Audit Committee meeting was held.

Director	Attendance/ Eligible Attendance
Ms. Weiwei Chen (Chairwoman)	N/A
Mr. Yu Min Qiu	N/A
Dr. Xiaoping Ye	N/A

Subsequent to 31 December 2020, the Audit Committee held a meeting to review the financial reporting system, compliance process, risk management and internal control system and its process and reappointed external auditor.

The Audit Committee also reviewed the final results for the financial year, and the audit report prepared by the external auditors on the accounting matters and significant findings arising from the audit process. The Company has made appropriate arrangements for employees to raise concerns in confidence about possible improprieties in financial reporting, risk management and other matters of the internal control system, and its written terms of reference is available on the websites of the Company and the Stock Exchange.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING IN RELATION TO FINANCIAL STATEMENTS

The Directors are fully aware of their responsibilities in relation to the preparation of the financial statements for the year ended 31 December 2020 and give a true and fair view of the affairs of the Company and the Group and of the results and cash flows of the Group.

Management has provided related explanation and information to the Board as is necessary to make an informed assessment of the Company's financial statements, which is subject to the Board's approval. The Company provides monthly updates on the Company's performance, position and prospects to all members of the Board.

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

The statement of the Company's auditors regarding their reporting responsibilities on the Company's consolidated financial statements are set out in the Independent Auditor's Report on pages 74 to 164 of this Annual Report.

COMPANY SECRETARY

Mr. Wing Yat Christopher Lui, manager of Tricor Services Limited, an external service provider, has been appointed as the Company's company secretary.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

Mr. Bruce Zhang, Head of Legal, and Mr. Richard Fu, Senior Manager of Investor Relations, have been designated as the primary contact persons at the Company which would work and communicate with Mr. Lui on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2020, Mr. Lui has undertaken not less than 15 hours of relevant professional training to update his skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

AUDITOR'S REMUNERATION

During the Reporting Period, the audit fees paid by the Group to the external auditor was approximately USD0.89 million. The audit fees represented the Group's annual audit fees for the year ended 31 December 2020 and the audit fees for the Listing.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that effective communication with shareholders is essential to improve investor relations and understanding of the Group's business, performance and strategy. The Company also recognizes the importance of timely and non-selective disclosures that will enable shareholders and investors to make informed investment decisions.

The annual general meeting provides an opportunity for shareholders to communicate directly with the Directors. The chairman of the Company and the chairmen of the Board Committees will attend the annual general meeting to answer questions from shareholders. The Company's external auditors will also attend the annual general meeting to answer questions about the audit, the preparation and content of the auditor's report, accounting policies and auditor independence.

In order to facilitate effective communication, the Company has adopted a shareholder communication policy aimed at establishing mutual relationship and communication between the Company and its shareholders and maintains a website at www.harbourbiomed.com. The Company will post updates relating to its business operations and development, financial information, corporate governance practices and other information on its website for public access.

SHAREHOLDERS' RIGHTS

In order to protect the interests and rights of shareholders, each matter will be proposed at a general meeting by way of individual resolution, including the election of individual directors.

All resolutions proposed at the AGM will be voted on by way of poll in accordance with the Listing Rules and the poll results will be published on the Company's website and the website of the Stock Exchange in due course after each AGM.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy (the "**Dividend Policy**"). Pursuant to the Dividend Policy, it is expected that, subject to compliance with applicable laws and regulations, the Company will declare dividends, which will be announced after the publication of the interim results announcement and the annual results announcement respectively. The dividend will be declared and paid in Hong Kong dollars.

In accordance with the Dividend Policy, the Board shall consider the following factors before declaring or recommending dividends:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- other factors that the Board may consider relevant.

The payment of dividend by the Company is also subject to applicable laws and regulations, including the Cayman Islands laws and the Articles of Association. The Board will review this Dividend Policy from time to time and does not guarantee that any particular amount of dividend will be paid for any specified period.

CONVENING EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Proposals may be put forward by shareholders for consideration at general meetings in accordance with the Articles of Association of the Company. The procedures for nominating a person for election as a Director are available on the Company's website and the website of the Stock Exchange.

MAKING ENQUIRIES TO THE BOARD

Shareholders who wish to make enquiries about the Company to the Board may send their enquiries to the Company's principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (email address: ir@harbourbiomed.com).

AMENDMENT TO CONSTITUTIONAL DOCUMENTS

No changes were made to the Memorandum and Articles of Association for the year ended 31 December 2020.

Independent auditor's report

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To the shareholders of HBM Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of HBM Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 80 to 164, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the 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.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of indefinite-life intangible asset	
The carrying value of the indefinite-life intangible asset (technology licencing agreement) in the consolidated financial statements amounted to USD7,600,000 as at 31 December 2020. In accordance with IFRSs, the Group is required to perform impairment test for the indefinite-life intangible asset at least on an annual basis. The impairment test is based on the recoverable amount of the individual asset which was determined based on fair value less cost of disposal. The impairment test process was complex and involved significant management judgements and estimates. The disclosures about impairment of the indefinite-life intangible asset are included in note 2.4 *Summary of significant accounting policies*, note 3 *Significant accounting judgements and estimates* and note 15 *Intangible assets.*	Our audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by management, in particular, discount rates, royalty rates and growth rates beyond the budget period used in the valuation method based on the cash flow forecast of the asset. We paid attention to the forecast used with respect to future revenues and operating results by comparing the forecasts with the business development plan of the indefinite-life intangible asset. We also evaluated the objectivity, competence and capability of the external valuer engaged by management. We also focused on the adequacy of the related disclosures in the consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Cut-off of research and development costs	
For the year ended 31 December 2020, the Group incurred research and development costs amounting to USD55,244,000. A large portion of the research and development costs were clinical trial expenses and service fees paid to contract research organisations ("CROs"). The research and development activities with these CROs are documented in detailed agreements and are typically performed over an extended period. Allocation of these costs to the appropriate reporting period based on the progress of the research and development projects requires estimation. The disclosures about accounting policies of research and development cost recognition are included in note 2.4 *Summary of significant accounting policies* and note 3 *Significant accounting judgements and estimates*.	We reviewed the key terms set out in agreements with CROs. We evaluated the progress of the research and development projects based on inquiry with project managers, review of supporting documents, obtaining confirmations from CROs and checking subsequent billings and payments, on a sample basis, in order to determine completeness, cut-off and nature of the research and development costs.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong

29 March 2021

Consolidated Statement of Profit or Loss

Year ended 31 December 2020

	Notes	2020 USD'000	2019 USD'000
REVENUE	5	**14,107**	5,419
Cost of sales		**(449)**	(623)
Gross profit		**13,658**	4,796
Other income and gains	5	**5,270**	1,581
Administrative expenses		**(46,294)**	(10,587)
Research and development costs		**(55,244)**	(49,477)
Loss on fair value change of convertible redeemable preferred shares	24	**(213,703)**	(13,387)
Other expenses		**(45)**	(301)
Finance costs	6	**(280)**	(213)
LOSS BEFORE TAX	7	**(296,638)**	(67,588)
Income tax credit	10	**99**	92
LOSS FOR THE YEAR		**(296,539)**	(67,496)
Attributable to:			
Owners of the parent		**(296,397)**	(67,460)
Non-controlling interests		**(142)**	(36)
		(296,539)	(67,496)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (USD)	12	**(1.69)**	(0.57)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	2020 USD'000	2019 USD'000
LOSS FOR THE YEAR	**(296,539)**	(67,496)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(656)**	(80)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(656)**	(80)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(297,195)**	(67,577)
Attributable to:		
Owners of the parent	**(297,053)**	(67,541)
Non-controlling interests	**(142)**	(36)
	(297,195)	(67,577)

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 USD'000	2019 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**10,262**	12,997
Right-of-use assets	14	**1,351**	1,829
Intangible assets	15	**7,800**	8,192
Other non-current assets		**29**	–
Total non-current assets		**19,442**	23,018
CURRENT ASSETS			
Trade receivables	16	**1,056**	1,673
Prepayments, other receivables and other assets	17	**11,293**	10,771
Amounts due from shareholders	30	**–**	250
Other financial assets	18	**153**	396
Cash and bank balances	19	**356,794**	33,391
Total current assets		**369,296**	46,481
CURRENT LIABILITIES			
Trade payables	20	**7,960**	9,317
Other payables and accruals	21	**14,784**	3,034
Contract liabilities	22	**1,361**	4,429
Lease liabilities	14	**1,447**	1,134
Total current liabilities		**25,552**	17,914
NET CURRENT ASSETS		**343,744**	28,567
TOTAL ASSETS LESS CURRENT LIABILITIES		**363,186**	51,585

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 USD'000	2019 USD'000
NON-CURRENT LIABILITIES			
Lease liabilities	14	**278**	774
Deferred tax liabilities	23	**1,900**	1,999
Convertible redeemable preferred shares	24	**–**	202,259
Total non-current liabilities		**2,178**	205,032
Net assets/(liabilities)		**361,008**	(153,447)
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	**19**	5
Treasury shares	25	**(1)**	(1)
Reserves	26	**361,168**	(153,415)
		361,186	(153,411)
Non-controlling interests		**(178)**	(36)
Total equity/(deficit)		**361,008**	(153,447)

Jingsong Wang
Director

Mai-Jing Liao
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the parent								
	Share capital USD'000	Treasury shares USD'000	Share premium* USD'000	Capital Reserve* USD'000	Exchange fluctuation reserve* USD'000	Accumulated losses* USD'000	Sub-total USD'000	Non-controlling interests USD'000	Total USD'000
As at 1 January 2020	5	(1)	9,224	–	66	(162,705)	(153,411)	(36)	(153,447)
Loss for the year	–	–	–	–	–	(296,397)	(296,397)	(142)	(296,539)
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	(656)	–	(656)	–	(656)
Total comprehensive loss for the year	–	–	–	–	(656)	(296,397)	(297,053)	(142)	(297,195)
Issue of ordinary shares other than initial public offering ("IPO") (note 25(b))	1	(1)	–	–	–	–	–	–	–
Shares issued upon IPO	3	–	222,926	–	–	–	222,929	–	222,929
Share issue expenses	–	–	(8,930)	–	–	–	(8,930)	–	(8,930)
Automatic conversion of convertible redeemable preferred shares upon IPO	10	–	560,752	–	–	–	560,762	–	560,762
Share-based payments	–	1	33,899	2,989	–	–	36,889	–	36,889
At 31 December 2020	19	(1)	817,871	2,989	(590)	(459,102)	361,186	(178)	361,008

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the parent							
	Share capital USD'000	Treasury shares USD'000	Share premium* USD'000	Exchange fluctuation reserve* USD'000	Accumulated losses* USD'000	Sub-total USD'000	Non-controlling interests USD'000	Total USD'000
As at 1 January 2019	5	(1)	9,224	146	(95,245)	(85,871)	–	(85,871)
Loss for the year	–	–	–	–	(67,460)	(67,460)	(36)	(67,496)
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	–	–	–	(80)	–	(80)	–	(80)
Total comprehensive loss for the year	–	–	–	(80)	(67,460)	(67,540)	(36)	(67,576)
At 31 December 2019	5	(1)	9,224	66	(162,705)	(153,411)	(36)	(153,447)

* *These reserve accounts comprise the consolidated reserves of USD361,168,000 (2019: USD(153,415,000)) in the consolidated statement of financial position.*

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 USD'000	2019 USD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(296,638)**	(67,588)
Adjustments for:			
Finance costs	6	**280**	213
Foreign exchange (gains)/losses, net	7	**(1,950)**	156
Bank interest income	5	**(826)**	(662)
(Reversal of)/provision on an amount due from a shareholder	7	**(100)**	150
Loss on fair value change of convertible redeemable preferred shares	24	**213,703**	13,387
Share-based payment expenses	7	**36,889**	–
Depreciation of property, plant and equipment	13	**3,857**	2,780
Depreciation of right-of-use assets	14	**1,240**	1,309
Amortisation of intangible assets	15	**532**	467
		(43,013)	(49,788)
Decrease/(increase) in trade receivables		**549**	(1,431)
Increase in prepayments, other receivables and other assets		**(886)**	(3,207)
(Decrease)/increase in trade payables		**(1,196)**	4,249
(Decrease)/increase in contract liabilities	22	**(3,068)**	3,435
Increase in other payables and accruals		**12,227**	550
Cash used in operations		**(35,387)**	(46,192)
Income tax paid		**–**	(15)
Net cash flows used in operating activities		**(35,387)**	(46,207)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of other financial assets		**(153)**	(581)
Proceeds from redemption of other financial assets		**396**	581
Interest received		**826**	576
Purchases of property, plant and equipment		**(469)**	(12,946)
Purchase of intangible assets		**(134)**	(231)
(Increase)/decrease in time deposits with original maturity of more than three months but less than one year when acquired		**(94,000)**	9,000
Net cash flows used in investing activities		**(93,534)**	(3,601)

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 USD'000	2019 USD'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible redeemable preferred shares	24	**144,800**	33,000
Transaction costs related to issue of convertible redeemable preferred shares	6	**(181)**	(71)
Proceeds from issue of shares		**222,926**	–
Share issue expenses		**(8,930)**	–
Principal portion of lease liabilities	14	**(1,006)**	(1,058)
Repayment from shareholders		**350**	300
Interest portion of lease liabilities	14	**(99)**	(142)
Net cash flows generated from financing activities		**357,860**	32,029
Net increase/(decrease) in cash and cash equivalents		**228,939**	(17,779)
Cash and cash equivalents at beginning of year		**27,391**	45,292
Effect of foreign exchange rate changes, net		**464**	(122)
Cash and cash equivalents at end of year		**256,794**	27,391
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statement of financial position	19	**356,794**	33,391
Time deposits with original maturity of more than three months but less than one year when acquired	19	**(100,000)**	(6,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**256,794**	27,391

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 20 July 2016. The registered office address of the Company is P.O. Box 472, 2nd Floor, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were engaged in the business of developing innovative therapeutics in the fields of immuno-oncology and immunology diseases.

Information about subsidiaries

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

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Harbour BioMed Holdings Limited	British Virgin Islands 8 June 2016	–	100%	–	Investment holding
Harbour BioMed Therapeutics Limited	Hong Kong 19 July 2016	USD1	–	100%	Investment holding
Harbour BioMed (Shanghai) Co., Ltd.* (和鉑醫藥(上海)有限責任公司)	People's Republic of China ("PRC")/ Mainland China 26 December 2016	USD 40,000,000	–	100%	Discovering and developing innovative therapeutics
Harbour BioMed (Suzhou) Co., Ltd.* (和鉑醫藥(蘇州)有限公司)	PRC/Mainland China 11 September 2018	USD 40,000,000	–	100%	Discovering and developing innovative therapeutics
Harbour BioMed (Guangzhou) Co., Ltd.* (和鉑醫藥(廣州)有限公司)	PRC/Mainland China 26 December 2017	USD 4,000,000	–	100%	Discovering and developing innovative therapeutics
HBM Alpha Therapeutics, Inc.	United States 18 October 2018	USD1,000	–	74.65%	Medical and pharmaceutical research

1. CORPORATE INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Harbour BioMed US, Inc.	United States 11 January 2019	USD0.1	–	100%	Clinical trial
Harbour BioMed Netherlands BV	Netherlands 26 April 2019	EUR1	–	100%	Biotechnical research and development
Harbour Antibodies BV	Netherlands 27 December 2006	EUR59,398	100%	–	Developing biologic agents
Harbour Antibodies Subholding BV	Netherlands 2 May 2013	EUR1	–	100%	Developing biologic agents
Harbour Antibodies H2L2 BV	Netherlands 17 September 2013	EUR1	–	100%	Developing biologic agents
Harbour Antibodies HCAb BV	Netherlands 17 September 2013	EUR1	–	100%	Developing biologic agents
Harbour Antibodies US, Inc	United States 29 January 2016	USD1	–	100%	Discovering and developing innovative therapeutics
Harbour BioMed Zhiyuan Medical (Beijing) Co., Ltd.* (和鉑志遠醫藥(北京)有限公司)	PRC/Mainland China 2 September 2020	RMB 10,000,000	–	100%	Sale of medical products
HBM MT Holdings Limited	British Virgin Islands 15 September 2020	–	–	100%	Investment holding

* *The English names of the companies represent the best effort made by management of the Company to directly translate the Chinese names as they do not register any official English names.*

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for other financial assets and convertible redeemable preferred shares which have been measured at fair value. These financial statements are presented in US dollars ("USD") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Pursuant to the Accountants' Report of the Group in connection with the listing of the shares of the Company on the Stock Exchange, all IFRSs effective for the accounting period commencing from 1 January 2020 set out below had been early adopted by the Group in the preparation of the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2018 and 2019 and 30 June 2020. Thus, the effect of the following accounting policies have no impact on the Group's financial statements for the year ended 31 December 2020.

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

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS

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

Amendment to IFRS 16	*Covid-19-Related Rent Concessions*[1]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[3]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[3]
Annual Improvements to IFRSs 2018-2020	*Minor amendments to:* *– IFRS 1 First-time Adoption of International Financial Reporting Standards*[3] *– IFRS 9 Financial Instruments*[3] *– Illustrative Examples accompanying IFRS 16 Leases*[3] *– IAS 41 Agriculture*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 3	*Reference to the Conceptual Framework*[3]
IFRS 17	*Insurance Contracts*[5]
Amendments to IFRS 17	*Insurance Contracts*[5,6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[5]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[2]

1 *Effective for annual period beginning on or after 1 June 2020*

2 *Effective for annual periods beginning on or after 1 January 2021*

3 *Effective for annual periods beginning on or after 1 January 2022*

4 *No mandatory effective date yet determined but available for adoption*

5 *Effective for annual periods beginning on or after 1 January 2023*

6 *As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023*

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than 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 the groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment 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 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.

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:

Plant and machinery	20.00 – 33.33%
Electronic equipment	20.00 – 33.33%
Furniture and fixtures	20.00 – 33.33%
Leasehold improvements	The shorter of remaining lease terms and estimated useful lives

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	2 years
Backlog	4 years
Technology licencing agreement	Indefinite

The useful lives of software are assessed by the Group considering different purposes and usage of the software, and the authorised period for use. Backlog is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 4 years. Technology licencing agreement is assessed to have an indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

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

Group as a lessee

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

(a) Right-of-ue assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms. Right-of-use assets are subject to impairment.

(b) Lease liabilities

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee (Continued)

(c) Short-term leases

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

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

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 profit or loss

Debt instruments that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of profit or loss within other income and gains in the period in which it arises.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

General approach

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, 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 trade payables, other payables and accruals, convertible redeemable preferred shares and lease liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities. The Group has designated its convertible redeemable preferred shares as financial liabilities at fair value through profit or loss, details of which are included in note 24 to the financial statements.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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.

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers (Continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

The Group recognises revenue from the following major sources:

(a) Technology licence fee

The Group provides licences of its patented technology (the "Harbour Technology") to customers so that customers can use the Group's transgenic mouse platforms (the "Harbour Mice") for the purpose of generating antibodies and commercialisation of antibodies and antibody products in identified fields. The consideration for the licence comprises upfront fees, annual fees, and variable elements (including but not limited to per-mouse fees, development milestone payments and sales-based royalties). The upfront fees and annual fees are recognised as revenue throughout the licence period when customers obtain rights to access the Harbour Technology. Per-mouse fees and development milestone payments are included in the transaction price and recognised as revenue throughout the licence period when it is highly probable that there will not be a subsequent reversal of a significant amount of revenue. Sales-based royalties are not included in the transaction price until customers make the sales. Upfront fees received by the Group are initially recognised as a contract liability.

(b) Molecule licence fee

The Group provides licences of its developed molecules for further development and commercialisation in identified fields to customers and revenue is recognised when the customers obtain rights to use the underlying molecules.

(c) Platform-based research fee

The Group earns revenues by providing research services based on the Group's Harbour Technology to a customer. Upfront payments received by the Group are initially recognised as a contract liability. Service revenue is recognised at a point in time when the agreed research results are delivered to and accepted by the customer.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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.

Contract balances

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

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

The cost of equity-settled transactions with employees for share grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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

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

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

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their 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.

Dividends

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in USD, which is the Company's functional currency. 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 profit or loss.

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

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

The functional currencies of certain subsidiaries are currencies other than USD. As at the end of the reporting period, the assets and liabilities of these entities are translated into USD at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into USD at the weighted average exchange rates 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 profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of these entities are translated into USD at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year are translated into USD at the weighted average exchange rates for the year.

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.

Judgement

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:

Revenue from contracts with customers

When determining whether a licence granted to a customer provides the customer with rights to use, or access, the Group's intellectual property, the following criteria are considered: (a) the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights; (b) the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities identified in (a); and (c) those activities do not result in the transfer of a good or a service to the customer as those activities occur. When all criteria are met, the licence granted the customer with rights to access the Group's intellectual property. Management judgements are required based on the terms of the contracts and the nature of the intellectual property to consider whether continuous activities, that do not transfer a good or service, will be undertaken by the Group to significantly affect the intellectual property.

The Group also makes judgement to determine the method used in estimating the variable consideration and whether the amount of variable consideration is constrained. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group determined that the most likely amount method is the appropriate method to use in estimating the variable consideration, since reaching requirements of a milestone or other variable consideration is an either-or situation. If a milestone or other variable consideration relates specifically to the Group's efforts to satisfy a single performance obligation or to a specific outcome from satisfying the performance obligation, the Group generally allocates that milestone amount entirely to that performance obligation once it is probable that a significant revenue reversal would not occur.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Indefinite life intangible asset is tested for impairment annually and at other times when such an indicator exists. 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 or valuation technique such as the relief from royalty method. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit using key assumptions such as the growth rate, the gross margin and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of non-financial assets are set out in notes 13, 14 and 15 to the financial statements.

Accrual of research and development costs

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

4. OPERATING SEGMENT INFORMATION

Operating segment information

For management purposes, the Group has only one reportable operating segment, which is the development of innovative therapeutics in the fields of immuno-oncology and immunology diseases. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

(a) Revenue from external customers

	2020	2019
	USD'000	USD'000
Mainland China	**7,250**	4,487
United States	**6,633**	727
Europe	**133**	161
Others	**91**	44
	14,107	5,419

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2020	2019
	USD'000	USD'000
Mainland China	**11,499**	14,580
Europe	**7,601**	7,996
United States	**342**	442
	19,442	23,018

Except for the intangible asset information which is based on the countries of the respective subsidiaries owning the assets, other non-current asset information above is based on the locations of the assets.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	2020	2019
	USD'000	USD'000
Customer A	**6,277**	182
Customer B	**5,474**	2,737
Customer C	**1,451**	1,450
	13,202	4,369

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	USD'000	USD'000
Types of goods or services		
– Molecule licence fee	**12,838**	2,737
– Technology licence fee	**1,133**	1,232
– Platform-based research fee	**136**	1,450
	14,107	5,419

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020	2019
	USD'000	USD'000
Timing of revenue recognition		
At a point in time		
– Molecule licence fee	**12,838**	2,737
– Platform-based research fee	**136**	1,450
Over time		
– Technology licence fee	**1,133**	1,232
	14,107	5,419

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

	2020	2019
	USD'000	USD'000
Molecule licence fee	**3,462**	–
Technology licence fee	**315**	159
Platform-based research fee	**–**	151
	3,777	310

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(ii) Performance obligations

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

Technology licence fee

The performance obligation is satisfied over time throughout the licence period as the customers are granted rights to access know-hows which the Group has exclusive rights to use. Upfront payment is generally due within 10 days after the effective date of contract, whereas other payment is generally due within 30 to 45 days from the date of billing.

Molecule licence fee

The performance obligation is satisfied at a point in time as the customers obtain rights to use the underlying licences and payment is generally due within 10 business days from the date of billing.

Platform-based research fee

The performance obligation is satisfied at a point in time when research results are delivered to and accepted by the customer and payment is generally due within 30 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2020	2019
	USD'000	USD'000
Amounts expected to be recognised as revenue:		
– Within one year	**2,560**	8,332
– After one year	**4,966**	7,408
	7,526	15,740

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(ii) Performance obligations (Continued)

The above remaining performance obligations mainly relate to the contracts of licences and platform-based research fee. The amounts expected to be recognised after one year relate to performance obligations that will be satisfied in the coming 3 years. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of other income and gains is as follows:

	2020	2019
	USD'000	USD'000
Other income and gains		
– Government grants recognised*	**2,440**	903
– Foreign exchange gains, net	**1,950**	–
– Interest income	**826**	662
– Others	**54**	16
	5,270	1,581

* *Government grants have been received from the PRC local government authorities to support the subsidiaries' research and development activities. There are no unfulfilled conditions relating to these government grants.*

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	USD'000	USD'000
Transaction costs for the issue of convertible redeemable preferred shares	**181**	71
Interest on lease liabilities	**99**	142
	280	213

7. LOSS BEFORE TAX

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

	Notes	2020 USD'000	2019 USD'000
Cost of sales		**(449)**	(623)
Depreciation of property, plant and equipment	13	**(3,857)**	(2,780)
Depreciation of right-of-use assets	14	**(1,240)**	(1,309)
Amortisation of intangible assets	15	**(532)**	(467)
Employee benefit expense (including directors' remuneration):			
– Wages and salaries		**(18,884)**	(17,476)
– Pension scheme contributions		**(591)**	(886)
– Share-based payment expenses		**(36,889)**	–
Reversal of/(provision) on an amount due from a shareholder		**100**	(150)
Loss on fair value change of convertible redeemable preferred shares	24	**(213,703)**	(13,387)
Listing expenses		**(6,580)**	–
Auditors' remuneration		**(352)**	(26)
Lease expenses arising from short-term leases*	14	**(292)**	(343)
Foreign exchange gains/(losses), net		**1,950**	(156)

* *The Group has applied the available practical expedient of IFRS 16 and applied the short-term lease exemption to leases with a lease term that ends within 12 months from the lease commencement date.*

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:

	2020	2019
	USD'000	USD'000
Fees	**12**	–
Other emoluments:		
– Salaries, allowances and benefits in kind	**1,541**	1,355
– Pension scheme contributions	**–**	7
– Share-based payment expenses	**22,961**	–
	24,502	1,362
	24,514	1,362

During the year, certain directors were granted restricted shares in respect of their services to the Group, under the share award plan of the Company, further details of which are included in note 27 to the financial statements. The fair values of such restricted shares, which have been recognised in the statement of profit or loss over the vesting period, were determined as at the grant date and the amounts included in the financial statements for the current year are included in the above directors' and chief executive's remuneration disclosures.

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:

	2020 USD'000	2019 USD'000
Dr. Robert Irwin Kamen	**4**	–
Dr. Xiaoping Ye (appointed in November 2020)	**4**	–
Ms. Weiwei Chen (appointed in November 2020)	**4**	–
	12	–

The share-based payment expense of Dr. Robert Irwin Kamen during the year was USD328,000 (2019: Nil).

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

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

2020	Fees USD'000	Other emoluments Salaries, allowances and benefits in kind USD'000	Other emoluments Pension scheme contributions USD'000	Other emoluments Share-based payment expenses USD'000	Total USD'000
Executive directors:					
Mr. Jingsong Wang	**–**	**654**	**–**	**19,854**	**20,508**
Mr. Mai-Jing Liao	**–**	**414**	**–**	**1,191**	**1,605**
Dr. Atul Mukund Deshpande (appointed in August 2020)	**–**	**473**	**–**	**1,588**	**2,061**
Non-executive directors:					
Mr. Yu Min Qiu	**–**	**–**	**–**	**–**	**–**
Mr. Junfeng Wang	**–**	**–**	**–**	**–**	**–**
	–	**1,541**	**–**	**22,633**	**24,174**

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

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

2019	Fees USD'000	Other emoluments: Salaries, allowances and benefits in kind USD'000	Other emoluments: Pension scheme contributions USD'000	Total USD'000
Executive directors:				
Mr. Jingsong Wang	–	622	–	622
Mr. Mai-Jing Liao	–	389	–	389
Mr. Xiaoxiang Chen (resigned from August 2020)	–	344	7	351
Non-executive directors:				
Mr. Korwin Chiu (resigned from August 2020)	–	–	–	–
Mr. Yu Min Qiu	–	–	–	–
Mr. Junfeng Wang	–	–	–	–
	–	1,355	7	1,362

* *Mr. Jingsong Wang is also the chief executive of the Company, and his remuneration disclosed above included the services rendered by him as the chief executive.*

Mr. Yu Min Qiu and Mr. Junfeng Wang waived or agreed to waive their remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2019: three directors), respectively, details of whose remuneration are set out in note 8 above. Details of the remaining two highest paid employees as follows:

	2020 USD'000	2019 USD'000
Salaries, allowances and benefits in kind	**688**	830

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

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

	2020	2019
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,500,001 to HK$4,000,000	**–**	1
	2	2

During the year, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office (2019: Nil).

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the countries/jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

British Virgin Islands

Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the BVI.

Hong Kong

Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, unless such profits are taxable at the half-rate of 8.25% (2019: 8.25%) that may apply for the first HK$2,000,000 (2019: HK$2,000,000) of the assessable profits.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Mainland China are subject to corporate income tax ("CIT") at a rate of 25% (2019: 25%) on the taxable income, except the subsidiary, Harbour BioMed (Shanghai) Co., Ltd., which was certified as a High and New Technology Enterprise in 2020 and was entitled to a preferential CIT rate of 15% (2019: 25%).

10. INCOME TAX *(Continued)*

Netherlands

The subsidiaries which operate in the Netherlands are subject to profits tax at a rate of 16.5% (2019: 19%) for the first EUR200,000 (2019: EUR200,000) of taxable income, and the excess amount is subject to corporate income tax at a rate of 25% (2019: 25%) during the year.

United States

The subsidiaries which operate in the US are subject to federal income tax at a rate of 21% (2019: 21%) and the Massachusetts state income tax at a rate of 8% (2019: 8%) on the taxable income.

The major components of income tax expense of the Group are as follows:

	2020	2019
	USD'000	USD'000
Current income tax	**–**	16
Deferred income tax (note 23)	**(99)**	(108)
Total tax credit for the year	**(99)**	(92)

A reconciliation of the tax credit applicable to loss before tax at the statutory rate applicable in Mainland China to the tax expense at the effective tax rates is as follows:

	2020	2019
	USD'000	USD'000
Loss before tax	**(296,638)**	(67,588)
Tax at a tax rate of 25%	**(74,160)**	(16,897)
Effect of different tax rates enacted by local authorities	**67,254**	5,363
Tax losses not recognised	**8,218**	11,361
Expenses not deductible for tax purposes	**2,685**	3,726
Additional deductible allowance for qualified research and development costs	**(3,615)**	(3,661)
Tax losses utilised from previous years	**(481)**	–
Others	**–**	16
Tax credit at the Group's effective tax rate	**(99)**	(92)

11. DIVIDENDS

No dividend has been paid or declared by the Company and its subsidiaries during the year (2019: Nil).

12. LOSS PER SHARE

The calculation of the basic loss per share amounts is based on the loss attributable to the owners of the parent and the weighted average number of ordinary shares in issue excluding the treasury shares during the year, considering the share subdivision occurred on 10 December 2020 as described in note 25. The share subdivision was treated as having been in issue for the whole year and also included in the loss per share calculation of the comparative period presented so as to give a comparable result.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares into ordinary shares. As the Group incurred losses for the years ended 31 December 2020 and 2019, the potential ordinary shares were not included in the calculation of diluted loss per share as the potential ordinary shares had an anti-dilutive effect on the basic loss per share. Accordingly, the diluted loss per share amounts for the years ended 31 December 2020 and 2019 are the same as the basic loss per share amounts of the respective years.

	2020	2019
Loss		
Loss attributable to owners of the parent (USD'000)	**(296,397)**	(67,460)
Shares		
Weighted average number of ordinary shares in issue during the year	**175,804,418**	117,958,342
Basic and diluted loss per share (USD per share)	**(1.69)**	(0.57)

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery USD'000	Electronic equipment USD'000	Furniture and fixtures USD'000	Leasehold improvements USD'000	Total USD'000
31 December 2020					
Cost					
As at 1 January 2020	**12,006**	**379**	**178**	**3,977**	**16,540**
Additions	**185**	**72**	**3**	**180**	**440**
Exchange differences	**796**	**30**	**12**	**285**	**1,123**
As at 31 December 2020	**12,987**	**481**	**193**	**4,442**	**18,103**
Accumulated depreciation					
As at 1 January 2020	**(2,316)**	**(128)**	**(49)**	**(1,050)**	**(3,543)**
Charge for the year	**(2,422)**	**(120)**	**(43)**	**(1,272)**	**(3,857)**
Exchange differences	**(276)**	**(15)**	**(5)**	**(145)**	**(441)**
As at 31 December 2020	**(5,014)**	**(263)**	**(97)**	**(2,467)**	**(7,841)**
Net carrying amount					
As at 31 December 2020	**7,973**	**218**	**96**	**1,975**	**10,262**
As at 31 December 2019	**9,690**	**251**	**129**	**2,927**	**12,997**

	Plant and machinery USD'000	Electronic equipment USD'000	Furniture and fixtures USD'000	Leasehold improvements USD'000	Total USD'000
31 December 2019					
Cost					
As at 1 January 2019	4,182	181	31	253	4,647
Additions	7,881	201	147	3,770	11,999
Exchange differences	(57)	(3)	–	(46)	(106)
As at 31 December 2019	12,006	379	178	3,977	16,540
Accumulated depreciation					
As at 1 January 2019	(630)	(37)	(17)	(121)	(805)
Charge for the year	(1,713)	(92)	(33)	(942)	(2,780)
Exchange differences	27	1	1	13	42
As at 31 December 2019	(2,316)	(128)	(49)	(1,050)	(3,543)
Net carrying amount					
As at 31 December 2019	9,690	251	129	2,927	12,997
As at 31 December 2018	3,552	144	14	132	3,842

As at 31 December 2020, there were no pledged property, plant and equipment (2019: Nil).

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases certain buildings for its office and laboratory use. The movements in right-of-use assets and lease liabilities during the year are as follows:

	2020	2019
	USD'000	USD'000
Right-of-use assets		
Carrying amount at 1 January	**1,829**	3,297
Additions	**786**	228
Depreciation charge	**(1,240)**	(1,309)
Exchange differences	**51**	(39)
Termination	**(75)**	(348)
Carrying amount at 31 December	**1,351**	1,829

	2020	2019
	USD'000	USD'000
Lease liabilities		
Carrying amount at 1 January	**1,908**	3,143
New leases	**786**	228
Interest during the year	**99**	142
Payments	**(1,105)**	(1,200)
Exchange differences	**138**	(53)
Termination	**(101)**	(352)
Carrying amount at 31 December	**1,725**	1,908
Analysed into:		
Current portion	**1,447**	1,134
Non-current portion	**278**	774

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

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

	2020	2019
	USD'000	USD'000
Depreciation charge of right-of-use assets	**1,240**	1,309
Expense relating to short-term leases	**292**	343
Interest on lease liabilities	**99**	142
Total amount recognised in profit or loss	**1,631**	1,794

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

	2020	2019
	USD'000	USD'000
Within operating activities	**292**	343
Within financing activities	**1,105**	1,200
	1,397	1,543

15. INTANGIBLE ASSETS

	Software USD'000	Backlog USD'000	Technology licencing agreement USD'000	Total USD'000
31 December 2020				
Cost				
As at 1 January 2020	**232**	**1,728**	**7,600**	**9,560**
Additions	**134**	**–**	**–**	**134**
Exchange differences	**16**	**–**	**–**	**16**
As at 31 December 2020	**382**	**1,728**	**7,600**	**9,710**
Amortisation				
As at 1 January 2020	**(36)**	**(1,332)**	**–**	**(1,368)**
Charge for the year	**(136)**	**(396)**	**–**	**(532)**
Exchange differences	**(10)**	**–**	**–**	**(10)**
As at 31 December 2020	**(182)**	**(1,728)**	**–**	**(1,910)**
Net carrying amount				
As at 31 December 2020	**200**	**–**	**7,600**	**7,800**

15. INTANGIBLE ASSETS *(Continued)*

	Software USD'000	Backlog USD'000	Technology licencing agreement USD'000	Total USD'000
31 December 2019				
Cost				
As at 1 January 2019	2	1,728	7,600	9,330
Additions	231	–	–	231
Exchange differences	(1)	–	–	(1)
As at 31 December 2019	232	1,728	7,600	9,560
Amortisation				
As at 1 January 2019	(1)	(900)	–	(901)
Charge for the year	(35)	(432)	–	(467)
As at 31 December 2019	(36)	(1,332)	–	(1,368)
Net carrying amount				
As at 31 December 2019	196	396	7,600	8,192

Technology licencing agreement was recognised from the Group's acquisition of Harbour Antibodies BV and its subsidiaries ("HA Group") in 2016 (the "2016 Acquisition") for HA Group's licence agreement with the licensors, who exclusively licensed the Harbour Technology to HA Group to research, develop, manufacture, market, supply, keep or otherwise exploit antibodies in all fields of use and to sublicense the Harbour Technology, which the licensors will further develop together with the characteristic of the Harbour Mice through providing research consultancy services to Harbour Antibodies BV.

15. INTANGIBLE ASSETS *(Continued)*

Impairment testing of technology licencing agreement

As the technology licencing agreement between HA Group and the licensors has no expiration date and HA Group had a long-term cooperation history with the licensors for further development of the Harbour Technology, the Group expects the technology licencing agreement with the licensors to have an indefinite useful life. Management tests the technology licencing agreement with indefinite useful life for impairment annually by comparing its carrying amount with its recoverable amount.

The recoverable amount of the technology licencing agreement is determined based on the fair value less costs of disposal, and the fair value of the technology licencing agreement is determined using the relief from royalty method taking into account the nature of the asset, using cash flow projections based on financial budgets covering a 14-year period, and the growth rate used to extrapolate the cash flows beyond the 14-year period is 3% (2019: 3%), which is close to the long-term inflation rate. Management believes that using a 14-year forecast period is appropriate because it generally takes longer for a biotechnology company to use the technologies to generate therapeutics and develop them into products to reach perpetual growth mode when the market of such products is developing with substantial growth potential. Hence, financial budget covering a 14-year period is more feasible and reflects a more accurate value. The fair value measurement hierarchy of the technology licencing agreement was level 3. Other key assumptions to the valuation model used are as follows:

	2020	2019
Discount rates	**16.0%**	20.2%
Royalty rates	**6.0%**	6.0%

Discount rates – The discount rates used are before tax and reflect specific risks relating to the technology licencing agreement.

Royalty rates – The basis used to determine the value assigned to royalty rates is the market royalty rate where the technology licencing agreement is located, taking into account the profitability of the Group and other qualitative factors.

16. TRADE RECEIVABLES

	2020 USD'000	2019 USD'000
Within 3 months	**1,056**	1,673
	1,056	1,673

The Group's trading terms with its customers are based on the payment schedule of the contracts with normal credit terms of 10 to 45 days from the day of billing.

The ageing of trade receivables as at the end of the reporting period, based on the date of invoice or the date of the service rendered, is less than three months and the expected credit loss is minimal.

Trade receivables are non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 USD'000	2019 USD'000
Prepayments (i)	**5,636**	7,307
Value-added tax recoverable	**4,127**	3,016
Other receivables	**1,067**	44
Deposits	**463**	381
Interest receivables	**–**	23
	11,293	10,771

(i) Prepayments primarily consist of prepayments made in connection with the purchase of reagents and research and development related services, and other prepaid expenses.

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(Continued)*

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand.

The financial assets included in the above balances relate to receivables for which there were no recent history of default. In addition, there is no significant change in the economic factors based on the assessment of the forward-looking information, so the directors of the Company are of the opinion that the expected credit loss in respect of these balances is minimal.

18. OTHER FINANCIAL ASSETS

	2020	2019
	USD'000	USD'000
Investments in financial products at fair value through profit or loss	**153**	396

The amount represents investments in certain financial products issued by a commercial bank in Mainland China. The financial products are principal-protected and their returns are not guaranteed. The expected interest rates ranged from 1.95% to 2.05% (2019: 2.60% to 4.35%) per annum and the products can be redeemed by the Group at any time.

19. CASH AND BANK BALANCES

	2020	2019
	USD'000	USD'000
Cash and bank balances	**356,794**	33,391
Less:		
Time deposits with original maturity of more than three months but less than one year when acquired	**(100,000)**	(6,000)
Cash and cash equivalents	**256,794**	27,391
Denominated in:		
USD	**342,490**	27,828
RMB	**10,612**	5,512
Others	**3,692**	51
	356,794	33,391

19. CASH AND BANK BALANCES *(Continued)*

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. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

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

20. TRADE PAYABLES

An analysis of the trade payables as at the end of each year, based on the invoice date, is as follows:

	2020	2019
	USD'000	USD'000
Within 1 month	**7,740**	6,643
1-3 months	**197**	2,616
3-6 months	**–**	34
6-12 months	**23**	24
	7,960	9,317

The trade payables are non-interest-bearing and are normally settled on terms of 1 to 3 months.

21. OTHER PAYABLES AND ACCRUALS

	2020	2019
	USD'000	USD'000
Other payables	**8,807**	414
Other accrued expenses	**2,513**	388
Payroll and welfare	**3,335**	2,078
Other tax payables	**129**	154
	14,784	3,034

Other payables are non-interest-bearing and repayable on demand. The carrying amounts of financial liabilities included in other payables and accruals approximate to their fair values.

22. CONTRACT LIABILITIES

	31 December 2020 USD'000	31 December 2019 USD'000	1 January 2019 USD'000
Amounts received in advance for platform-based research fee	**153**	144	729
Amounts received in advance for the technology licence fee	**901**	570	266
Amounts received in advance for molecule licence fee	**307**	3,715	–
	1,361	4,429	995

The decrease in contract liabilities as at 31 December 2020 was mainly due to the satisfaction of the performance obligation related to platform-based research fee and molecule licence fee. The increase in contract liabilities as at 31 December 2019 was mainly due to the increase in advance receipts related to platform-based research fee and molecule licence fee.

23. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	Fair value adjustments arising from acquisition of subsidiaries USD'000
31 December 2020	
As at 1 January 2020	**1,999**
Deferred tax credited to the consolidated statement of profit or loss during the year (note 10)	**(99)**
As at 31 December 2020	**1,900**

23. DEFERRED TAX *(Continued)*

	Fair value adjustments arising from acquisition of subsidiaries USD'000
31 December 2019	
As at 1 January 2019	2,107
Deferred tax credited to the consolidated statement of profit or loss during the year (note 10)	(108)
As at 31 December 2019	1,999

Deferred tax assets have not been recognised in respect of the following items:

	2020 USD'000	2019 USD'000
Tax losses	**118,212**	74,669
	118,212	74,669

The following table shows the tax losses information based on the locations of subsidiaries:

	2020 USD'000	2019 USD'000
Mainland China (tax losses expire in one to five years)	**110,006**	64,568
Netherlands (tax losses expire in one to five years)	**5,278**	8,341
United States (tax losses with no expiration)	**2,928**	1,760
	118,212	74,669

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

24. PREFERRED SHARES

In November 2016, the Company issued 387,000 series A2 convertible preferred shares with par value of USD0.001 per share (the "Series A2 Preferred Shares") to its founders at a cash consideration of USD2,500,000 or USD6.4599 per share, of which 73,530, 73,530 and 7,740 shares were repurchased by the Company in 2017, 2018 and 2019, respectively.

In December 2016 and January 2017, the Company issued 2,628,947 and 701,053 series A1 convertible and redeemable preferred shares with par value of USD0.001 per share (the "Series A1 Preferred Shares") to a group of investors (the "Series A1 Investors"), respectively, at a cash consideration of USD47,500,000 or USD14.2643 per share.

In January 2018, the Company issued 697,604 series A3 convertible and redeemable preferred shares with par value of USD0.001 per share (the "Series A3 Preferred Shares") to a group of investors (the "Series A3 Investors") at a cash consideration of USD11,740,000 or USD16.829 per share.

In August 2018, the Company issued 2,045,468 series B convertible and redeemable preferred shares with par value of USD0.001 per share (the "Series B Preferred Shares") to a group of investors (the "Series B Investors") at a cash consideration of USD85,000,000 or USD41.555 per share.

In October 2019, December 2019 and March 2020, the Company issued 480,153, 274,373 and 960,308 series B2 convertible and redeemable preferred shares with par value of USD0.001 per share (the "Series B2 Preferred Shares") to a group of investors (the "Series B2 Investors") at a cash consideration of USD21,000,000, USD12,000,000 and USD42,000,000, or USD43.736 per share, respectively.

In June and July 2020, the Company issued 686,008 and 1,388,159 series C convertible and redeemable preferred shares with par value of USD0.001 per share (the "Series C Preferred Shares", together with the Series A1 Preferred Shares, Series A3 Preferred Shares, Series B Preferred Shares and Series B2 Preferred Shares as the "Convertible Redeemable Preferred Shares"), to a group of investors (the "Series C Investors"), respectively, at a cash consideration of USD102,800,000 or USD49.562 per share.

24. PREFERRED SHARES *(Continued)*

According to the amended and restated Memorandum and Articles of Association ("MOA") of the Company passed in June 2020, the key terms of the Series A1 Preferred Shares, Series A2 Preferred Shares, Series A3 Preferred Shares, Series B Preferred Shares, Series B2 Preferred Shares and Series C Preferred shares (collectively, the "Preferred Shares") are as follows:

Conversion rights (applicable for Preferred Shares)

Each holder of the Preferred Shares shall have the right, at such holder's sole discretion, to convert all or any portion of the Preferred Shares into ordinary shares at any time by the conversion price then in effect at the date of the conversion (the "Conversion Price"). The initial Conversion Price for the Preferred Shares will be the applicable Preferred Share issue price (i.e., a 1-to-1 initial conversion ratio), which will be subject to adjustments to reflect share dividends, share splits, recapitalisation and adjustment upon issuance of new securities for a consideration per share less than the Conversion Price.

Each Preferred Share shall automatically be converted into ordinary shares, at the then applicable Preferred Share Conversion Price upon the closing of a Qualified IPO (see definition below).

A Qualified IPO means the closing of a registered underwritten public offering by the Company of its ordinary shares on a reputable securities exchange in the United States, Hong Kong or China, the New York Stock Exchange or the NASDAQ Global Market in the United States, the Main Board of the Hong Kong Stock Exchange, Taiwan Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange, or any other securities exchange in any jurisdiction (but excluding the National Equities Exchange and Quotations in China) approved by holders of two thirds (2/3) of the Preferred Shares, at a minimum pre-money valuation of the Group which shall not be lower than the higher of (1) USD615,000,000 and (2) an amount that would give each holder of the Series B Preferred Shares, each holder of Series B2 Preferred Shares and each holder of Series C Preferred Shares a twenty percent (20%) internal return rate for its investment in the Company and, for the avoidance of doubt, all dividends distributed by the Company to such holder of the Series B Preferred Shares, such holder of the Series B2 Preferred Shares and such holder of the Series C Preferred Shares shall be included as a part of the return when calculating the internal return rate.

Redemption feature (applicable only for Convertible Redeemable Preferred Shares)

If the Company has not consummated a Qualified IPO or a Qualified Trade Sale (see definition below) within three (3) years after the closing of Series C financing or the Company has received a notice of redemption by such holder of any other series of the Convertible Redeemable Preferred Shares to be redeemed, a holder of the Series C Preferred Shares or the holders of a majority of each other class of the Convertible Redeemable Preferred Shares (Series A1 Preferred Shares and Series A3 Preferred Shares voting as a single class) may request the Company to redeem all or part of the Convertible Redeemable Preferred Shares then outstanding by such holders out of funds legally available therefor.

24. PREFERRED SHARES *(Continued)*

Redemption feature (applicable only for Convertible Redeemable Preferred Shares) *(Continued)*

The price at which each Series C Preferred Share is redeemed shall be the greater of (1) an amount that would give each holder of the Series C Preferred Shares an eight percent (8%) internal return rate for its investment in the Company plus all accrued but unpaid dividends and (2) the then fair market value of the Series C Preferred Shares.

The price at which each Series B2 Preferred Share is redeemed shall be the greater of (1) an amount that would give each holder of the Series B2 Preferred Shares an eight percent (8%) internal return rate for its investment in the Company plus all accrued but unpaid dividends and (2) the then fair market value of the Series B2 Preferred Shares.

The price at which each Series B Preferred Share is redeemed shall be the greater of (1) an amount that would give each holder of the Series B Preferred Shares an eight percent (8%) internal return rate for its investment in the Company plus all accrued but unpaid dividends and (2) the then fair market value of the Series B Preferred Shares.

The price at which each Series A1 Preferred Share and Series A3 Preferred Shares is redeemed shall respectively be the applicable Series A1 Preferred Share issue price and the applicable Series A3 Preferred Share issue price, adjusted for any share splits, share dividends, recapitalisation and events with similar effect, plus a compounded interest rate of eight percent (8%) per annum and all accrued but unpaid dividends.

For the avoidance of doubt, a Series A redemption will not be implemented for so long as any Series C redemption remains not consummated.

If the Company does not have sufficient cash or funds legally available to redeem all of the Convertible Redeemable Preferred Shares required to be redeemed, those assets or funds which are legally available shall be used to redeem the Convertible Redeemable Preferred Shares, following the order, firstly to holders of the Series C Preferred Shares, secondly to holders of the Series B2 Preferred Shares, thirdly to holders of the Series B Preferred Shares and lastly to holders of the Series A1 Preferred Shares and the Series A3 Preferred Shares.

A Qualified Trade Sale means a trade sale, at a minimum pre-money valuation of the Group which shall not be lower than the higher of (1) USD615,000,000 and (2) an amount that would give each holder of the Series B Preferred Shares, each holder of the Series B2 Preferred Shares and each holder of the Series C Preferred Shares a twenty percent (20%) internal return rate for its investment in the Company and, for the avoidance of doubt, all dividends distributed by the Company to such holder of the Series B Preferred Shares, such holder of the Series B2 Preferred Shares and such holder of the Series C Preferred Shares shall be included as a part of the return when calculating the internal return rate.

24. PREFERRED SHARES *(Continued)*

Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, all assets and funds of the Company legally available for distribution (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed to the holders of the Preferred Shares in the sequence as follows:

(a) If the valuation of the Company is equal to or lower than USD615,000,000 at the occurrence of such event:

(i) Series C Preferred Shares with the amount equal to the applicable Series C Preferred Share issue price, adjusted for any share splits, share dividends, recapitalisation and events with similar effect, plus all declared but unpaid dividends (the "Series C Preference Amount").

(ii) Series B2 Preferred Shares with the amount equal to the applicable Series B2 Preferred Share issue price, adjusted for any share splits, share dividends, recapitalisation and events with similar effect, plus all declared but unpaid dividends (the "Series B2 Preference Amount");

(iii) Series B Preferred Shares with the amount equal to the applicable Series B Preferred Share issue price, adjusted for any share splits, share dividends, recapitalisation and events with similar effect, plus a compounded interest rate of eight percent (8%) per annum and all accrued but unpaid dividends (the "Series B Preference Amount");

(iv) Series A1 Preferred Shares or Series A3 Preferred Shares with the amount equal to one hundred and fifty percent (150%) of the applicable Series A1 Preferred Share issue price plus any declared but unpaid dividends (the "Series A1 Preference Amount") or the amount equal to one hundred and fifty percent (150%) of the applicable Series A3 Preferred Share issue price plus any declared but unpaid dividends (the "Series A3 Preference Amount");

(v) Series A2 Preferred Shares with the amount equal to one hundred and fifty percent (150%) of the Series A2 Preferred Share issue price plus any declared but unpaid dividends (the "Series A2 Preference Amount"); and

(vi) the remaining assets and funds of the Company legally available for distribution be distributed ratably among all holders of ordinary shares and holders of the Convertible Redeemable Preferred Shares (on an as converted basis).

24. PREFERRED SHARES *(Continued)*

Liquidation preferences *(Continued)*

(b) If the valuation of the Company is above USD615,000,000 upon the occurrence of such event, the assets and funds of the Company legally available for distribution shall be ratably distributed among all holders of ordinary shares and holders of Preferred Shares (on an as converted basis); provided however in the sequence as follows:

(i) Series C Preferred Shares, no less than the Series C Preference Amount;

(ii) Series B2 Preferred Shares, no less than the Series B2 Preference Amount;

(iii) Series B Preferred Shares, no less than the Series B Preference Amount;

(iv) Series A1 Preferred Shares and Series A3 Preferred Shares, no less than the Series A1 Preference Amount and the Series A3 Preference Amount; and

(v) Series A2 Preferred Shares and ordinary shares.

Voting rights

Each Preferred Share shall carry a number of votes equal to the number of ordinary shares then issuable upon its conversion into ordinary shares at the record date for determination of the Company's shareholders entitled to vote, or, if no such record date is established, at the date such vote is taken or any written resolution or consent of the Company's shareholders is solicited. The holders of the Preferred Shares and ordinary shares shall vote together as a single class, unless otherwise required by the MOA.

Dividend rights

By written approval of at least two Investor Directors (see definition below) and resolution passed by the board of directors of the Company, the board may from time to time declare dividends on the outstanding shares of the Company and authorise payment of the same out of the funds of the Company legally available therefor. In the event the Company declares dividends, (i) each holder of Preferred Shares shall be entitled to receive, prior and in preference to other shareholders of the Company, dividends at the rate of six percent (6%) per annum of the applicable Preferred Share issue price (the "Preferred Dividends") in the sequence of (i) Series C Preferred Shares, (ii) Series B2 Preferred Shares, (iii) Series B Preferred Shares, (iv) Series A1 Preferred Shares and Series A3 Preferred Shares, and (v) Series A2 Preferred Shares.

Investor Directors mean the three directors appointed by certain holders of the Convertible Redeemable Preferred Shares.

24. PREFERRED SHARES *(Continued)*

Presentation and classification

The Group does not bifurcate any embedded derivatives from the Convertible Redeemable Preferred Shares and designates the entire instruments as financial liabilities at fair value through profit or loss. The change in fair value is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income, if any. Management considered that fair value change in the Convertible Redeemable Preferred Shares attributable to changes of credit risk was not significant.

For the Series A2 Preferred Shares, they are included in equity attributable to owners of the parent, among which the par value is included in share capital and the excess of the consideration paid over par value as share premium.

All Preferred Shares were automatically converted into ordinary shares on a 1:1 basis immediately upon completion of the share subdivision pursuant to the shareholders' resolution passed on 23 November 2020 as a result of the successful IPO of the Company on 10 December 2020 (the "Conversion Date").

The movements of the Convertible Redeemable Preferred Shares are set out below:

	Series A1 Preferred Shares	Series A3 Preferred Shares	Series B Preferred Shares	Series B2 Preferred Shares	Series C Preferred Shares	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
As at 1 January 2019	57,623	12,514	85,735	–	–	155,872
Issue	–	–	–	33,000	–	33,000
Changes in fair value	16,031	3,197	(5,841)	–	–	13,387
As at 31 December 2019 and 1 January 2020	**73,654**	**15,711**	**79,894**	**33,000**	**–**	**202,259**
Issue	**–**	**–**	**–**	**42,000**	**102,800**	**144,800**
Changes in fair value	**115,691**	**23,956**	**36,412**	**22,506**	**15,138**	**213,703**
Converted into ordinary shares	**(189,345)**	**(39,667)**	**(116,306)**	**(97,506)**	**(117,938)**	**(560,762)**
As at 31 December 2020	**–**	**–**	**–**	**–**	**–**	**–**

24. PREFERRED SHARES *(Continued)*

The Group has used the back-solve method to determine the underlying equity value of the Company and adopted the equity allocation model to determine the fair value of the Convertible Redeemable Preferred Shares as of 31 December 2019. Key assumptions are set out below:

	31 December 2019
Risk-free interest rate	1.76%
Discounts for lack of marketability ("DLOM")	13%
Volatility	33%

The Group estimated the risk-free interest rate based on the yield of the US Government Bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on annualised standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar span as time to expiration.

Set out below is a summary of significant unobservable inputs to the valuation of financial liabilities categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis.

Significant unobservable inputs	Increase/ (decrease) in the inputs	Increase/ (decrease) in fair value
	As at 31 December 2019	
		USD'000
Risk-free interest rate	1%/(1%)	(177)/110
DLOM	1%/(1%)	(2,318)/2,317
Volatility	1%/(1%)	(511)/525

25. SHARE CAPITAL AND TREASURY SHARES

Issued and fully paid

	31 December 2020	
	Number of shares in issue	**Share capital USD'000**
Ordinary shares of USD0.000025 each*	**756,850,200**	**19**
Restricted shares of USD0.000025 each**	**11,040,960**	**–**
	767,891,160	**19**

	31 December 2019	
	Number of shares in issue	Share capital USD'000
Ordinary shares of USD0.001 each*	4,437,717	5
Restricted shares of USD0.001 each (note 27)**	179,595	–
Series A2 Preferred Shares of USD0.001 each (note 24)**	232,200	–
	4,849,512	5

* *This includes treasury shares as set out in the table below.*

** *Amount less than USD1,000*

25. SHARE CAPITAL AND TREASURY SHARES *(Continued)*

Movements in the share capital and treasury shares were as follows:

	Number of shares in issue					
	Ordinary shares	Treasury shares	Restricted shares	Series A2 Preferred Shares	Total	Share capital USD'000
At 31 December 2018 and 1 January 2019	2,845,510	1,398,737	417,690	239,940	4,901,877	5
Restricted shares vested (note 27)	193,470	–	(193,470)	–	–	–
Forfeiture of restricted shares (a)	–	–	(44,625)	–	(44,625)	–
Repurchase of Series A2 Preferred Shares (a)	–	–	–	(7,740)	(7,740)	–
At 31 December 2019 and 1 January 2020	**3,038,980**	**1,398,737**	**179,595**	**232,200**	**4,849,512**	**5**
Issue of ordinary shares (b)	**–**	**1,030,169**	**–**	**–**	**1,030,169**	**1**
Grant of restricted shares (note 27)	**–**	**(1,768,447)**	**1,768,447**	**–**	**–**	**–**
Restricted shares vested (note 27)	**1,662,206**	**–**	**(1,662,206)**	**–**	**–**	**–**
Forfeiture of restricted shares	**–**	**9,812**	**(9,812)**	**–**	**–**	**–**
Share subdivision by 1:40 (c)	**183,346,254**	**26,140,569**	**10,764,936**	**9,055,800**	**229,307,559**	**–**
Issue of ordinary shares for IPO (d)	**138,221,000**	**–**	**–**	**–**	**138,221,000**	**3**
Automatic conversion of Preferred Shares to ordinary shares (c) (note 24)	**403,770,920**	**–**	**–**	**(9,288,000)**	**394,482,920**	**10**
At 31 December 2020	**730,039,360**	**26,810,840**	**11,040,960**	**–**	**767,891,160**	**19**

25. SHARE CAPITAL AND TREASURY SHARES *(Continued)*

(a) In 2019, one founder and two other employees resigned from the Group and 44,625 restricted shares (note 27) granted to them were forfeited due to their resignation. The Company also repurchased 7,740 Series A2 Preferred Shares from the founder at par value as agreed in the restricted agreement signed together with the Series A2 Preferred Share subscription agreement in 2016.

(b) In 2020, 1,030,169 ordinary shares were issued to the Company's trust for the benefits of future employees of the Company. The trust was considered as an extension of the Company and such ordinary shares were accounted for as treasury shares.

(c) Pursuant to the shareholders' resolution passed on 23 November 2020, the Company conducted a share subdivision pursuant to which each share in the then issued and unissued share capital was split into 40 shares of the corresponding class with par value of US$0.000025 each effective upon the successful IPO of the Company on 10 December 2020. Immediately upon the completion of the share subdivision, all Preferred Shares were automatically converted into ordinary shares on a 1:1 basis.

(d) On 10 December 2020, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited. The total number of offer shares under the Global Offering was 138,221,000 with a par value of US$0.000025 each.

26. RESERVES

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

Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries whose functional currency is not USD.

27. SHARE-BASED PAYMENTS

2016 Equity Incentive Plan

On 11 November 2016, the Company adopted the 2016 Equity Incentive Plan (the "2016 Plan") for the purpose of providing incentives and rewards to eligible participants who have contributed or will contribute to the Group. Under the 2016 Plan, the Company initially reserved an aggregate of 1,500,000 ordinary shares of par value of USD0.001 each for issuance.

On 11 November 2016, the Company issued and granted an aggregate of 1,263,200 restricted shares to its founders and certain employees.

The vesting schedule pursuant to the grant agreements is as follows:

1) On 7 December 2016 (the "Vesting Commencement Date 1"), 10% of the total number of restricted shares granted shall vest.

2) So long as a grantee's continuous status as a service provider has not yet terminated, 22.5% of the total number of restricted shares granted shall vest on the first anniversary of the Vesting Commencement Date 1.

3) So long as a grantee's continuous status as a service provider has not yet terminated, the remaining 67.5% of the total number of restricted shares granted hereunder shall vest monthly in equal instalments over the next three consecutive years from the first anniversary of the Vesting Commencement Date 1.

The Company was incorporated on 20 July 2016. On the grant date of the restricted shares, the Company had not started business operation and only had issued one ordinary share with par value of USD0.001. The fair value of the restricted shares at that date approximates to the par value, which is minimal.

In 2019, one founder and two other employees resigned from the Group and the 44,625 unvested restricted shares (note 25(a)) granted to them were forfeited.

27. SHARE-BASED PAYMENTS *(Continued)*

2016 Equity Incentive Plan *(Continued)*

On 31 July 2020, the Company granted 1,742,862 restricted shares and 243,878 restricted share units to the Group's employees, directors and consultants under the 2016 Plan. The fair value of the restricted shares and restricted share units on the grant date was US$22.06 per share/per unit. Among the 1,742,862 restricted shares:

(a) all the restrictions with respect to 425,734 shares are removed on the grant date;

(b) 1,257,024 shares are subject to the vesting schedule as follows:

1) restrictions with respect to 30% of the restricted shares shall be removed on the first anniversary of the grant date;

2) restrictions with respect to 30% of the restricted shares shall be removed on the second anniversary of the grant date; and

3) restrictions with respect to 40% of the restricted shares shall be removed on the third anniversary of the grant date;

(c) 22,552 shares are subject to the vesting schedule as follows:

1) restrictions with respect to 7,552 restricted shares shall be removed on the grant date;

2) restrictions with respect to 4,500 restricted shares shall be removed on the first anniversary of the grant date;

3) restrictions with respect to 4,500 restricted shares shall be removed on the second anniversary of the grant date; and

4) restrictions with respect to 6,000 restricted shares shall be removed on the third anniversary of the grant date;

27. SHARE-BASED PAYMENTS *(Continued)*

2016 Equity Incentive Plan *(Continued)*

and

(d) 37,552 shares are subject to the vesting schedule as follows:

1) restrictions with respect to 7,552 restricted shares shall be removed on the grant date;

2) restrictions with respect to 9,000 restricted shares shall be removed on the first anniversary of the grant date;

3) restrictions with respect to 9,000 restricted shares shall be removed on the second anniversary of the grant date; and

4) restrictions with respect to 12,000 restricted shares shall be removed on the third anniversary of the grant date.

The vesting schedule of the 243,878 restricted share units granted on 31 July 2020 is as follows:

1) 30% of shares subject to the restricted shares units shall vest on the first anniversary of the date on which the shares of the Company are first listed on any internationally recognised stock exchange (including but not limited to The Stock Exchange of Hong Kong Limited, The New York Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange) (the "Vesting Commencement Date 2");

2) 30% of shares subject to the restricted shares units shall vest on the second anniversary of the Vesting Commencement Date 2; and

3) 40% of shares subject to the restricted shares units shall vest on the third anniversary of the Vesting Commencement Date 2.

For the above restricted shares and restricted share units granted, the employees, directors and consultants shall remain as service providers during the vesting periods.

27. SHARE-BASED PAYMENTS *(Continued)*

2016 Equity Incentive Plan *(Continued)*

On 20 October 2020, the Company granted 25,585 restricted shares and 7,536 restricted share units to the Group's ex-employees. On 25 December 2020, the Company granted 21,600 (after share subdivision) restricted share units to an ex-employee. The fair values of the restricted shares and restricted share units granted on 20 October and 25 December 2020 were US$60.23 (before share subdivision) and US$1.29 per share/per unit, respectively. The restricted shares and restricted share units granted to the ex-employees are as compensations for their past services provided to the Group.

The estimated fair values of restricted shares and restricted share units were determined based on the estimated fair value of the Company's ordinary share value at the grant dates.

The following table illustrates the number of the outstanding restricted shares and restricted share units under the 2016 Plan during the year:

	2020	2019
Restricted shares:		
At the beginning of the year	**179,595**	417,690
Forfeited during the year	**(9,812)**	(44,625)
Granted during the year	**1,768,447**	–
Reclassification to ordinary shares of vested restricted shares	**(1,662,206)**	(193,470)
Share subdivision by 1:40	**10,764,936**	–
At the end of the year	**11,040,960**	179,595

	2020	2019
Restricted share units:		
At the beginning of the year	**–**	–
Granted during the year before share subdivision	**251,414**	–
Share subdivision by 1:40	**9,805,146**	–
Vested during the year	**(301,440)**	–
Granted during the year after share subdivision	**21,600**	–
At the end of the year	**9,776,720**	–

The fair value of the restricted shares and restricted share units granted during the year was USD45,850,000 (2019: Nil), of which the Group recognised share-based payment expenses of USD36,889,000 in 2020 (2019: Nil).

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of USD786,000 (2019: USD228,000) and USD786,000 (2019: USD228,000), respectively, in respect of leases agreements for its office and laboratory use.

(b) Changes in liabilities arising from financing activities

2020

	Convertible redeemable preferred shares USD'000	**Lease liabilities USD'000**
At 1 January 2020	**202,259**	**1,908**
Changes from financing cash flows	**144,800**	**(1,105)**
Changes in fair value	**213,703**	**–**
New leases	**–**	**786**
Exchange differences	**–**	**138**
Interest expense	**–**	**99**
Termination	**–**	**(101)**
Converted to ordinary shares	**(560,762)**	**–**
At 31 December 2020	**–**	**1,725**

2019

	Convertible redeemable preferred shares USD'000	Lease liabilities USD'000
At 1 January 2019	155,872	3,143
Changes from financing cash flows	33,000	(1,200)
Changes in fair value	13,387	–
New leases	–	228
Exchange differences	–	(53)
Interest expense	–	142
Termination	–	(352)
At 31 December 2019	202,259	1,908

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

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

	2020 **USD'000**	2019 USD'000
Within operating activities	**292**	432
Within financing activities	**1,105**	1,200
	1,397	1,632

29. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020 **USD'000**	2019 USD'000
Contracted, but not provided for:		
Plant and machinery	**568**	125

30. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

The Group had the following balances with related parties:

	2020 USD'000	2019 USD'000
Amounts due from shareholders		
Mai-Jing Liao	**–**	150
Xiaoxi Liu – Gross	**50**	150
– Provision	**(50)**	(150)
Xiaoxiang Chen	**–**	100
	–	250

The amounts due from shareholders arose from the consideration for subscription of Series A2 Preferred Shares of the Company by the founders in 2016, which has not been paid as at 31 December 2019. The amounts due from shareholders are non-trade in nature, non-interest-bearing, unsecured and repayable within 2 years after the closing of Series A2 Preferred Shares.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. In 2019, Xiaoxi Liu resigned from the Group. Accordingly, the Group fully provided allowance on the amount due from Xiaoxi Liu of USD150,000 as management is of the opinion that the Group will no longer receive the amount. In 2020, the Group received USD100,000 from Xiaoxi Liu. The remaining amounts due from shareholders have been fully settled during the year.

(b) Compensation of key management personnel of the Group

	2020 USD'000	2019 USD'000
Short term employee benefits	**2,774**	1,689
Contributions to the pension scheme	**3**	21
Share-based payment expenses	**25,542**	–
	28,319	1,710

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the reporting period were as follows:

2020

Financial assets

	Financial assets at fair value through profit or loss USD'000	Financial assets at amortised cost USD'000	Total USD'000
Other financial assets	**153**	**–**	**153**
Trade receivables	**–**	**1,056**	**1,056**
Financial assets included in prepayments, other receivables and other assets	**–**	**1,530**	**1,530**
Cash and bank balances	**–**	**356,794**	**356,794**
	153	**359,380**	**359,533**

Financial liabilities

	Financial liabilities at amortised cost USD'000	Total USD'000
Trade payables	**7,960**	**7,960**
Financial liabilities included in other payables and accruals	**11,320**	**11,320**
Lease liabilities	**1,725**	**1,725**
	21,005	**21,005**

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2019

Financial assets

	Financial assets at fair value through profit or loss USD'000	Financial assets at amortised cost USD'000	Total USD'000
Other financial assets	396	–	396
Trade receivables	–	1,673	1,673
Amounts due from shareholders	–	250	250
Financial assets included in prepayments, other receivables and other assets	–	448	448
Cash and bank balances	–	33,391	33,391
	396	35,762	36,158

Financial liabilities

	Financial liabilities at fair value through profit or loss USD'000	Financial liabilities at amortised cost USD'000	Total USD'000
Trade payables	–	9,317	9,317
Financial liabilities included in other payables and accruals	–	802	802
Convertible redeemable preferred shares	202,259	–	202,259
Lease liabilities	–	1,908	1,908
	202,259	12,027	214,286

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	2020		2019	
	Carrying amount USD'000	**Fair value USD'000**	Carrying amount USD'000	Fair value USD'000
Financial assets:				
Other financial assets	**153**	**153**	396	396
Financial liabilities:				
Convertible redeemable preferred shares	**–**	**–**	202,259	202,259

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, and amounts due from shareholders approximate to their carrying amounts largely due to the short term maturities of these instruments.

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each year, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of investments in financial products have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

The fair values of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

The fair values of the convertible redeemable preferred shares measured at fair value through profit or loss are determined using the valuation techniques, including the back-solve method and equity allocation model. Further details are set out in note 24 to the financial statements.

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) USD'000	**Significant observable inputs (Level 2) USD'000**	**Significant unobservable inputs (Level 3) USD'000**	**Total USD'000**
Financial assets:				
Other financial assets	**–**	**153**	**–**	**153**

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) USD'000	Significant observable inputs (Level 2) USD'000	Significant unobservable inputs (Level 3) USD'000	Total USD'000
Financial assets:				
Other financial assets	–	396	–	396
Financial liabilities:				
Convertible redeemable preferred shares	–	–	202,259	202,259

Financial instruments in Level 3

Further details of the convertible redeemable preferred shares are included in note 24 to the financial statements.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances, other financial assets, amounts due from shareholders, lease liabilities and convertible redeemable preferred shares. 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 trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals which arise directly from its operations.

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

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates.

The Group's financial assets and liabilities are subject to foreign currency risk as a result of certain bank deposits, trade and other receivables and trade and other payables denominated in non-functional currency. Therefore, the fluctuations in the exchange rate of functional currency against non-functional currency could affect the Group's results of operations. The Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currencies.

The following table demonstrates the sensitivity at the end of each year to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair values of monetary assets and liabilities) and equity (due to changes in foreign currency exchange reserve).

2020

	Fluctuation in Foreign exchange rate %	(Decrease)/ increase in loss before tax USD'000	(Decrease)/ increase in equity USD'000
If USD weakens against EUR	**5**	**376**	**376**
If USD strengthens against EUR	**(5)**	**(376)**	**(376)**
If USD weakens against RMB	**5**	**(538)**	**109**
If USD strengthens against RMB	**(5)**	**538**	**(109)**

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

2019

	Fluctuation in Foreign exchange rate %	(Decrease)/ increase in loss before tax USD'000	(Decrease)/ increase in equity USD'000
If USD weakens against EUR	5	38	38
If USD strengthens against EUR	(5)	(38)	(38)
If USD weakens against RMB	5	(148)	548
If USD strengthens against RMB	(5)	148	(548)

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and bank balances, financial assets included in prepayments, other receivables and other assets and amounts due from shareholders arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. As at 31 December 2020, the Group had certain concentrations of credit risk as 94% (2019: 81%) of the Group's trade receivables were due from the customers with top five balances.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 USD'000	Stage 2 USD'000	Stage 3 USD'000	Simplified approach USD'000	Total USD'000
Trade receivables	–	–	–	1,056	1,056
Financial assets included in prepayments, other receivables and other assets – Normal*	1,530	–	–	–	1,530
Cash and bank balances – Not yet past due	356,794	–	–	–	356,794
	358,324	–	–	1,056	359,380

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging *(Continued)*

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 USD'000	Stage 2 USD'000	Stage 3 USD'000	Simplified approach USD'000	Total USD'000
Trade receivables	–	–	–	1,673	1,673
Amounts due from shareholders	250	–	150	–	400
Financial assets included in prepayments, other receivables and other assets – Normal*	448	–	–	–	448
Cash and bank balances – Not yet past due	33,391	–	–	–	33,391
	34,089	–	150	1,673	35,912

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

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group monitors its risk to a shortage of funds by considering the maturities of both its financial liabilities and financial assets.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group aims to maintain sufficient cash and cash equivalents to meet its liquidity requirements.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

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

	31 December 2020			
	On demand or less than 12 months USD'000	**1 to 5 years USD'000**	**More than 5 years USD'000**	**Total USD'000**
Lease liabilities	**1,447**	**290**	**–**	**1,737**
Trade payables	**7,960**	**–**	**–**	**7,960**
Financial liabilities in other payables and accruals	**11,320**	**–**	**–**	**11,320**
	20,727	**290**	**–**	**21,017**

	31 December 2019			
	On demand or less than 12 months USD'000	1 to 5 years USD'000	More than 5 years USD'000	Total USD'000
Lease liabilities	1,190	802	–	1,992
Trade payables	9,317	–	–	9,317
Financial liabilities in other payables and accruals	802	–	–	802
Convertible redeemable preferred shares	–	–	325,655	325,655
	11,309	802	325,655	337,766

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. 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 during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes lease liabilities, trade payables and financial liabilities included in other payables and accruals, less cash and bank balances. Adjusted capital includes convertible redeemable preferred shares and equity attributable to owners of the parent. The gearing ratios as at the end of the reporting period were as follows:

	2020	2019
	USD'000	USD'000
Lease liabilities	**1,725**	1,908
Trade payables	**7,960**	9,317
Financial liabilities included in other payables and accruals	**11,320**	802
Less: Cash and bank balances	**(356,794)**	(33,391)
Net debt	**(335,789)**	(21,364)
Convertible redeemable preferred shares	**–**	202,259
Equity attributable to owners of the parent	**361,186**	(153,411)
Adjusted capital	**361,186**	48,848
Adjusted capital and net debt	**25,397**	27,484
Gearing ratio	**N/A**	N/A

* *As at 31 December 2020 and 2019, the Group's cash and bank balances exceeded the financial liabilities (excluding convertible redeemable preferred shares). As such, no gearing ratio as at 31 December 2020 and 2019 was presented.*

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2020 USD'000	2019 USD'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**13,110**	13,110
Total non-current assets	**13,110**	13,110
CURRENT ASSETS		
Prepayments, other receivables and other assets	**22**	–
Amounts due from shareholders	**–**	250
Amounts due from subsidiaries	**172,241**	121,179
Cash and bank balances	**321,808**	18,043
Total current assets	**494,071**	139,472
CURRENT LIABILITIES		
Other payables and accruals	**1,558**	22
Amount due to subsidiaries	**607**	–
Total current liabilities	**2,165**	22
NET CURRENT ASSETS	**491,906**	139,450
TOTAL ASSETS LESS CURRENT LIABILITIES	**505,016**	152,560
NON-CURRENT LIABILITIES		
Convertible redeemable preferred shares	**–**	202,259
Total non-current liabilities	**–**	202,259
Net assets/(liabilities)	**505,016**	(49,699)
EQUITY		
Share capital	**19**	5
Treasury shares	**(1)**	(1)
Reserves	**504,998**	(49,703)
Total equity/(deficit)	**505,016**	(49,699)

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium	Capital reserve	Accumulated losses	Total
	USD'000	USD'000	USD'000	USD'000
Balance at 1 January 2019	9,224	–	(45,450)	(36,226)
Loss for the year	–	–	(13,477)	(13,477)
At 31 December 2019 and 1 January 2020	9,224	–	(58,927)	(49,703)
Loss for the year	–	–	(256,935)	(256,935)
Shares issued upon IPO	222,926	–	–	222,926
Share issue expenses	(8,930)	–	–	(8,930)
Automatic conversion of convertible redeemable preferred shares upon IPO	560,752	–	–	560,752
Share-based payments	33,899	2,989	–	36,888
At 31 December 2020	817,871	2,989	(315,862)	504,998

35. APPROVAL OF THE FINANCIAL STATEMENTS

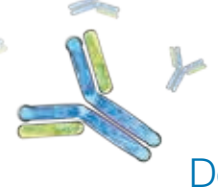
The financial statements were approved and authorised for issue by the board of directors on 29 March 2021.

"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on 23 November 2020 with effect from the Listing Date, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"Companies Law of Cayman"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"China" or "the PRC"	the People's Republic of China, and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"China/PRC NMPA"	National Medical Products Administration of the People's Republic of China
"BLA"	Biologics License Application
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	HBM Holdings Limited (和鉑醫藥控股有限公司), a company with limited liability incorporated in the Cayman Islands on 20 July 2016
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"conversion"	conversion of each preferred share to ordinary share on a one-to-one basis immediately upon completion of the Share Subdivision

Definitions

"Director(s)"	the director(s) of our Company
"Dr. Wang"	Dr. Jingsong Wang, M.D., Ph.D. (王勁松), an executive Director, the chief executive officer and chairman of the Board of our Company
"Erasmus Medical Center"	Erasmus University Medical Center Rotterdam
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Governmental Authority"	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organisation, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
"Group", "our Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Harbour Antibodies"	Harbour Antibodies B.V., a limited liability company incorporated in the Netherlands on 27 December 2006 and a direct wholly-owned subsidiary of the Company
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board

"Laws"	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees, or rulings of any Governmental Authority (including the Stock Exchange and the Securities and Futures Commission of Hong Kong) of all relevant jurisdictions
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	10 December 2020, the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company conditionally adopted on 23 November 2020, with effect from the Listing Date, as amended from time to time
"Post-IPO Share Award Scheme"	the post-IPO share award scheme adopted by the Company on 23 November 2020
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Company on 23 November 2020
"Pre-IPO Equity Plan"	the share incentive plan approved and adopted by our Company on 11 November 2016, as amended on 26 October 2017, 6 August 2018, 19 September 2019 and 24 June 2020
"Pre-IPO Investor(s)"	the Series A1 Preferred Shareholders, Series A3 Preferred Shareholders, Series B Preferred Shareholders, Series B2 Preferred Shareholders and Series C Preferred Shareholders
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Reporting Period"	from 1 January 2020 to 31 December 2020



Definitions

"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of US$0.000025 each following the Share Subdivision and the Conversion
"Share Subdivision"	the subdivision of each share in the Company's issued and unissued share capital with par value of US$0.001 each into 40 shares of the corresponding class with par value of US$0.000025 each
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"U.S. FDA"	U.S. Food and Drug Administration
"United States", "U.S." or "US"	United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"%"	per cent