SINOMAB

SinoMab BioScience Limited
中國抗體製藥有限公司
(Incorporated in Hong Kong with limited liability)

Stock Code: 3681

Annual Report 2020

Contents

Corporate Information

DIRECTORS

Executive Director

Dr. Shui On LEUNG
(Chairman and Chief Executive Officer)

Non-executive Directors

Dr. Haigang CHEN
Mr. Xun DONG
Mr. Senlin LIU
Ms. Wenyi LIU
Mr. Huiyuan MA
Mr. Jing QIANG *(Resigned as the President and re-designated from an Executive Director to a Non-executive Director with effect from 30 November 2020)*

Independent Non-executive Directors

Mr. George William Hunter CAUTHERLEY
Mr. Michael James Connolly HOGAN
Mr. Ping Cho Terence HON
Mr. Dylan Carlo TINKER

AUDIT COMMITTEE

Mr. Ping Cho Terence HON *(Chairman)*
Mr. George William Hunter CAUTHERLEY
Mr. Michael James Connolly HOGAN
Mr. Dylan Carlo TINKER

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Pui Yin Peony WONG

AUTHORISED REPRESENTATIVES

Dr. Shui On LEUNG
Mr. Jianping HUA

REGISTERED OFFICE

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

AUDITOR

Ernst & Young
Registered Public Interest Entity Auditor

LEGAL ADVISER

As to Hong Kong law
Paul Hastings

COMPLIANCE ADVISER

Orient Capital (Hong Kong) Limited

HONG KONG SHARE REGISTRAR

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

COMPANY WEBSITE

www.sinomab.com

STOCK CODE

3681

FINANCIAL SUMMARY

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

	For the year ended 31 December			
	2017	2018	2019	**2020**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Operating results				
Research and development costs	(32,603)	(47,283)	(214,342)	**(103,402)**
Loss before tax	(51,901)	(83,610)	(276,282)	**(122,600)**
Loss for the year	(51,901)	(83,610)	(276,282)	**(122,600)**
Loss attributable to owners of the parent	(47,974)	(83,610)	(276,282)	**(122,600)**
	RMB	*RMB*	*RMB*	***RMB***
Loss per share – Basic and diluted	N/A	(0.12)	(0.33)	**(0.12)**

	As at 31 December			
	2017	2018	2019	**2020**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Financial position				
Non-current assets	34,810	38,549	69,123	**195,169**
Current assets	126,826	50,270	1,215,042	**934,354**
Non-current liabilities	27,681	32,994	45,574	**83,708**
Current liabilities	184,907	28,419	106,675	**58,804**
Total equity	(50,952)	27,406	1,131,916	**987,011**

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

Dr. Shui On LEUNG

Chairman, Executive Director and Chief Executive Officer

Dear valued Shareholders,

On behalf of the Board, I hereby present the annual report of the Company (together with its subsidiaries) for the year ended 31 December 2020. We would like to wholeheartedly express our gratitude for your abiding trust and support which accompanied us past another year.

Whilst the year 2020 was undoubtedly full of challenges, the Company still made remarkable accomplishments with the support from Shareholders, investors and all staff members. In early 2020, COVID-19 rapidly stormed the world and paralysed global economies. Despite such an adversity, all staff of the Company stuck to the research and development ("**R&D**") work with professionalism and responsibilities, thus achieving breakthroughs, one after another. Following the successful Phase-II clinical trials of our flagship product, SM03, for the treatment of rheumatoid arthritis ("**RA**") in China, we are currently conducting its Phase-III clinical trials, with an interim analysis completed on 19 June 2020 which reflected SM03's satisfactory safety, tolerability profile and adherence to the study. Meanwhile, SM03 has been widely recognised in the professional field worldwide. The Company was respectively invited to orally present its clinical results at the European League Against Rheumatism 2020 Congress on 5 June 2020 as well as the 22nd Asia-Pacific League of Associations for Rheumatoid Virtual Congress on 26 October 2020. Last year we made a giant step towards the commercialisation of SM03, a potential global first-in-target anti-CD22 monoclonal antibody for RA treatment, and we expect to commercialize by the end of 2021 at the earliest.

Besides, our R&D work for the third-generation, covalent reversible Bruton's tyrosine kinase ("**BTK**") inhibitor drug candidate, SN1011, has also attained crucial success. In Australia, we have been conducting the clinical trials for the evaluation of the safety and tolerability of SN1011 in a group of healthy adult subjects, including both single ascending

dose and multiple ascending dose studies. In addition, we filed an Investigational New Drug ("**IND**") application for SN1011 to the Center for Drug Evaluation of the National Medical Products Administration of China ("**NMPA**") on 22 June 2020, which was subsequently approved by the NMPA on 27 August 2020. We thereafter instantaneously launched its comprehensive clinical development programmes for the treatment of systemic lupus erythematosus ("**SLE**"). As for SM17, a humanised antibody against a novel target, which aims at the treatment of asthma indications, we have been accelerating its filing of the US IND.

Alongside our endeavour to accelerate drug R&D, we have also been simultaneously exploring possibilities of enlarging our production capacity in order to get fully prepared for future commercialisation of drugs. Currently in Haikou, we own a GMP-compliant manufacturing plant with a production capacity of 1,200 L, which will be used for the Biologics Licence Application submission and the initial commercial production of SM03. Our second production facility in Suzhou BioBAY is now under construction, expected to commence operation in the second half of 2021 for SM03's subsequent production with a capacity of 6,000L. Furthermore, in 2020, our wholly owned subsidiary, MediNexus Pharma (Suzhou) Limited, acquired a land parcel of approximately 43,158 sq.m., which will be our PRC headquarters, an R&D centre as well as the most important production base. The construction has already started in November 2020, with a total floor area of approximately 70,000 sq.m., consisting of a manufacturing shop, a pilot plant, an R&D centre, a quality inspection centre, a clinical study centre and an administration building, and is expected to be completed by the end of 2022. Upon the completion, the new campus will be able to produce 2.5 to 3.0 million bottles of mAb injection per year, a relatively high level in the industry. The new base in Suzhou will provide a platform and guarantee for the steady commercialisation progress of the drug candidates in our product pipeline.

As of now, the Company has already developed a full-spectrum platform which consists of target identification, drug candidate development, pre-clinical research, clinical trials, clinical production, quality control, quality assurance, regulatory approval and commercial-scale production. With this solid foundation, we are still dedicated to vertically integrating businesses through production base and facility expansion, thus offering an extra insurance and driving force to the drug R&D and commercialisation, aiming to grow into a biopharmaceutical enterprise with diverse products and sustainable development.

In fact, the demand for healthcare has been soaring across the globe; however, the market of monoclonal antibodies in China is still in its infancy, which indicates enormous potential in the future. In recent years, the Ministry of Science and Technology, the Ministry of Industry and Information Technology as well as the State Council of the PRC have successively shown their support to the industrialisation and internationalisation of antibody drugs. Together with the growing concern about the medical industry among the public and global investors induced by the COVID-19 pandemic, we are confident in seizing the current opportunities to see a boundless performing stage in the market of immunological disease treatments. Looking forward, the Company will persevere in independent innovation, first strengthening our R&D capability by continuous study of novel drug target identification, and second developing superior clinical and marketing teams to push forward with drug R&D and commercialisation. Concurrently, we will enhance our global collaboration and technological innovation, hoping to contribute to the medical industry and entire society as an international inventive biopharmaceutical group.

Since establishment, the Company has always been pursuing the mission of discovering and developing novel drug targets which has never been forgotten. In the future, we will make the utmost effort to advance the medical industry together with all parties, to fulfil our promises to patients, Shareholders and society. I, on behalf of the Board and management of the Company, hereby express our gratitude to all healthcare professionals for their contribution to global healthcare during such an extraordinary year. We would also like to thank Shareholders, investors and different sectors for their attention and support as well as all staff members of the Company for their sustained exertion.

Chairman, Executive Director and Chief Executive Officer
Dr Shui On LEUNG
22 March 2021

OVERVIEW

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

Our flagship product, SM03, is a potential global first-in-target mAb for the treatment of rheumatoid arthritis ("**RA**") and potentially for the treatment of other immunological diseases such as systemic lupus erythematosus ("**SLE**"), Sjogren's syndrome ("**SS**") and non-Hodgkin's lymphoma ("**NHL**"), which is expected to be commercialized by the end of 2021 at the earliest.

Our key product, SN1011, is a third generation covalent reversible Bruton's tyrosine kinase ("**BTK**") inhibitor designed for high selectivity and superior efficacy for the long-term treatment of SLE, RA, pemphigus, multiple sclerosis and other immunological disease, which we expect to initiate its Phase II clinical study for SLE in the second half of 2021.

Another key product, SM17, is a first-in-class and first-in-target humanised anti-IL 17RB antibody for the treatment of asthma, idiopathic pulmonary fibrosis, which we intend to enter into human clinical trials globally by the second half of 2021.

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

PROGRESS OF CLINICAL PROJECTS

Product Pipeline

Pipeline	Indication	Territory	IND Enabling			Phase I	Phase II	Phase III
			Stage I	Stage II	Stage III			
SM03 (anti-CD22) (First-in-Target)	Rheumatoid arthritis (RA)	China						
	Non-Hodgkin's lymphoma (NHL)							
	Systemic lupus erythematosus (SLE)							
	Sjogren's syndrome (SS)							
SN1011 (BTK Inhibitor) (Third-Generation)	Systemic lupus erythematosus (SLE)	China						
	Rheumatoid arthritis (RA)							
	Rheumatoid arthritis (RA)	Australia						
	Systemic lupus erythematosus (SLE)							
	Pemphigus							
SM17 (Humanised Anti-IL17RB) (First-in-Class and First-in-Target)	Asthma							
	Idiopathic Pulmonary fibrosis (IPF)							
SM06 (Humanised anti-CD22)	Systemic lupus erythematosus (SLE)							
	Rheumatoid arthritis (RA)							
	Sjogren's syndrome (SS)							
SM09 (Humanised Anti-CD20)	Non-Hodgkin's lymphoma (NHL)							
	Rheumatoid arthritis (RA)							
TNF2 (Humanised Ab)	Rheumatoid arthritis (RA)							

IND enabling stage

IND enabling stage I – R&D

IND enabling stage II – chemistry, manufacturing and control processes (CMC)

IND enabling stage III – Preclinical

Clinical stage

Flagship Product

SM03

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

We plan to rapidly advance the development of SM03. As at 31 December 2020, a total of 332 patients have been enrolled into SM03 Phase III clinical trials for RA and treated with the assigned drugs. A Phase III clinical trial interim analysis whose objective is to assess the safety and tolerability profile of patient against existing SM03's safety information was completed in June 2020. Safety data of the Phase III clinical trial interim analysis were generally in line with the results of Phase II clinical trials. We expect to complete patient enrollment for SM03's Phase III clinical trial for RA in the first half of 2021 at the earliest, and plan to file our Biologics Licence Application ("**BLA**") with the National Medical Products Administration of the People's Republic of China ("**PRC**") (the "**NMPA**") in the second half of 2021 at the earliest. Such timeframe was extended from the original schedule as a result of the uncertainties brought by coronavirus disease (COVID-19). We also expect to commercialize SM03 by the end of 2021 at the earliest. In response to the strategic planning on the Group's product pipeline development, we planned to file Investigational New Drug ("**IND**") application in the United States for SM06, a humanized version of SM03 with the same mechanism of action of SM03. Therefore, our previously planned bridging clinical study in Australia for SM03 had been negated by the clinical studies for SM06 to be conducted in the United States. In addition to our efforts to develop SM03 as a therapeutic for RA, we will advance SM03 clinical trials for SLE to broaden the therapeutic uses of SM03 for addressing unmet medical needs. We expect to initiate Phase II clinical study for SLE in the second half of 2021.

Key Products

SN1011

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

With regard to SN1011's Phase I clinical trial in Australia, the Company has been conducting the clinical trials for the evaluation of the safety and tolerability of SN1011 in a group of healthy adult subjects, including both single ascending dose ("**SAD**") and multiple ascending dose studies. As at 15 January 2020, the Phase I of the clinical trial in respect of the SAD part has been completed on 40 Caucasian subjects. On 22 June 2020, the Company filed an Investigational New Drug ("**IND**") application (autoimmune disease) which was accepted by the Center for Drug Evaluation of the NMPA on 25 June 2020 and was subsequently approved by the NMPA on 27 August 2020. The Company has initiated the Phase I clinical study in China and the first healthy subject had been successfully dosed in Phase I clinical trial of SN1011 in Shanghai, China on 15 January 2021. As at the date of this annual report, 27 subjects have been enrolled into Phase I clinical trial of SN1011. We expect to complete Phase I clinical study in the first half of 2021, then initiate Phase II clinical study in the second half of 2021 for SLE. Please also refer to the Company's announcements dated 14 November 2019, 29 January 2020, 29 June 2020, 1 September 2020 and 15 January 2021 for further information about the latest R&D progress of SN1011.

SM17

The parent antibody of SM17 was originally developed to treat eosinophilic asthma via blockage of IL25 onto the receptor IL17RB expressed on ILC2. The antibody is specific to IL17RB, which is found to be significantly upgraded in biopsy tissues of asthmatic patients. When evaluated in a murine-based Ovalbumin (OVA)-induced Allergic Asthma Model, binding of the antibody to IL17RB blocks receptor signaling which enhanced protection against airways resistance and significantly reduced cell infiltration into the lungs and serum levels of antigen specific immunoglobulin E (IgE). This potential first-in-class and first-in-target antibody was further humanised by the Group's international partner, LifeArc (a medical research charity based in the United Kingdom), using their proprietary humanisation technology. The antibody was later found to exhibit other therapeutic potential, including type II ulcerative colitis and idiopathic pulmonary fibrosis ("**IPF**"). In the latter case, the antibody was demonstrated to significantly reduce pulmonary collagen in mice suffering from bleomycin-induced pulmonary fibrosis. The levels of antibody-induced pulmonary collagen reduction were comparable to such achieved in mice treated with pirfenidone.

We are in the process of generating and collecting the necessary data through our in-house platforms for IND filing. SM17 production process development is completed, and clinical batch for Phase I trials is now under manufacturing. Preliminary toxicological studies demonstrated that SM17 is well tolerated at pharmacologically active dose levels in cynomolgus monkeys. Good Laboratory Practice (GLP) compliance toxicological studies are now ongoing. We are in the progress of compiling the dossier for IND filing globally by the second half of 2021. Meanwhile, we are now conducting in-house proof-of-concept ("**POC**") studies to explore the clinical application of SM17 on various disease indications. Pre-IND meetings with the relevant regulatory agencies in these jurisdictions are planned prior to our IND submissions. We intend to enter into human clinical trials globally by the second half of 2021.

Other drug candidates

SM06

SM06 is a second-generation anti-CD22 antibody that is humanised using our proprietary framework-patching technology. SM06 is a humanised version of SM03 with the same mechanism of action of SM03. It is contemplated to be a less immunogenic and more human-like antibody with reduced side effects. We believe that SM06 will be more suitable for treating diseases requiring long-term administration, such as SLE, RA and other immunological diseases. We are currently in the process of optimising production for SM06 and speeding up the filing of SM06 for clinical studies in the United States. Our expected timeframe to complete pre-clinical research has been speeded up to two years. Once we commercialize SM03, we will proceed to engage the NMPA and/or regulatory authorities of other jurisdictions to initiate clinical trials for SM06.

SM09

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

TNF2

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

PRODUCTION

In the year of 2020, we carried out our manufacturing activities at our Haikou production base, where we manufacture our drug candidates for pre-clinical research, clinical trials and future large-scale production. The Haikou production base occupies a total operational area of approximately 4,526 square metres with a production capacity of 1,200 litres, which is sufficient for clinical and initial marketing needs. The plant has an operational area consisting of a clean area for processing, a controlled-not-classified (CNC) area for supporting activities, utility rooms, quality control laboratories, warehouse and administrative offices.

The Company is in the process of constructing the Suzhou commercial-scale production base with a production capacity of 6,000 litres in compliance with the current Good Manufacturing Practice ("**GMP**") standards enforced by the United States Food and Drug Administration (the "**FDA**"). Construction of administrative areas, testing laboratories and R&D laboratories was completed in 2019. The administrative areas have been in operation since late-2020 for supporting ongoing and new product development projects and the testing and R&D laboratories are under commissioning during the Reporting Period. The equipment installation for the testing and R&D laboratories is expected to be completed in the first half of 2021, and the testing and R&D laboratories are expected to fully operate in the second half of 2021.

INTELLECTUAL PROPERTY

Core Technology of Main Drugs (Products)

For SM03, the Company has two invention patents which are registered in the PRC, of which one invention patent is also applicable to SM06, and four invention patents which are registered in the United States, of which three invention patents are also applicable to SM06. The Company has also filed two Patent Cooperation Treaty ("**PCT**") patent applications, both of which are also applicable to SM06, which are currently under review according to PCT procedures.

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

Well-known or Famous Trademarks

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

Patents

Item	**As at 31 December 2020**	As at 31 December 2019
Number of invention patents owned by the Company	**19**	19

HUMAN RESOURCES

As at 31 December 2020, the Group had a total of 178 employees in Hong Kong and China. Employees are important resources for the Group's sustainable operation and steady development. The Company has formulated policies related to employees' remuneration, rights and interests and conducted various staff training, details of which are further set out in the "Environmental, Social and Governance Report" in this annual report. The Company has also established its restricted share unit scheme and share award scheme, details of which are set out in "Report of the Directors – Share Incentives" in this annual report.

R&D PERSONNEL

Education level	Number at the end of the Reporting Period	Number at the beginning of the Reporting Period
Ph.D.	7	6
Master	11	15
Undergraduate or below	7	7
Total number of R&D personnel	25	28

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

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

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

FUTURE AND PROSPECTS

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

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

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

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

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

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

Clinical Development Plan

We will continue to advance clinical trials for SM03 for RA and SLE. As previously mentioned, we expect to file our SM03 BLA for RA with the NMPA in the second half of 2021 at the earliest. As mentioned in the preceding paragraph, our previously planned bridging clinical study in Australia for SM03 had been negated by the clinical studies for SM06 to be conducted in the United States. In terms of the broader indication development, we will advance clinical trials for SLE and possibly other autoimmune diseases.

We will continue the global clinical development programme for SN1011 in the immunological diseases area. We expect to finish Phase I first-in-human (FIH) study in the second quarter of 2021 and initiate Phase II POC study for patients with autoimmune diseases in the second half of 2021. On 22 June 2020, the Company filed an IND application (for autoimmune disease) which was accepted by the Center for Drug Evaluation of the NMPA on 25 June 2020 and was subsequently approved by the NMPA on 27 August 2020. The Company has initiated Phase I clinical study in China and the first healthy subject has been successfully dosed in a Phase I clinical trial of SN1011 in Shanghai, China on 15 January 2021.

Further, in respect of SM17, we plan to enter into human clinical trials globally by the second half of 2021.

Pre-clinical R&D

The Group's international partner, LifeArc, engaged the Company to co-develop SM17. The Company is in the process of generating and collecting the necessary data for IND filing in respect of SM17, and will thereafter conduct pre-clinical studies to test its efficacies, safety and Pharmacokinetics ("**PK**")/Pharmacodynamics ("**PD**"), and fulfil other regulatory requirements. The Company intends to enter into human clinical trials globally by the second half of 2021.

We are currently in the process of optimising production for SM06 and speeding up the filing of SM06 for clinical studies in the United States. Our expected timeframe to complete pre-clinical research has been speeded up to two years.

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

Novel drug targets identification

The Company has been actively exploring novel targets identification. The Company has engaged D2M Biotherapeutics Limited for a long-term collaboration for the identification of novel drug targets, for which the Company is entitled to conduct subsequent researches, development and commercialization with regards to qualified drug targets which are chosen by the Company from the original results of D2M's target identification works according to a prioritized target-selection mechanism.

Production

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

On 24 June 2020, the Company purchased a piece of land of 43,158 square metres in Suzhou Dushu Lake High Education Town, where the Company plans to build its PRC headquarters, an R&D centre as well as another production base, with a total floor area of approximately 70,000 square metres. The foundation works have been completed. The superstructure works have commenced and are expected to be completed by late 2022. Upon completion, the production capacity of the production base would be over 30,000 litres.

Commercialisation

Albeit uncertainties associated with COVID-19, we expect to build up our sales team by 2021. Our commercialisation team is expected to cover a majority of provinces and municipalities in China and to support the future commercialisation of our drug candidates. We are actively exploring and identifying opportunities for collaboration and/or partnership, including but not limited to licensing in or licensing out, to enhance our sales and business development capabilities.

COVID-19

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

FINANCIAL REVIEW

Other income and gain

Our other income and gain consist primarily of bank interest income, fair value gain on a financial asset at fair value through profit or loss and government grants. Total other income and gain were approximately RMB58.4 million for the Reporting Period, representing an increase of approximately RMB55.4 million from the year ended 31 December 2019, mainly due to (i) the recognition of unrealized fair value gain of a financial asset at fair value through profit or loss amounting to approximately RMB28.3 million; (ii) an increase in government grants amounting to approximately RMB12.8 million; (iii) an increase in bank interest income amounting to approximately RMB14.3 million.

R&D costs

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Intellectual property transfer fee for new products	**–**	103,277
Laboratory consumable and experiment costs	**79,891**	49,097
Milestone payment of co-developed products	**–**	43,721
Employment costs	**17,228**	11,809
Others	**6,283**	6,438
	103,402	214,342

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

For the years ended 31 December 2020 and 2019, we incurred R&D costs of approximately RMB103.4 million and RMB214.3 million, respectively. The decrease in costs of business development in R&D during the Reporting Period, was mainly attributable to (i) no intellectual property transfer fees were incurred for new products (2019: RMB103.3 million); and (ii) no co-development fees were incurred in relation to milestone payment under collaboration agreements (2019: RMB43.7 million).

Administrative expenses

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

For the years ended 31 December 2020 and 2019, our total administrative expenses were approximately RMB72.0 million and RMB61.5 million, respectively. The increase was mainly due to (i) the recognition of a non-cash share-based payment (being the grant of restricted share units ("**RSUs**") under the RSU scheme of approximately RMB34.9 million); (ii) an increase in the employment related costs for our business expansion of approximately RMB12.0 million; (iii) an increase in post-listing expenses including public relations fees, compliance fees and independent non-executive directors' fees of approximately RMB3.5 million; and (iv) offset by the decrease in listing fees of approximately RMB41.9 million.

Liquidity and capital resources

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

As at 31 December 2020, our bank balance and cash totalled RMB810.4 million, as compared to RMB1,200.9 million as at 31 December 2019. The decrease was mainly due to (i) an investment in the China Healthcare Fund which is a segregated portfolio of New China Overseas Opportunity Fund SPC ("**New China Overseas**") of approximately RMB69.6 million (equivalent to HK$78.0 million), which was subsequently disposed of at a consideration of HK$110.6 million in February 2021; (ii) a settlement of listing fees of approximately RMB54.5 million; (iii) the capital expenditures of subsidiaries in Suzhou and Hainan, of approximately RMB92.3 million; (iv) an investment in D2M Biotherapeutics Limited, of approximately RMB17.3 million; (v) the expenses paid for operating activities, of approximately RMB141.3 million; and (vi) offset by the increase in the bank borrowing of approximately RMB40.2 million.

The following table sets forth a condensed summary of the Group's consolidated statement of cash flows for the years indicated and analysis of balances of cash and cash equivalents for the years indicated:

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Net cash flows used in operating activities	**(141,338)**	(222,489)
Cash flows used in investing activities	**(179,218)**	(42,286)
Net cash flows (used in)/from financing activities	**(18,808)**	1,420,802
Net (decrease)/increase in cash and cash equivalents	**(339,364)**	1,156,027
Cash and cash equivalents at the beginning of the year	**1,200,868**	41,512
Effect of foreign exchange rate changes, net	**(51,134)**	3,329
Cash and cash equivalents at the end of the year	**810,370**	1,200,868
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**77,606**	703,983
Non-pledged time deposits with original maturity of less than three months when acquired	**732,764**	496,885
Cash and cash equivalents as stated in the statement of cash flows	**810,370**	1,200,868

As at 31 December 2020, cash and cash equivalents were mainly denominated in Renminbi, United States dollars and Hong Kong dollars.

Bank Borrowings and Gearing

As at 31 December 2020, the Group's outstanding borrowings of RMB60.5 million (31 December 2019: 20.3 million) were denominated in RMB and carried at a variable rate of interest equal to the People's Bank of China RMB Loan Prime Rate plus 0.25%.

The Group monitored capital using gearing ratio. Gearing ratio is calculated using interest-bearing bank borrowing less cash and cash equivalents divided by total equity and multiplied by 100%. Gearing ratio is not meaningful as our interest-bearing bank borrowing less cash and cash equivalents was negative.

LOSS PER SHARE

The basic and diluted loss per share are RMB0.12 for the year ended 31 December 2020 (2019: RMB0.33).

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

	2020 *RMB'000*	2019 *RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent	**122,600**	276,282

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year	**1,006,240,400**	836,654,781

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2020 are set out in note 21 to the consolidated financial statements.

PLEDGE OF ASSETS

As at 31 December 2020, the Group had no assets under pledge. (2019: Nil)

CAPITAL COMMITMENTS

Particulars of capital commitments of the Group as at 31 December 2020 are set out in note 26 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no contingent liability. (2019: Nil)

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

During the Reporting Period, there were no material acquisitions or disposals of subsidiaries or associates of the Company.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2020, the Company held 775,347.912 units of Class A participating shares (the "**Investment**") in the China Healthcare Fund, which is a segregated portfolio of New China Overseas. New China Overseas is an open-ended investment company incorporated in the Cayman Islands with limited liability on 17 October 2014 and registered as an exempted segregated portfolio company with the Registrar of Companies of the Cayman Islands.

The principal investment objective of the China Healthcare Fund is to achieve absolute returns through investment in the healthcare industry in the Greater China region and to capture the investment opportunities in the fast-growing healthcare industry in the Greater China region. The China Healthcare Fund mainly invests in equities listed on Stock Exchange, as well as the stock exchanges in the PRC and the United States. In particular, the China Healthcare Fund focuses on investing in equities whose operations focused mainly in, or who derive a significant amount of earnings from, the healthcare industry in the Greater China region, or which are closely related thereto.

The Company made an investment amounting to HK$78.0 million in the Investment on 22 January 2020. As at 31 December 2020, the fair value of the Investment amounted to approximately RMB93.1 million (equivalent to approximately HK$110.6 million) which represented approximately 8.24% to the total assets of the Company. During the Reporting Period, the Company recognised unrealised gain from change in fair value of the Investment of approximately RMB28.3 million and received no dividend.

Based on the performance of the China Healthcare Fund since its establishment in 2015, the average annualised rate of return is approximately 2.37% per annum. The China Healthcare Fund yielded a significant return of approximately 41.8% for the year ended 31 December 2020, despite the weak global economy, social unrest and the trade war between China and the United States, as the fund manager focused on investing in equities mainly in the healthcare industry that the fund manager believed would have high growth rates, reasonable valuations and strong track records.

During the year under review, the Investment served as a corporate investment strategy to maintain and generate possible future income of the Company and was a means to better utilise the Company's current financial resources, and fell under "other general corporate purposes" of the Company's planned use of proceeds from the Company's listing. The Investment matured on 22 January 2021 and can be redeemed since then. The Company executed a contract on 4 February 2021 to dispose the Investment at a consideration of HK$110.6 million and the disposal was completed on 18 February 2021. Please refer to the paragraph headed "SUBSEQUENT EVENTS" under "Report of the Directors" section for more details.

Save as disclosed above, the Company did not hold any other significant investment with a value greater than 5% of the Company's total assets as at 31 December 2020.

CHANGE IN USE OF PROCEEDS

As previously reported, the Board resolved to change the use of the unutilised net proceeds. The change in use of proceeds was made in light of a strategic collaboration with D2M Biotherapeutics Limited ("**D2M**") for a long-term collaboration for the identification of novel drug targets (the "**Collaboration**"). Further details are disclosed under the section headed "Use of Proceeds from Listing" in the Report of the Directors to this annual report.

On 22 July 2020, the Company and D2M entered into a research, development and commercialization agreement in respect of the Collaboration. The Company also entered into a shares purchase agreement and a shareholders' agreement with D2M, among others, pursuant to which Ingenious Sino Limited, a wholly-owned subsidiary of the Company, purchased from D2M 27,780,000 series pre-A1 preferred shares, representing 29.24% equity interests in D2M as at the date of this annual report, at an aggregate purchase price of US$5,000,000. Further details relating to the Collaboration were disclosed in the announcement of the Company dated 22 July 2020.

BOARD OF DIRECTORS

Executive Director

Shui On LEUNG 梁瑞安, 61

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

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

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

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

Dr. Leung obtained his bachelor's and master's degrees in biochemistry from The Chinese University of Hong Kong in December 1984 and October 1986, respectively. He earned his Ph.D. in molecular biology from the University of Oxford in Oxford, England in May 1989.

Dr. Leung is a director of certain subsidiaries of the Company. He is also a substantial shareholder (within the meaning of the SFO) of the Company.

Non-executive Directors

Haigang CHEN 陳海剛, 38

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

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

Dr. Chen has nearly 10 years of investment experience in the pharmaceutical industry. He has served as an investment director of Shanghai Yueyi Investment Centre (Limited Partnership) (上海月溢投資中心(有限合夥)), the co-general partner of Xingze Xinghe, one of our Pre-IPO Investors and our Shareholders, since September 2016. Prior to that, Dr. Chen served as an analyst at Beijing Shennong Investment Management Co., Ltd.* (北京神農投資管理股份有限公司) from December 2015 to August 2016. In September 2013, Dr. Chen started working at China International Capital Corporation Limited (中國國際金融股份有限公司), shares of which are listed on the Stock Exchange (stock code: 3908), and was holding the position of vice president of its research department when he left such employment in December 2015. From April 2011 to August 2013, Dr. Chen served as a senior manager at CITIC Securities Company Limited

(中信証券股份有限公司), shares of which are listed on the Stock Exchange (stock code: 6030). From May 2010 to April 2011, Dr. Chen served as an analyst at Guizhou Huachuang Securities Broker Co., Ltd.* (華創證券有限責任公司).

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

Dr. Chen is also a director of certain subsidiaries of the Company.

Xun DONG 董汛, 46

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

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

Mr. Dong has over 20 years of experience in the pharmaceutical industry. Between 1996 and 2004, Mr. Dong worked for Yunnan Baiyao Group Co., Ltd (雲南白藥集團股份有限公司) ("**Baiyao Group**"). The shares of Baiyao Group are listed on the Shenzhen Stock Exchange (stock code: 000538), and it is one of the ten Key Large Enterprises in Yunnan Province (雲南省十戶重點大型企業), one of Top 100 Enterprises in Yunnan Province (雲南省百強企業) and one of the first national innovative enterprises. Baiyao Group operates through four segments, namely pharmaceuticals, health products, Chinese medicine resources and pharmaceutical logistics, and is principally engaged in chemical raw material, chemico-pharmaceutical preparations, proprietary Chinese medicines, Chinese medicinal material and biologic products. During the said employment, he rose through the ranks and held the position of assistant department manager before his departure from Baiyao Group to further his education. He re-joined Baiyao Group in 2006 as a vice president of sales of the native medicine division, and has held various positions since then. Mr. Dong currently serves as a director of Yunnan institute of materia medica (formerly known as Yunnan institute of medicine), a director of both of the strategic development center and the office of the strategic committee and a general manager of the innovative research and development centre of Baiyao Group.

Senlin LIU 劉森林, 36

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

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

Mr. Liu has over 10 years of experience in corporate finance and investment. Mr. Liu has served at China International Capital Corporation Limited (中國國際金融股份有限公司), shares of which are listed on the Stock Exchange (stock code: 3908), since December 2011. Mr. Liu currently serves as an executive director of CICC Capital Management Co., Ltd.* (中金資本運營有限公司), a subsidiary of China International Capital Corporation Limited.

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

Mr. Liu is also a director of certain subsidiaries of the Company.

Wenyi LIU 劉文溢, 34

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

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

Ms. Liu has years of experience in investment and operational management in the pharmaceutical industry. She has served as a general manager at Apricot Capital (上海杏澤投資管理有限公司), the co-general partner of Xingze Xinghe and the sole general partner of Xingze Xingzhan, each being our Pre-IPO Investor and our Shareholder, since October 2015. Prior to that, Ms. Liu worked as Deputy General Manager at Jumeirah

Himalayas Hotel Shanghai* (上海證大喜瑪拉雅有限公司卓美亞喜瑪拉雅酒店) from September 2013 to December 2015. From March 2011 to September 2013, she served as Equity Analyst at Guotai Asset Management Co., Ltd.* (國泰基金管理有限公司).

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

Ms. Liu is the spouse of Mr. Jing QIANG, a non-executive Director. Ms. Liu is also a director of certain subsidiaries of the Company and a substantial shareholder (within the meaning of the SFO) of the Company.

Huiyuan MA 馬慧淵, 58

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

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

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

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

Mr. Ma is the spouse of Ms. Huimin TIAN, one of our substantial shareholders, who is deemed to be a substantial shareholder (within the meaning of the SFO) of the Company. He is also a director of certain subsidiaries of the Company.

Jing QIANG 強靜, 39

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

Mr. Qiang was re-designated as a non-executive Director on 30 November 2020. Mr. Qiang served as the president of the Company from March 2018 to November 2020 and was an executive Director from 23 December 2019 to November 2020. Mr. Qiang is primarily responsible for strategic planning and investments.

Mr. Qiang has over ten years of experience in the field of medicine and healthcare related research and investment. Mr. Qiang has served as the chairman of Suzhou Sinovent. Prior to that, Mr. Qiang worked at China International Capital Corporation Limited (中國國際金融股份有限公司), shares of which are listed on the Stock Exchange (stock code: 3908), from July 2010 to March 2018, where he held the position of managing director when he left. During his term with China International Capital Corporation Limited, Mr. Qiang won Asiamoney's best research coverage in healthcare in 2014 to 2017 and was ranked top three in healthcare by the 2015-2017 China Research Team of Institutional Investor.

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

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

Mr. Qiang is the spouse of Ms. Wenyi LIU, a non-executive Director and a substantial shareholder (within the meaning of the SFO) of the Company. He is also a director of certain subsidiaries of the Company.

Independent Non-executive Directors

George William Hunter CAUTHERLEY, 78

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

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

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

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

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

Michael James Connolly HOGAN 何灝勤, 56

Member of Audit Committee and Chairman of Remuneration Committee

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

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

Mr. Hogan has over 30 years of experience in international banking with a particular bias towards wholesale banking, corporate banking, credit and lending, transaction banking, and debt capital markets. Mr. Hogan joined HSBC in 1987 and, after having lived and worked in Asia Pacific, the Middle East, Europe and the U.S. during the course of his career, retired in July 2019. Having been based in Sydney, Australia, from 2011 where he served as the country head of commercial banking for HSBC Australia, he transferred to Hong Kong in August 2016 as the regional chief operating officer for commercial banking Asia Pacific. Mr. Hogan is the co-chair of the Finance, Legal and Tax Committee of the Australian Chamber of Commerce in Hong Kong.

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

Ping Cho Terence HON 韓炳祖, 61

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

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

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

Mr. Hon has over 35 years of experience in accounting, treasury and financial management. Mr. Hon has served as an independent non-executive director of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (stock code: 520), Jimu Group Limited (stock code: 8187), 361 Degrees International Limited (stock code: 1361), and Daphne International Holdings Limited (stock code: 210), all of which are companies listed on the Stock Exchange. He was previously the chief financial officer and company secretary of DTXS Silk Road Investment Holdings Company Limited (stock code: 620), a company listed on the Stock Exchange, from June 2016 (as chief financial officer) and November 2016 (as company secretary) until

September 2018. Prior to that, Mr. Hon worked at a number of companies, including at Auto Italia Holdings Limited (stock code: 720) as chief financial officer and company secretary between December 2013 and April 2016, China Dongxiang (Group) Co., Ltd. (stock code: 3818) as chief financial officer between December 2010 and October 2012, Ka Wah Construction Materials (Hong Kong) Limited as chief financial officer between September 2008 and December 2010, TOM Group Limited (stock code: 2383) between June 2001 and February 2008 with his last position as the group finance director, and Ng Fung Hong Limited as a company secretary of the group between 1996 and 2001. Before moving to the commercial sector, Mr. Hon worked in an international accounting firm.

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

Dylan Carlo TINKER, 52

Member of Audit Committee and Member of Nomination Committee

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

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

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

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

SENIOR MANAGEMENT

Jianping HUA 華劍平, 39

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

Mr. Hua has more than 16 years of experience in financial and investment matters. Prior to joining our Group, Mr. Hua served as a vice chief financial officer, member of the executive board of the president, vice president of medical technology management committee and held a number of positions comprising deputy general manager of the finance department of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥（集團）股份有限公司, Shanghai Stock Exchange: 600196 and Stock Exchange: 2196) from February 2011 to January 2019. He also served as an executive director from March 2018 to January 2019, and as the chief financial officer from February 2014 to January 2019, of Sisram Medical Ltd (Stock Exchange: 1696). From August 2005 to February 2011, Mr. Hua served as a manager in the assurance department at PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. (普華永道中天會計師事務所有限公司). Mr. Hua obtained his bachelor's degree in English from Shanghai University, China (上海大學) in July 2005.

Ming Hon YAU 游明翰, 42
Dr. Yau joined our Company in January 2012 as a research project manager (R&D), subsequently as an associate director (R&D) from January 2015 to March 2019 and a managing director (downstream process) from April 2019 to September 2020, and has served as a senior director (production) of our Company since October 2020. Dr. Yau is primarily responsible for supervising downstream purification process development, overseeing manufacturing operations of antibody products, establishing associated GMP system, and supervising operation compliance and planning of Suzhou production base.

Dr. Yau has over 14 years of experience in the fields of research, development and manufacturing of biological products. From July 2011 to December 2011, he served as an assistant manager of Nano and Advanced Materials Institute Limited (納米及先進材料研發院有限公司). From February 2008 to June 2011, Dr. Yau worked as an R&D assistant manager and subsequently as a manufacturing project manager at New A Innovation Limited (新意康生物科技有限公司), a company in Hong Kong focusing on life science and animal health, responsible for overseeing all upstream process development, establishing pilot production sites in different locations in China, establishing and operating a GMP-compliance manufacturing facility at New Zealand and technology transfer. From April 2006 to April 2008, Dr. Yau served as a full-time postdoctoral fellow in the Li Ka Shing Faculty of Medicine of the University of Hong Kong, focusing on monoclonal antibody production and immunoassay development to provide tools for the early diagnosis of diabetes and cardiovascular diseases.

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

Kwan Yin SIU 蕭君言, 42
Dr. Siu joined our Company in November 2011 as a research scientist, subsequently as principal senior scientist (bioprocess) from January 2015 to March 2019, and has served as an associate director (manufacturing/upstream processing group) of our Company since April 2019. Dr. Siu is primarily responsible for supervising process, analytical method development and optimization.

Dr. Siu has over 11 years of experience in the area of R&D of cell culture and related process. Prior to joining our Group, Dr. Siu served as a stem cell scientist at Asia Pacific Stem Cell Science Limited (亞太幹細胞科研中心有限公司), a cord blood storage services company in Hong Kong, from June 2009 to September 2011, responsible for stem cell research. From January 2009 to May 2009, Dr. Siu served as an assistant engineer at Sundart (M&E) Limited (承達機電工程有限公司).

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

Ka Wa Benny CHEUNG 張嘉華, 41
Dr. Cheung joined our Company in January 2010 as a research scientist and has served as a principal senior scientist of our Company since January 2015. Dr. Cheung is primarily responsible for managing R&D laboratory in Hong Kong and Quality Control Department in Hainan.

Dr. Cheung has over 13 years of experience in the area of R&D of drugs. Prior to joining our Group, Dr. Cheung served as a technical officer and subsequently as a senior technical officer at the Department of Paediatrics and Adolescent Medicine at the University of Hong Kong from September 2007 to January 2010, respectively, in charge of overseeing R&D projects.

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

Other senior management team

Our senior management also include Dr. Shui On LEUNG, see "Board of Directors" above for biographical details of Dr. Shui On LEUNG.

COMPANY SECRETARY

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

Ms Wong is currently the company secretary of Grand Baoxin Auto Group Limited (stock code: 1293), Sino Gas Holdings Group Limited (stock code: 1759) and Channel Micron Holdings Company Limited (stock code: 2115), the shares of which are listed on the Stock Exchange.

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

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

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

The Company has applied the principles and code provisions of the CG Code throughout the Reporting Period as the basis of the Company's corporate governance practices. The Board regularly reviews the Company's corporate governance practices and relevant policies to comply with the prevailing standards and requirements of good corporate governance. To comply with the increasingly stringent regulatory requirements, revision of the existing practices and policies, and introduction of appropriate new measures will be implemented as and when required.

During the year ended 31 December 2020, the Company has complied with all applicable code provisions as set out in the CG Code, except for code provision A.2.1 as explained below.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2020.

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

BOARD OF DIRECTORS

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

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

Board Composition

The Board currently comprises eleven Directors, consisting of one executive Director, six non-executive Directors and four independent non-executive Directors.

During the year ended 31 December 2020 and up to the date of this report, the composition of the Board comprises the following Directors:

Executive Director

Dr. Shui On LEUNG *(Chairman and Chief Executive Officer)*

Non-executive Directors

Dr. Haigang CHEN
Mr. Xun DONG
Mr. Senlin LIU
Ms. Wenyi LIU
Mr. Huiyuan MA
Mr. Jing QIANG

Independent Non-executive Directors

Mr. Ping Cho Terence HON
Mr. George William Hunter CAUTHERLEY
Mr. Michael James Connolly HOGAN
Mr. Dylan Carlo TINKER

On 30 November 2020, Mr. Jing QIANG resigned as the President of the Company and was re-designated from an Executive Director to a Non-executive Director due to work re-arrangement.

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" on pages 17 to 22 of this annual report.

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

Chairman and Chief Executive Officer

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

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

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

Independent Non-executive Directors

During the year ended 31 December 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

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

Appointment and Re-election of Directors

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

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

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

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

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

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the year ended 31 December 2020, the Company organized training sessions conducted by the legal advisers for all Directors. The training sessions covered a wide range of relevant topics including compliance requirements on notifiable transactions/connected transactions and inside information under the Listing Rules and/or the Securities and Futures Ordinance. In addition, relevant reading materials including compliance manual/legal and regulatory updates/ seminar handouts have been provided to the Directors for their reference and studying.

The records of the continuous professional development that have been received by the Directors for the year ended 31 December 2020 are summarised as follows:

Directors	Type of Training [Note]
Executive Director	
Dr. Shui On LEUNG *(Chairman and Chief Executive Officer)*	✓
Non-executive Directors	
Dr. Haigang CHEN	✓
Mr. Xun DONG	✓
Mr. Senlin LIU	✓
Ms. Wenyi LIU	✓
Mr. Huiyuan MA	✓
Mr. Jing QIANG *(resigned as the President and re-designated from an Executive Director to a Non-executive Director with effect from 30 November 2020)*	✓
Independent Non-executive Directors	
Mr. George William Hunter CAUTHERLEY	✓
Mr. Michael James Connolly HOGAN	✓
Mr. Ping Cho Terence HON	✓
Mr. Dylan Carlo TINKER	✓

Note:

During the year ended 31 December 2020, all Directors received training and training materials, including from the Company's external legal adviser. They also kept abreast of matters relevant to their role as Directors by such means as attendance at seminars and conferences and/or reading materials about financial, commercial, economic, legal, regulatory and business affairs.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

During the year ended 31 December 2020, the Board conducted regular meetings and scheduled to meet at least four times at approximately quarterly intervals in accordance with the CG Code. Apart from regular Board meetings, the Chairman also held meeting annually with the independent non-executive Directors without the presence of other Directors.

The attendance records of the Directors at the Board meetings and the general meetings held during the year ended 31 December 2020 are as follows:

Name of Directors	**Attendance**	
	Board Meetings	*General Meetings*
Executive Director		
Dr. Shui On LEUNG *(Chairman and Chief Executive Officer)*	5/5	1/1
Non-executive Directors		
Dr. Haigang CHEN	5/5	1/1
Mr. Xun DONG	5/5	1/1
Mr. Senlin LIU	5/5	1/1
Ms. Wenyi LIU	5/5	1/1
Mr. Huiyuan MA	5/5	1/1
Mr. Jing QIANG	5/5	1/1
Independent Non-executive Directors		
Mr. George William Hunter CAUTHERLEY	5/5	1/1
Mr. Michael James Connolly HOGAN	5/5	1/1
Mr. Ping Cho Terence HON	5/5	1/1
Mr. Dylan Carlo TINKER	5/5	1/1

BOARD COMMITTEES

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

Audit Committee

The Audit Committee was established in 2019. The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code.

The Audit Committee currently comprises the following members:

Independent Non-executive Directors:

Mr. Ping Cho Terence HON *(Chairman of the Committee)*
Mr. George William Hunter CAUTHERLEY *(Member)*
Mr. Michael James Connolly HOGAN *(Member)*
Mr. Dylan Carlo TINKER *(Member)*

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

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditor, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

A summary of work performed by the Audit Committee during the year ended 31 December 2020 is set out as follows:

(i) reviewing the accounting principles and policies adopted by the Group;

(ii) reviewing the audited consolidated financial statements of the Group for the year ended 31 December 2019 and the interim results of the Group for the six months ended 30 June 2020;

(iii) reviewing any significant findings by the independent auditor during the financial audit and other audit issues;

(iv) recommending the Board on the re-appointment of external auditor at the 2020 annual general meeting;

(v) reviewing and making recommendation to the Board to adopt revised terms of reference of the Audit Committee; and

(vi) monitoring and reviewing the effectiveness of the risk management and internal control systems including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

During the year ended 31 December 2020, three Audit Committee meetings were held, of which two of them were attended by the Company's external auditor regarding the review of the Company's financial report and accounts. The attendance records of the members of the Audit Committee during the year ended 31 December 2020 are as follows:

Name of members of the Audit Committee	**Attendance**
Mr. Ping Cho Terence HON *(Chairman of the Committee)*	3/3
Mr. George William Hunter CAUTHERLEY *(appointed on 23 March 2020 and effective from 1 April 2020)*	2/3
Mr. Michael James Connolly HOGAN	3/3
Mr. Dylan Carlo TINKER	3/3

Remuneration Committee

The Remuneration Committee was established in 2019. The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code.

The Remuneration Committee currently comprises the following members:

Executive Director:

Dr. Shui On LEUNG *(Member)*

Independent Non-executive Directors:

Mr. Michael James Connolly HOGAN *(Chairman of the Committee)*
Mr. Ping Cho Terence HON *(Member)*

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Director and senior management, and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

A summary of work performed by the Remuneration Committee during the year ended 31 December 2020 is set out as follows:

(i) reviewing the Company's policy and structure for the remuneration of all Directors and senior management;

(ii) assessing the performance of the executive Directors and the senior management;

(iii) reviewing the remuneration packages of the individual Directors and the senior management and make recommendation to the Board of their remuneration.

Details of the remuneration of the senior management by band are set out in note 9 to the consolidated financial statements.

During the year ended 31 December 2020, three Remuneration Committee meetings were held. The attendance records of the members of the Remuneration Committee during the year ended 31 December 2020 are as follows:

Name of members of the Remuneration Committee	Attendance
Mr. Michael James Connolly HOGAN *(Chairman of the Committee)*	3/3
Mr. Ping Cho Terence HON	3/3
Dr. Shui On LEUNG	2/3

Nomination Committee

The Nomination Committee was established in 2019.

The Nomination Committee currently comprises the following members:

Executive Director:

Dr. Shui On LEUNG *(Chairman of the Committee)*

Independent Non-executive Directors:

Mr. Ping Cho Terence HON *(Member)*
Mr. Dylan Carlo TINKER *(Member)*

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive directors.

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

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

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

A summary of work performed by the Nomination Committee during the year ended 31 December 2020 is set out as follow:

(i) reviewing the size and composition of the Board; and

(ii) assessing the independence of the independent non-executive Directors and make recommendation on the re-election of retiring Directors.

During the year ended 31 December 2020, two Nomination Committee meetings were held. The attendance records of the members of the Nomination Committee during the year ended 31 December 2020 are as follows:

Name of members of the Nomination Committee	Attendance
Dr. Shui On LEUNG *(Chairman of the Committee)*	2/2
Mr. Ping Cho Terence HON	2/2
Mr. Dylan Carlo TINKER	2/2

Board Diversity Policy

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

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

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

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

Corporate Governance Functions

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

During the year ended 31 December 2020, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

During the year ended 31 December 2020, the Company has engaged an independent consultant ("**Independent Consultant**") to carry out the analysis and independent review of the adequacy and effectiveness of the risk management and internal control systems of the Company and its subsidiaries. The review included making enquiries with appropriate management and key process owners and performing walkthrough tests to identify the major risks and significant deficiencies, and making recommendation for improving and strengthening the internal control system to the Audit Committee for approval. The management then conducts follow-up review at least in a quarterly basis on the effectiveness of any adopted measures for improving and strengthening the internal control system, and report back to the Audit Committee.

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

Risk Management

- The Audit Committee will oversee and manage the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy to ensure that it is consistent with our business strategies; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring the most significant risks associated with our business operations and our management's handling of such risks; (iv) reviewing our corporate risk in the light of our corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of our risk management policies within the Company and the Group.

- Mr. Hua, the Chief Financial Officer of the Company, is responsible for (i) formulating and updating our risk management policy and target; (ii) reviewing and approving major risk management issues of our Company; (iii) promulgating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments in our Company; (v) reviewing the relevant departments' reporting on key risks and providing feedback; (vi) supervising the implementation of our risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competences are in place in the Company; and (viii) reporting to the Audit Committee on our material risks.

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

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

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

Internal Control

It is the responsibility of the Board to ensure that the Company maintains a sound and effective internal control system. During the year 2020, our engaged Independent Consultant performed certain agreed-upon procedures (the "**Internal Control Review**") in connection with the internal control during the period from 1 January 2020 to 31 December 2020 of our Company and our major operating subsidiaries in certain aspects, including financial reporting and disclosure controls, corporate level controls, information system control management and other procedures for our operations. In the year under review, no material issues on the Group's internal control system have been identified in the reviewed areas and reported to the Audit Committee. The Independent Consultant also performed follow-up review on the remedial actions undertaken by the management of the Group on the control deficiencies identified during the course of the Internal Control Review conducted in 2020.

During the year ended 31 December 2020, the Company has regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures the Company has implemented or planned to implement:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as protection of intellectual property, environmental protection and occupational health and safety. For more information, see "– Intellectual Property Protection" and "– Health and Safety" to the ESG Report. We provide periodic training about these measures and procedures to our employees as part of our employee training program. We also constantly monitor the implementation of those measures and procedures.

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

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

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

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

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

The Board conducts a review of its risk management and internal control systems annually and, supported by the Audit Committee, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2020, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries in a timely manner in accordance with applicable laws and regulations. Senior executive managements are delegated with responsibilities to control and monitor the proper procedures for disclosing the inside information. Directors and employees are restricted from dealing in the Company's securities when they are in possession of unpublished inside information. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 97 to 100.

AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's external auditor, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2020 is set out below:

Service Category	**Fees paid and payable** *RMB'000*
Audit service	
Annual audit services	2,000
Non-audit service	–
Total	**2,000**

COMPANY SECRETARY

Ms. Mei Chun CHENG resigned and Ms. Pui Yin Peony WONG was appointed as the Company's company secretary with effect form 1 April 2020. Ms. Wong is a senior manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

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

For the year ended 31 December 2020, Ms. Wong has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels.

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

Convening a General Meeting

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

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

Putting Forward Proposals at Annual General Meetings and General Meetings

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

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

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

Putting Forward Enquiries to the Board

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

Contact Details

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

During the year ended 31 December 2020, the Company has not made any changes to the Articles. An up-to-date version of the Articles is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

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

DIVIDEND POLICY

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

1. ABOUT THE REPORT

1.1 Report description

This report aims to objectively disclose the 2020 environmental, social and governance (ESG) performance of SinoMab BioScience Limited (hereinafter referred to as "**SinoMab**" or "**the Company**" or "**Company**" or "**We**"). This report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" ("**the Guide**") contained in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. For detailed information on the Company's governance, it is recommended to read this report in conjunction with the "Corporate Governance Report" section in the Company's 2020 Annual Report to have a more comprehensive view of the Company's management performance.

In the preparation of this report, we strove to meet the four reporting principles stipulated in the Guide – materiality, quantitative, balance and consistency.

1.2 Scope of the report

Unless otherwise specified, the scope of this report includes the ESG performance of SinoMab in mainland China and the main operating areas in the Hong Kong Special Administrative Region. The reporting period of this Report is from 1 January, 2020 to 31 December, 2020 ("**this year**").

1.3 Source of information and reliability guarantee

The source of information and cases within this Report was mainly derived from the Company's statistical reports, relevant documents and internal communication documents. The Company undertakes that there are no false records or misleading statements in this Report, and takes responsibility for the authenticity, accuracy and completeness of the information in this Report.

1.4 Access and respond to the Report

This Report is published and available in both traditional Chinese and English. If there is any discrepancy between the texts, the Chinese version shall prevail for all purposes. The electronic version is available on the website of the HKEX at www.hkexnews.hk and the website of SinoMab at www.sinomab.com. If you have any comment or suggestion on the ESG management of the Company, please contact us via message@sinomab.com. We look forward to your valuable feedback.

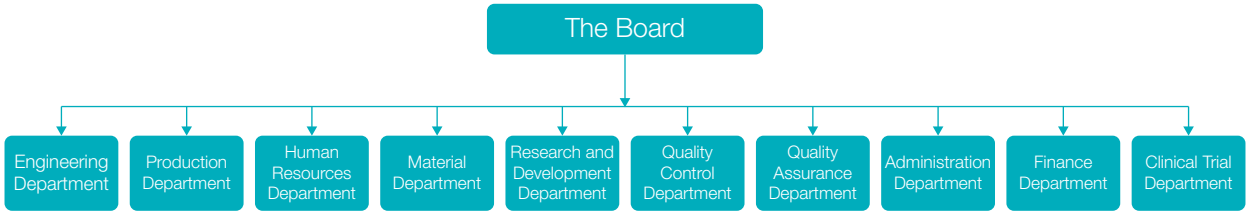
2. ESG MANAGEMENT SYSTEM

2.1 ESG Concept

The vision of SinoMab is to become a global leader in the innovation of therapeutics for immunological diseases. We strive to become a leading global biopharmaceutical company for the development of novel drugs to fulfill unmet medical needs. As an industry pioneer in the Greater China Region, we actively practice the concept of ESG. We dedicate to R&D and quality assurance. Meanwhile, we attach great importance to environmental protection, and the employee's legitimate rights protection, expect to develop together with employees and partners. Looking forward, based on the current portfolio of drugs and R&D capabilities, the Company will accelerate the R&D and marketing of drugs, enhance globalised cooperation and technological innovation, further integrate the concept of sustainable development with the Company operations and continue to improve the ESG management ability. We are dedicated to evolving into an important force in the global healthcare industry, to pursue patients' well-being while advancing together with scientists, governments, regulatory authorities, shareholders, investors and society.

2.2 ESG Governance Structure

Based on our current organizational structure, we have established an ESG governance structure led by the Board and joined by multiple functional departments for better implementation of the Company's development philosophy and ESG work. The Board is responsible for formulating the overall ESG strategy and making decisions on major issues relating to ESG management. Each department is assigned with clear ESG-related functions to ensure the effective and comprehensive implementation of the Company's ESG strategies.



2.3 Stakeholder Engagement

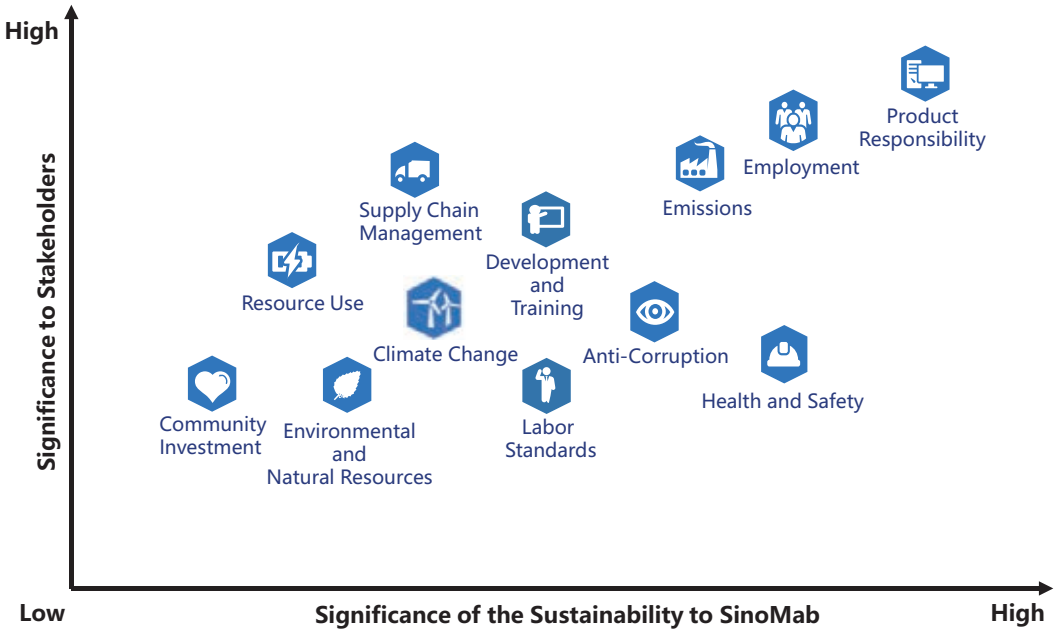
We actively listen and respond to the expectations of our stakeholders. During the year, we identified ESG issues of interest to varies stakeholders including government and regulatory agencies, shareholders and other investors, employees, customers and patients, suppliers, media and NGOs, communities, etc. and actively respond to their concerns.

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

2.4 Materiality Analysis

Based on our communication with key stakeholders and taking into consideration the Company's operation characteristics, we conducted a materiality analysis on the ESG aspects listed in the ESG Guide, which served as an important reference for the Company's information disclosure and ESG management.

During the reporting period, we identified "product responsibility", "employment" and "emissions" as the key material issues; other material issues include "health and safety", "development and training", "anti-corruption", "supply chain management", "use of resources", "climate change", "labour standards", "environmental and natural resources" and "community investment".



3. RESPONSIBLE OPERATION

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

3.1 Product Responsibility

In line with our vision to become a global leader in the innovation of therapeutics for immunological and other debilitating diseases, we are dedicated to R&D since inception, and have built and continuously expand a pipeline of complementary mAb-based biologics and new chemical entities ("**NCE**") addressing indications against a plethora of immunological diseases. SM03, our flagship product, is the global first innovative "Recombinant Human anti-CD22 mAb" for the treatment of rheumatoid arthritis ("**RA**") and potentially for the treatment of other immunological diseases. SM03 for RA is currently in Phase III clinical trials in China and has been recognized as one of the significant special projects of Significant New Drugs Development of the Twelfth Five-Year Plan and Thirteenth Five-Year Plan. It has been published as a research result at the EULAR (European Alliance of Associations for Rheumatology) Annual Meeting on 5 June 2020. Our third-generation, covalent reversible BTK (Bruton's tyrosine kinase) inhibitor drug candidate, being one of the only two covalent reversible BTK inhibitors that have entered clinical trials worldwide, has been underway in Phase I clinical trial of immunological diseases in China, with good initial results. In addition, the Company possesses other potential first-in-target and first-in-class drug candidates, some of which are already in the clinical stage, applicable to the treatment of diseases with major unmet clinical needs such as rheumatoid arthritis, systemic lupus erythematosus, non-Hodgkin's lymphoma and asthma.

The Company now comprises a full-spectrum platform which consists of target identification, drug candidate development, pre-clinical research, clinical trials, clinical production, quality control, quality assurance, regulatory approval and commercial-scale production. Our management team consists of personnel with rich experience in scientific research and business management. With its good market performance and strong R&D capabilities, the Company won the "Most Popular Newly Listed Company" award at the 4th Hong Kong Golden Stocks Awards Ceremony, which was jointly organized by Zhitongcaijing.com, China's leading information platform focusing on Hong Kong and US stock markets, and 10jka.com.cn.

3.1.1 Product Quality Assurance

With the goal of "continuously providing innovative biopharmaceuticals with excellent quality and global trust", the Company is committed to exercising a high standard of quality control. We strictly abide by the laws and regulations such as *Drug Administration Law of the People's Republic of China* (《中華人民共和國藥品管理法》) and *Good Manufacture Practice of Medicinal Products* (《藥品生產品質管制規範》, GMP). We focus on the trend of changes in relevant international standards and respond in a timely manner. We have formulated a series of quality standards, operating procedures and production management procedures have been formulated with reference to international standards and carry out drug production and quality management accordingly. In 2020, in accordance with *the new Drug Administration Law of the People's Republic of China* (《中華人民共和國藥品管理法》), we added and revised in total 45 internal quality management documents to ensure strict quality control throughout the entire product life cycle. At the same time, we updated a total of 102 quality standards and inspection procedures according to the 2020 edition of *the Pharmacopoeia of the People's Republic of China* (《中華人民共和國藥典》) to ensure compliance with the latest regulations.

The Company has established and continuously improved its quality management system and conducts formal risk assessments and tests its reasonability in accordance with standards and procedures under our quality management system. We have built a professional quality control team led by the Chief Executive Officer (CEO) of the Company:

- CEO is responsible for overall product quality and ensures that the Company achieves the quality goals and produces drugs in compliance with the requirements of GMP.

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

- The Quality Assurance Department and the Quality Control Department headed by the quality management leader. Quality Assurance Department is responsible for establishing and improving the quality assurance system, conducting self-inspection against GMP to ensure that the quality management is carried out effectively; Quality Control Department is responsible for establishing the quality control system, formulating relevant policies and standards on quality management, and conducting quality inspection, verification and analysis of raw materials, auxiliary materials, packaging materials, intermediate products, bulks, semi-final products and final products.

Full-cycle quality control

The Company implements full-cycle quality control from product development, material selection, production, packaging, to clinical trials (as currently the product has not been commercialized, the product cycle has not yet covered product listing and delisting):

- **Product quality control in R&D**

  For products in the research and development stage, whether they are self-developed or introduced from third-parties, the Company will conduct comprehensive and professional testing on their safety and effectiveness, and make continuous improvement to the quality of products based on the results of the testing and related procedures.

- **Quality Control for Raw Materials**

  Our Purchasing Department, Production Departments as well as quality management departments jointly conduct supplier assessments and perform on-site audits by *the Supplier Audit Management Protocol* (《供應商審計管理規程》) to ensure that they meet relevant requirements. At the same time, we implement strict control processes and established corresponding management and operating procedures at every stage to ensure the quality of raw materials. We check the quality and quantity of materials during storage, release, and plant transfer, and adopt a four-eye principle in the review of high-risk materials.

- **Production Process Quality Control**

  The Company attaches great importance to quality control in the production process, constantly revising and perfecting quality documents such as *GMP Document Management Regulations* (《GMP文件管理規程》), *Confirmation and Verification Management Regulations* (《確認與驗證管理規程》), *Deviation Management Regulations* (《偏差處理管理規程》) and other quality management documents. We perform monitoring and inspections during the production process, and continuously optimizing production management procedures to ensure that our products comply with relevant quality standards.

  – **On-site quality management:** This year, we revised a series of procedures related to material and personnel management as well as cleaning and sterilization of work clothes in the production area. The production area was divided into toxic and non-toxic areas, and procedures for materials, appliances, clean clothes, etc. that contact products and biologically active substances were further standardized and strengthened to prevent drug contamination. At the same time, we authorize qualified inspectors as on-site supervisors for operation inspection, record filling, sanitation, etc., to ensure prompt report and handling of abnormal situations. The Company has also established a special quality control laboratory, which is equipped with professional testing facilities and equipment, to support the implementation of various quality control measures stipulated by GMP and the Pharmacopoeia.

- **Production process improvement:** We continue to optimize the production process. In 2020, we introduced a fully automatic ultrafiltration system, modified the virus removal filtration system and virus inactivation system and continued to improve the stability of cell culture processes and other processes. We maintained zero pollution during cell culture this year, which build a good foundation for the commercialization of products in the near future.

- **Equipment and process verification:** We regularly maintain, calibrate, and inspect various equipment to ensure their effectiveness, so as to provide technical support for product quality control. This year, we set up a verification team that consists of dedicated verification management personnel. We have also established verification assessment and supervision mechanisms. We organize and carry out verification and validation of instruments, equipment, plant facilities, shared system and analytical methods and process verification work for various departments; in addition, we formulated and implemented improvement measures based on verification results to ensure continuous improvement of quality management procedures and the overall quality management and control capabilities.

- **Out of specification (OOS) processing:** We have formulated *the Inspection Results Exceeding Management Regulations* (《檢驗結果超標管理規程》) and established strict OOS classification, processing and review procedures. For OOS identified during verification, we strictly carry out a comprehensive investigation from the five dimensions of people, machine, material, law and environment, and implement corresponding corrective and preventive actions (CAPA). At the same time, we carry out annual OOS reviews and quality analysis to continuously improve quality control in production.

- **Disposal of unqualified products:** The company identifies, evaluates and disposes of unqualified products by *the Non-conforming Product Management Regulations* (《不合格品管理規程》). Quality problems will be reported truthfully and handled in strict accordance with the Company's regulations.

- **Quality Control for Final Products**

  We have formulated quality control procedures for products that will proceed to commercialization. The final product will be tested by the Quality Control Department according to relevant specification and verification and will be comprehensively reviewed by the Quality Assurance Department before being reviewed and released by the qualified person before releasing. This year, we introduced a fully automated product packaging line to reduce the risk of human error and ensure the quality of finished products.

- **Drug Quality Control during Clinical Trials**

  We exercise strict control over the quality and safety of drugs in clinical trial activities. This year, we formulated *the Clinical Trial Drug Management Manual* (《臨床試驗用藥品管理手冊》) and a series of procedures to regulate the storage, transportation, clinical trial drugs, and disposal of trial drugs.

  – *Drug storage:* We strictly monitor the storage conditions of test drugs in the warehouse and implement 24-hour electronic temperature monitoring. If the storage environment fails to meet relevant requirements, we will take proper actions in strict accordance with corresponding regulations. For instance, in the case the temperature exceeds relevant requirement, it must be reported, and the drug is sealed within 24 hours. Further processing will be made after a written evaluation opinion is issued by professionals per relevant regulations.

  – *Transportation:* We select service providers with the qualification of cold chain transportation of drugs and sign a quality assurance agreement with them. When receiving the medicine, we confirm that the packaging is complete and undamaged, and check proof materials that demonstrate storage conditions for the medicine have been met during transportation. If the packaging is damaged or the medicine is over-temperature, we will store the medicine separately and conduct evaluation in a timely manner to see whether the delivered medicine meets the relevant standards.

  – *Clinical trials:* The Company selects clinical trial hospitals and researchers with relevant qualifications and a good reputation as partners. We sign *the Agreement of Quality Assurance for Clinical Trial Drug* (《臨床試驗用藥品質保證協議》) with the sponsor of the clinical trial, and review inspection reports for each batch of clinical trial drugs. The release report shall be archived by the clinical trial drug manufacturer for future reference. At the same time, we review the drug management policies of the clinical trial institutions on a frequent basis to ensure the quality and safety of the clinical trial drug.

- *Expired drug:* The Company has established a complete drug tracking system to strictly review the validity period of drugs. For drugs that are about to expire, relevant test personnel will be promptly notified, and the corresponding batches of drugs will be frozen in our drug distribution system. For expired drug, a recall form needs to be filled and recall procedures need to be implemented. We entrust a third party with relevant qualifications to count and destroy expired drugs and acquire corresponding destruction reports after the destruction is completed.

- *Monthly coordination meeting:* Our Clinical Department conduct monthly coordination meeting together with the Production Department, Quality Control Department, and Material Department to coordinate quality control issues encountered during production, supply, storage, and transportation of clinical drugs, and form a meeting memo.

Quality Awareness Raising

The Company is committed to promoting risk awareness and quality awareness among all employees. We make annual quality training plans based on business operation needs, develop and improve courses focused on general quality knowledge, professional education, and practices. At the same time, we also invite external experts to conduct special training based on the needs of various departments. These training activities enhance employees' understanding of drug-related laws and regulations and quality control standards and help improve their professionalism and analysis capabilities. Meanwhile, we carry out GMP self-inspection no less than once a year and on-site inspections to strengthen quality supervision and ensure continuous improvement of quality management.

Complaints and Recall Procedures

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

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

3.1.2 Privacy Protection

The Company attaches great importance to the protection of the privacy information of customers and subjects in clinical trials. We strictly abide by *the Good Clinical Practice for Drug Trials (GCP)* (《藥物臨床試驗品質管制規範》). We have established and continuously improve corresponding management systems and have a designated team responsible for managing privacy information of customers and clinical trial subjects.

We have conducted a series of measures to protect the medical data and other private information of clinical trial subjects:

- We have signed confidentiality agreements with all employees, suppliers and partners, requiring their confidentiality obligations to protect the information of customers and subjects.

- We set up an information access authority system to ensure that core data can only be obtained by certain employees in strict accordance with relevant regulations; in addition, we prohibit the use of private mailboxes, set remote server lock functions, and set non-disclosure period clauses to prevent data leakage.

- Our clinical research was reviewed by the Medical Ethics Committee and completed by the cooperative clinical trial center (hospital), sample testing units, statistical units and contract research organizations (CROs). We require partners to conduct clinical trials in strict accordance with GCP, closely monitor and manage the clinical trial process.

- To prevent the leakage of the subjects' private information, we only collect and archive necessary data for subject management, such as subject's initials or a subject number and other non-sensitive information.

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

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

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

3.1.3 Intellectual Property Protection

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

We have obtained intellectual property in and outside of the PRC for the company's proprietary technology, inventions, etc. and may seek additional patents to protect our future innovations. We proactively identify the main risks of intellectual property management and carry out risk management. We utilize patents, trademarks, trade secrets as well as employee and third-party confidentiality agreements to protect our intellectual property. Besides, we engage professional third-party institutions to help us register domestic and overseas trademarks.

Meanwhile, we respect other parties' IPRs. For example, for employees who used to work for other biotechnology or pharmaceutical companies, we reach into agreements on proprietary rights, non-disclosure and non-competition in connection with their previous employment to ensure that our employees do not use the proprietary information or know-how of others while they work for us. Whether it is a self-developed product or an imported project, the Company will conduct a comprehensive background investigation. If there is a situation that may cause intellectual property disputes, we will re-evaluate the product development plan and prospects to ensure that the IPRs of other parties are not infringed.

As of the end of 2020, we had been granted sixteen invention patents worldwide and two pending patent applications in the United States. We also filed a PCT patent application in the PRC for SM03 in preparation for future international patent application.

3.1.4 Advertising and Publicity Management

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

3.2 Anti-Corruption

The Company strives to create a clean and honest working environment and advocate an integrity corporate culture.

We strictly abide by *Chapter 201- Prevention of Bribery Ordinance of the Hong Kong Legislation* (《香港法例》第201章《防止賄賂條例》), *the Company Law of the People's Republic of China* (《中華人民共和國公司法》), *the Anti-Money Laundering Law of The People's Republic of China* (《中華人民共和國反洗錢法》), and other applicable laws and regulations. We adhere to a zero-tolerance attitude towards any form of illegal business practices, such as offering or receiving bribes, money laundering and fraud. This year, we conducted anti-fraud awareness-raising training for all directors and employees, continuously strengthening the awareness of integrity for all employees.

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

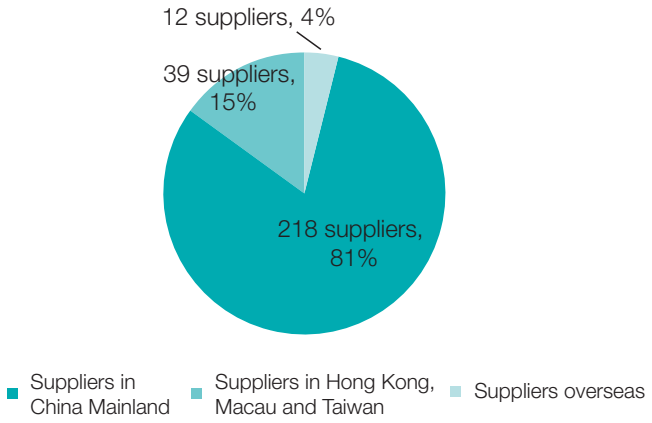
We have set up a reporting channel such as phone number and email for employees to report actual or suspected corruption, fraud and other violations of professional ethics. In the event of a violation, the violator will receive disciplinary measures such as dismissal or judicial investigation by regulatory agencies.

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

3.3 Supply Chain Management

The Company is committed to working closely with suppliers in the field of sustainable development to jointly improve the industry's sustainable development performance. During the reporting period, our major suppliers included equipment suppliers, raw material suppliers and service providers. We require suppliers to abide by the laws and regulations of the places where they operate and establish relevant management policies and management procedures. Following the principle of "fairness, justice and open", we continuously improve the supplier management system, which is jointly managed by the Procurement Department and other relevant departments. At the same time, we actively focus on suppliers' environmental and social risk management. We gradually deepen ESG risk management of suppliers while establishing long-term and stable cooperative relations with suppliers.

SUPPLIER DISTRIBUTION CHART



Procurement and Supplier Entry

The Company has established a unified procurement system and adopt a bidding process for bulk purchases. We have formulated *the Procurement/Payment Management Regulations* (《採購／付款管理規定》), *the Equipment Management and Bidding Process* (《設備採購管理及招標流程》) and other policies to standardize the management of the tender process.

- Initial screening: we invite a number of potential candidates with relevant capabilities to participate in the bidding through multi-dimensional research at the supplier sourcing stage.

- Supplier approval: we require potential suppliers to provide certificates such as business qualification, quality system certification, and quality accident management program certification. We take full consideration of the product quality, reputation, compliance in operation and ESG-related risks of suppliers. For procurements where there are less than three supplier candidates, detailed reasons shall be provided in the approval process and the formal record should be retained.

Supplier Audit

We focus on the ESG risk management of our suppliers, and we build a list of qualified suppliers. For main raw material suppliers, we conduct on-site audits to assess product quality as well as social and environmental management. This year, *the Quality Assurance Department revised the Supplier Quality Audit Management Regulations* (《供應商質量審計管理規程》). We also require contractors to strictly conduct environmental protection and safety work.

The Company conducted an annual evaluation of its major suppliers in 2020. We continue to work with suppliers that are identified with risks within an acceptable range and can successfully complete rectification work; and will terminate cooperation with suppliers who are identified with major risks or cannot complete rectification measures.

Management of Clinical Trials

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

4. PEOPLE FIRST

Employees are our most valuable asset. We strive to create a fair, safe and comfortable workplace, respect and protect the rights and interests of employees, and provide diverse growth opportunities and benefits to support our employees. We hope to grow with our employees together.

4.1 Employment

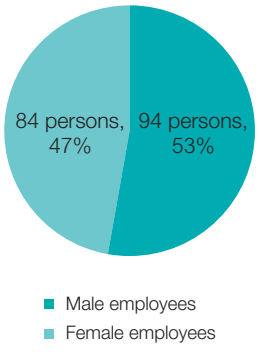
We strictly abide by *the Labour Law of the People's Republic of China* (《中華人民共和國勞動法》), *the Labour Contract Law of the People's Republic of China* (《中華人民共和國勞動合同法》), *Chapter 57- Employment Ordinance of the Hong Kong Legislation* (《香港法例》第57章《僱傭條例》) as well as other applicable laws and industry regulations. We have formulated internal policies, such as *Personnel Evaluation and Employment Management Regulations* (《人員考核聘用管理規程》), *Employee Handbook* (《員工手冊》) and *Overtime Management Measures* (《加班管理辦法》), to regulate and manage employee recruitment, employment, compensation, benefits, performance, working hours, development and promotion. The Company prohibits discrimination, child labour and forced labour. We encourage diversity and inclusion.

4.1.1 Legal Recruitment

We have established *Personnel Evaluation and Employment Management Regulations* (《人員考核聘用管理規程》), and formulated recruitment plans based on the Company's strategic plan. We recruit talent through diverse methods such as online social recruitment, campus recruitment, job fairs, and internal employee reference. The identity of each onboarding employee is strictly verified to lower the risk of child labour. This year, no child labour incident occurred.

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

TOTAL WORKFORCE BY GENDER



TOTAL WORKFORCE BY AGE

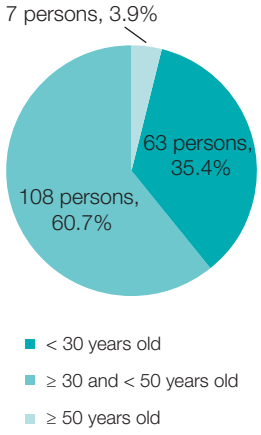


Table of Employment Key Performance Indicators

KPI B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.		**Unit**	**2020 KPI**
Total number of employees		People	178
By Gender	Male	People	94
	Female	People	84
By Employment Type	Full-time employees	People	177
	Part-time employees	People	1
By Age	Under 30 years old	People	63
	Between 30 and 50 years old	People	108
	Over 50 years old	People	7
By Region	China Mainland	People	153
	Hong Kong	People	25

KPI B1.2 Employee turnover rate by gender, age group and geographical region.		**Unit**	**2020 KPI**
Total number of turnover employees		People	28
Employee turnover rate		%	13
By Gender	Male	%	7
	Female	%	7
By Age	Under 30 years old	%	4
	Between 30 and 50 years old (not inclusive)	%	9
	Over 50 years old (inclusive)	%	0.5
By Region	Hong Kong	%	19
	Haikou	%	9.52
	Shenzhen	%	0
	Suzhou	%	24.4
	Shanghai	%	0

4.1.2 Compensation and Benefits

We provide employees with competitive remuneration packages and attach great importance to employee benefits. In compliance with relevant national laws and regulations as well as our internal regulations such as Employee Handbook (《員工手冊》) and Overtime Management Measures (《加班管理辦法》), our employees' remuneration packages generally include remuneration, dividends and allowances. We formulate a compensation plan which is tied to employees' performance to motivate our employees. Employees enjoy annual leave, paid sick leave and other legal holidays. We offer multiple benefits including medical care, housing subsidies, transportation subsidies, communication subsidies, pensions, work injury insurance, accident insurance, traveling insurance and other additional benefits such as the year-end awards, holiday benefits, free annual medical examinations, free work meals and commuting shuttle. Besides, we promote the concept of healthy living. To encourage regular exercise, we cover the fitness expenses of employees spent in the gym at our site park.

4.1.3 Assessment and Promotion

We provide employees with dual development channels in both management and professionalism for promotion. To encourage employees to improve their personal quality and professional abilities, we conduct a fair and comprehensive annual performance evaluation every year. In 2020, we formulated *the Quarterly Performance Evaluation Regulation* (《季度績效考核規定》) to inspire higher performance of our employees. In order to explore the potential of employees, we help them to formulate personal career development plans with the consideration of their work performance. We also provide a public performance communication channel for employees better communicating with department supervisors so that they could understand problems, find solutions and keep making progress.

4.1.4 *Employee Activities*

The Company attaches importance to the work-life balance of employees and actively organizes diverse activities, including badminton, development activities, annual meetings, holiday dinners, etc. We expect to promote employee communication and enhance team cohesion through these activities.

In September 2020, we conducted employee development activities to promote team trust and effective communication. Employees' capabilities such as communication, leadership, execution and coordination have been improved via these activities.

We held our annual company meeting in December 2020 which provided a platform for employees to express themselves and to interact with others. By holding such meeting, our employees' sense of achievement was improved and their recognition with the company was enhanced.

4.1.5 *Communication*

The Company pays attention to employees' feelings at the workplace. We establish an open and transparent communication mechanism and design various internal communication channels such as the social platform, mailboxes and communication meetings. We listen to our employees' opinions and advice carefully, encourage rational expression of demands, and provide timely feedback on their opinions, suggestions or demands. For instance, we actively check in with our new employees after one month to understand their working status and help them quickly adapt to the working environment and be involved with the team.

4.2 Health and Safety

The Company strives to provide a healthy and safe work environment for employees. We strictly comply with Law of the People's Republic of China on Safety in production (《中華人民共和國安全生產法》), Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Regulations on Work-related Injury Insurance (《工傷保險條例》) and other relevant laws and regulations. We formulated health and safety management policies and procedures such as "Production Safety Management Protocol" (《生產安全管理規程》), "Safety Incident Management Protocol" (《安全事故管理規程》), and "Hazardous Waste Management Protocol" (《危險廢物管理規程》). During the reporting period, no work-related injuries or deaths occurred.

We have established and improved the Company's EHS (Environment, Health, Safety) management system, comprehensively identified and evaluated potential risk areas, risk factors and key risk positions, and adopted a variety of measures to reduce health and safety risks.

- In 2020, we recruited EHS specialists to conduct standardized management of hazardous operations, special equipment, and operators with specific responsibilities. We also conducted regular safety inspections on production facilities and fire-fighting facilities;

- We established a safety training management system. New employees would receive the "three levels" of safety education. We would also conduct training sessions for related parties before entering the factories.

- In terms of laboratory safety, operations involving biohazards and chemical toxicity have to be processed in biosafety cabinets or chemical hood following relevant instructions in our internal safety regulations;

- Special hazardous chemical substances will be transferred to qualified parties for processing;

- We encourage all employees to report the hidden safety hazards they have identified. Relevant departments will be appointed to carry out safety rectification measures should any problem be identified to ensure the health and safety of employees.

In order to improve employees' safety awareness and emergency response capabilities, we formulate plans for emergency drills and regularly organize relevant training courses including fire-fighting training, workshop production safety training, laboratory safety training, equipment safety training, etc., to ensure employees' health and safety at work.

In 2020, we organized full-staff fire drills and safety training, aiming to help them be familiar with the use of fire hydrants, fire extinguishers and other fire equipment, as well as the escape routes. The Engineering Department regularly examined if the fire alarm system, dry powder extinguisher and other fire-fighting equipment and facilities were ready to use, so as to ensure their effectiveness in emergency situations.

Since the outbreak of the Covid-19, we actively responded to government calls and requirements, rapidly organized management to discuss epidemic prevention and control strategies, and comprehensively deployed and implemented epidemic prevention and control measures to effectively protect employees' health and safety.

During the outbreak of the Covid-19, we strictly complied with government requirements, reasonably extended the holiday period, required our employees to work from home and popularized Covid-19 prevention knowledge to employees. We had been instructing our employees to properly take action in health protection during the outbreak. We purchased protective supplies in a timely manner to provide employees with sufficient protection kits. We strictly abided by the local government's resumption policy and arranged resumption of work following local procedures and requirements. Under the regular epidemic, we remain highly vigilant. We insist on daily disinfection and cleaning of the office and temperature measurement for each employee when entering and leaving the office. We also reduce gathering activities, on-site meetings and business trips to reduce the risk of infection. To ensure our employees' safety and stable operation, we evaluate the operation situation every day and examine if our employees wear masks or adopt other protective measures. At the same time, a series of measures have been taken to prevent and control the epidemic:

- Prepare sufficient disinfectants and masks and measure the body temperature for each employee before entering the Company. Check the health code and 14-day personnel activity track on a regular basis;

- For people from outside, we measure their body temperature and check the health code and 14-day personnel activity track.

4.3 Training and Development

We adhere to the "selecting-employing-training-promoting-retaining" strategy and provide comprehensive training sessions for employees. We have established a three-level training system. The first level is company-wide training, which includes relevant laws and regulations, popularization of company management systems and safety knowledge. The second level is cross-departmental professional knowledge training. The third level is carried out within each department based on its own business needs. We prepare an annual training plan, which covers all employees at different levels. We actively enrich internal and external training lecturer resources and promote the building of our technical talent team.

In 2020, we formulated the Technical Grade Evaluation Management Measures (《技術等級評定管理辦法》) to clarify the professional competence requirements for technical personnel, so as to encourage employees to continue to learn and improve their own skills. At the same time, we encourage employees to develop abilities in all potential aspects. Employees can make a development propose based on their own needs. We will conduct a comprehensive assessment with the consideration of all company resources to help employees improve themselves.

In 2020, we participated in more than 10 times of online expert training and out-of-province training, with a total of 24 key technical personnel participating in such training. At the same time, we actively invited well-known experts in the industry to deliver lectures, so that the overall GMP management and operation levels were improved.

Table of Employment Training Key Performance Indicators

KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).		**Unit**	**2020 KPI**
Total number of employees participating in training by gender	Male	People	94
	Female	People	84
Percentage of trained employees by gender	Male	%	100
	Female	%	100
Total number of employees participating in training by employee category	Management	People	6
	Others	People	172
Percentage of trained employees by employee category	Management	%	100
	Others	%	100

5. GREEN OPERATION

The Company adheres to an environmentally responsible attitude and actively responds to the global challenge of climate change risks. We strictly abide by *the Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), *Energy Conservation Law of the People's Republic of China* (《中華人民共和國節約能源法》), *the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》), *Chapter 354 – Waste Disposal Ordinance of the Hong Kong Legislation* (《香港法例》第354章《廢物處置條例》) and other applicable laws and regulations, ensure compliance of emissions, and adopt a number of energy-saving and emission-reduction measures. We hire qualified professional institutions to design environmental protection plans for proposed projects, conduct environmental impact assessment work in accordance with relevant environmental protection laws and regulations and analyze the possible environmental impact of planned project and form response measures.

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

5.1 Resource Conservation

Our main operating model concerns daily office work, laboratory operations, and small-scale drug production (used for pre-clinical research and clinical trials). The consumed resource consists mainly of electricity, steam, gasoline, tap water and paper. We have established *the Daily Management System for Energy Conservation and Emission Reduction* (《節能減排日常管理制度》), which provides a basis for systematic resource management in all operating processes. The Administration Department is responsible for promoting the effective implementation of management policies. This year, we continue to implement a series of measures to improve the efficiency of resource use.

In terms of the use of power, we set up independent lighting switches in each office area, and frequently remind employees to turn off the lights in a timely fashion. Unused facilities and systems are shut down timely to reduce unnecessary energy loss. We analyze suitable temperature for different working areas and set the temperature of the air conditioners accordingly and encourage the use of the ventilation system for cooling to save electricity while ensuring a comfortable working environment. In the production workshop, we strengthen the indoor heat insulation effect and reduce the usage rate of air conditioners by installing color steel tile.

In order to improve the efficiency of water resource utilization, we installed the sensor switches, irrigated green areas by using circulating water and adopt other measures to reduce the waste of water resources.

In terms of the use of steam, we replaced steam traps with higher efficient ones for the industrial steam system in the production workshop, effectively reducing steam leakage.

The Company's gasoline consumption mainly comes from the use of official vehicles. We strengthen the management of official vehicles, implement the concept of green travel, and encourage employees to use public transportation as much as possible. At the same time, employees are encouraged to use teleconferences and the Internet for cross-regional communication, which reduces energy consumption caused by unnecessary traveling.

We actively promote green office by encouraging employees to use electronic documents instead of paper documents as much as possible. When printing is needed, we use environmentally friendly paper and set double-sided printing as the default.

5.2 Emissions

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

Emission Management

Greenhouse Gases Emission

Greenhouse gases are mainly generated from the use of energy such as electricity, steam and gasoline, and we adopt a variety of measures to effectively reduce the greenhouse gases emission;

Waste Gas Emission

The waste gas mainly comes from laboratory and production processes for clinical samples, and we process it through medium-efficiency and high-efficiency filter equipment to ensure legal compliance;

Wastewater

The wastewater is mainly production and laboratory wastewater and domestic sewage. The biologically active cell suspensions and cell culture media solutions are first inactivated by strong oxidants or autoclaved at high temperatures before being discharged into sewage treatment tanks together with other sources of wastewater including production and laboratory wastewater and domestic sewage for pre-treatment. Then all wastewater is discharged into the municipal pipe network after reaching local discharge standards;

Non-hazardous Waste

The non-hazardous waste is mainly daily office waste. We classify it according to recycling value. For non-hazardous waste with recycling value, we hand it over to waste recyclers to promote waste recycling. For other non-hazardous waste, we transfer them to designated garbage station for disposal;

Hazardous Waste

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

5.3 Response to Climate Change

The global impact of climate change is becoming more apparent. SinoMab continues to pay attention to the impact of climate change on the Company's operations. To effectively deal with climate change, we are working towards the following directions:

Identify risks and opportunities and make active response

Reduce greenhouse gas emissions (Please refer to the Emission section of this chapter)

Types of Risks	Scope	Potential Risks	Responses
Physical risks	Acute risks: (extreme weathers such as typhoons, storms, etc.)	• Damage office buildings, production workshop, laboratory, etc. resulting in loss of assets; • Interrupt production and affect stable operation.	• Install drain valves, sandbags, and strengthen the waterproof function of colored concrete tiles to prevent rainwater from infiltrating into the workshop in extreme weathers such as typhoons; • Install anti-typhoon windows; • Purchase diesel generators that can generate electricity under extreme weather to ensure production continuity.
	Chronic risks: rising sea levels, continuous high temperatures, etc.	• Purchase more refrigeration facilities due to rising temperatures.	• Increasing the use of high-efficiency refrigeration equipment; • Continue to adopt energy-saving measures.

Types of Risks	Scope	Potential Risks	Responses
Transition risks	Policies and legal risks	• National low-carbon related laws, policies and other compliance requirements have increased.	• Closely monitor changes in environmental laws, regulations and policies and respond to them in a timely manner.
	Market risks	• Inability to effectively respond to changes in the Company's pharmaceutical market demand caused by climate change.	• Continue to track changes in pharmaceutical market demand and improve R&D and production capabilities.

	Opportunities	Responses
Energy Efficiency	• Adopt circulation technology; • Reduce the consumption of water and electricity;	• Actively explore new technologies. • Improve R&D and production capacity, and actively explore the market.
Products and Market	• Climate change triggers an increase in the incidence of new diseases or existing diseases, and thus create more market opportunities.	

5.4 Key Environmental Performance Indicators

The key environmental performance indicators for SinoMab in 2020 are listed below. Unless otherwise stated, the statistical scope of environmental data covers the Company's operation locations in Hong Kong, Hainan, and Shenzhen. By the end of 2020, the Suzhou production base has not yet been put into production; the Shanghai operating site shared office buildings with other company, so the environmental data cannot be calculated separately. Therefore, it is not included in this year's report scope, however, we will disclose relevant information in due course based on actual operation circumstances.

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

Index	2020 KPI
Total energy consumption [2] (MWh)	4,986.9562
Direct energy consumption, including: Gasoline (MWh)	21.8344
Indirect energy consumption, including:	4,965.1218
Power (MWh)	3,998.6740
Steam [3] (MWh)	966.4478
Energy consumption per floor area [4] (MWh per square meter)	0.9262
Total water consumption [5] (tonnes)	23,239.0000
Water consumption per floor area (tonnes per square meter)	4.3699

Notes:

(1) During the reporting period, we have not yet commercialized our products, and hence do not involve the use of product packaging.

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

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

(4) During the reporting period, our main energy consumption was purchased electricity, gasoline and steam.

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

2. *Key Performance Indicators for Emissions*

Index	2020 KPI
Total GHG emissions [1] (Scope 1 and 2) [2] (tCO_2e)	2,042.3723
Direct GHG emissions (Scope 1), including:	
Gasoline (tonnes)	5.3443
Indirect GHG emissions (Scope 2), including:	
Power (tonnes)	2,037.0280
GHG emissions per floor area (tCO_2e per square meter)	0.3793
Total oxynitride emissions (tonnes)	0.0005
Total hazardous waste (tonnes)	2.1988
Total non-hazardous waste [3] (tonnes)	3.9228
Total hazardous waste per floor area (tonnes per square meter)	0.0004
Total non-hazardous waste per floor area (tonnes per square meter)	0.0007
Wastewater (tonnes)	21,683.0000
Chemical oxygen demand (tonnes)	0.4780
Ammonia nitrogen (tonnes)	0.0287

Notes:

(1) The GHG inventory includes carbon dioxide, methane and nitrous oxide, which are mainly produced from purchased power, fuel and steam. GHG emissions are presented in carbon dioxide equivalents. Among them, greenhouse gas emissions from operating sites in Mainland China are based on *the 2019 Baseline Emission Factors for Regional Power Grids in China for CDM and CCER* (《2019年度減排專案中國區域電網基準線排放因數》) issued by the Ministry of Ecology and Environment of the PRC, and *the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (2019 Edition)* (《2006年IPCC國家溫室氣體清單指南2019修訂版》) issued by the Intergovernmental Panel on Climate Change (IPCC); For operating site in Hong Kong Special Administrative Region, GHG emissions (Scope 2) are calculated in accordance with the relevant emission factor coefficients provided by the Company's power supplier, CLP Group. As of 2020, the emission factor coefficient provided by CLP Group is 0.57 kg for carbon dioxide equivalent.

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

(3) The non-hazardous wastes mainly come from the domestic wastes in the office and such wastes are treated by the environmental protection department of the development zone. As the non-hazardous wastes cannot be measured separately, we estimate the wastes in Shenzhen in accordance with *the First National Census on Pollution Sources – Manual for Waste Generation and Discharge Coefficients in Urban Households* (《第一次全國污染源普查城鎮生活源產排汙係數手冊》) issued by the State Council of PRC.

6. COMMUNITY INVESTMENT

As responsible corporate citizen, while seeking our own development, we pay full attention to the needs of the community and actively give back to society. We establish a communication mechanism with the communities where we operate, establish long-term contacts with the communities, seek to understand the needs of the communities, and provide necessary support in a timely manner to contribute to the harmonious development of the communities.

Over the years, the company has maintained close communication with surrounding schools. Fully leveraging our strong R&D capabilities, we assisted universities in developing biological science-related courses and shared biological knowledge and industry experience with students to contribute to the cause of education.

APPENDIX –
THE STOCK EXCHANGE OF HONG KONG LIMITED'S ESG REPORTING GUIDE CONTENT INDEX

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

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

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

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

ESG Issues	Description	Correspondent Chapter
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	3.1 Responsible Operation – Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	–
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	3.1 Responsible Operation – Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.1 Responsible Operation – Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	3.1 Responsible Operation – Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.1 Responsible Operation – Product Responsibility

ESG Issues	Description	Correspondent Chapter
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	3.2 Responsible Operation – Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	3.2 Responsible Operation – Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	3.2 Responsible Operation – Anti-corruption
Community		
Aspect B8: Community Investment		
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6. Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6. Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	–

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

PRINCIPAL ACTIVITIES

We are the first Hong Kong-based listed biopharmaceutical company dedicated to the research, development, manufacturing and commercialisation of therapeutics for the treatment of immunological diseases, primarily monoclonal antibody ("**mAb**")-based biologics.

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

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

BUSINESS REVIEW AND RESULTS

A review of the business of the Group during the Reporting Period is provided in "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance during the Reporting Period is provided in the "Financial Review" on pages 12 to 14 of this annual report.

The results of the Group for the Reporting Period are set out in the Consolidated Statement of Profit or Loss and the Consolidated Statement of Comprehensive Income on pages 101 to 102 of this annual report.

DIVIDEND

No interim dividend was paid to the Shareholders during the year.

The Directors have resolved not to recommend the payment of a final dividend to the Shareholders for the year ended 31 December 2020 (2019: Nil).

ANNUAL GENERAL MEETING

The 2021 Annual General Meeting of the Company will be convened to be held on Tuesday, 15 June, 2021. Relevant notice of the meeting will be contained in the circular of the Company relating to the re-election of Directors and the general mandates to issue and buy back Shares (the "**Circular**") to be sent to the Shareholders, together with this Annual Report.

CLOSURE OF REGISTER

For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2021 Annual General Meeting, the register of members of the Company will be closed from Wednesday, 9 June, 2021 to Tuesday, 15 June, 2021, both days inclusive, during which period no transfers of Shares will be registered. In order to be entitled to attend and vote at the 2021 Annual General Meeting, all transfers of Shares, duly accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Tuesday, 8 June, 2021.

USE OF PROCEEDS FROM LISTING

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

Reference is made to the Company's prospectus dated 31 October 2019 (the "**Prospectus**") and announcements dated 22 July 2020 and 14 August 2020.

Details of the planned applications of the net proceeds from the listing (adjusted on a pro-rata basis based on the actual net proceeds) were disclosed in the Prospectus and subsequently revised and disclosed in the Company's announcement dated 22 July 2020. The following table sets out the revised applications of the net proceeds and the actual usage up to 31 December 2020:

Use of proceeds	**Planned applications** *(HK$ million)*	**Revised applications** *(HK$ million)*	**Actual utilisation up to 31 December 2020** *(HK$ million)*	**Unutilised net proceeds as at 31 December 2020** *(HK$ million)*	**Expected timeline for full utilisation of the unutilised net proceeds** *(Note 1)*
For the R&D and commercialization of our drug candidates					
For the R&D and commercialization of our core product, SM03, to fund clinical trials for SM03 including (i) ongoing and planned clinical trials in the PRC; (ii) additional clinical trials to be initiated in the PRC for additional indications; (iii) clinical trials in Australia and the United States; and (iv) New Drug Application registration filings and the commercial launch of SM03	190.9	190.9	101.9	89.0	By the end of 2023
To fund pre-clinical research, clinical trials, production, preparation for registration filings and potential commercial launches of the other drug candidates in our pipeline	318.2	279.4	69.5	209.9	By the end of 2023
To further advance our R&D programmes, expand our R&D team, build our commercialization team, develop our proprietary technology and enhance our full-spectrum platform	42.4	42.4	4.2	38.2	By the end of 2021
For the discovery and development of new drug candidates not currently in our pipeline to diversify our product portfolio	84.9	84.9	49.5	35.4	N/A *(Note 2)*
For the construction of our Suzhou production base primarily for the commercial-scale production of our core product SM03					
For the purchase of laboratory equipment, primarily for the R&D of SM03 and potentially for the R&D of other products in our pipeline	85.8	85.8	4.9	80.9	By the end of 2021

Use of proceeds	Planned applications *(HK$ million)*	Revised applications *(HK$ million)*	Actual utilisation up to 31 December 2020 *(HK$ million)*	Unutilised net proceeds as at 31 December 2020 *(HK$ million)*	Expected timeline for full utilisation of the unutilised net proceeds *(Note 1)*
For the purchase of manufacturing equipment, primarily for the production of SM03	59.7	59.7	–	59.7	By the end of 2021
For the construction of the Suzhou production base					
For the construction of additional R&D facilities and purchase of laboratory equipment to aid the ongoing R&D of SM03 for the treatment of rheumatoid arthritis, systemic lupus erythematosus, non-Hodgkin's lymphoma and other potential indications, R&D of SM03 at commercialization to enhance craftsmanship for large-scale production, as well as the development of other products in our pipeline	107.6	107.6	–	107.6	By the end of 2022
For the construction of an upstream production facility and downstream purification facility	88.2	88.2	–	88.2	By the end of 2022
For the purchase of land from the Suzhou Dushu Lake Higher Education Town and other expenses related to the expansion of our Suzhou production base	167.9	167.9	33.5	134.4 *(Note 3)*	By the end of 2022
For our working capital, expanding internal capabilities and other general corporate purposes	127.2	127.2	123.4	3.8 *(Note 4)*	N/A
Collaboration with D2M Group	–	38.8	19.4	19.4	By the end of 2023
Total	1,272.8	1,272.8	406.3	866.5	

Notes:

(1) The expected timeline for utilising the unutilised net proceeds is based on the best estimation made by the Group. It is subject to change based on the future development and events which may be outside of the Group's control.

(2) As the discovery and development of new drug candidates not currently in pipeline is a continuous and ongoing process, the Company is unable to set out a detailed timeline for the utilisation of such net proceeds.

(3) Based on the latest development planning on the land purchased on 24 June 2020 and due to the uncertainties brought by the outbreak of COVID-19, the timeframe for construction of the site area and expansion of the production base has been extended.

(4) Costs of HK$78.0 million for the Investment in China Healthcare Fund will be returned to this planned application. The Investment was subsequently disposed of at a consideration of HK$110.6 million in February 2021, please refer to the paragraphs headed "Significant Investments held" under the section "Management Discussion and Analysis" to this annual report and "SUBSEQUENT EVENTS" in this report for more details.

Such utilisation of the net proceeds was in accordance with the planned applications as set out in the above. The unutilised portion of the net proceeds will be applied in a manner consistent with the revised applications.

R&D ACTIVITIES OF FLAGSHIP PRODUCT

Our flagship product SM03 is a potential first-in-target anti-CD22 mAb for the treatment of rheumatoid arthritis (RA) and potentially for other immunological diseases such as systemic lupus erythematosus (SLE), Sjogren's syndrome (SS) and non-Hodgkin's lymphoma (NHL). SM03 is expected to be our first commercially available drug candidate. We hypothesised that SM03 adopts a novel mechanism of action which differentiates itself from the current treatments available in the market and we are currently working towards uncovering the mechanism. We have experimental evidences supporting the hypothesis.

As at 31 December 2020, a total of 332 patients have been enrolled into SM03 Phase III clinical trials for RA. We expect to complete patient enrollment for SM03's Phase III clinical trial for RA in the first half of 2021 at the earliest, and plan to file our BLA with the NMPA in the second half of 2021 at the earliest. In response to the strategic planning on the Group's product pipeline development, our previously planned bridging clinical study in Australia for SM03 had been negated by the clinical study for SM06 to be conducted in the United States. We planned to file IND application in the United States for SM06, a humanized version of SM03 with the same mechanism of action of SM03.

SM03 may not ultimately be successfully developed and marketed.

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

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

During the Reporting Period, the Group incurred approximately RMB55.6 million on the R&D activities of SM03.

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

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

R&D risk of new drugs

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

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

Market competition risk

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

Quality control risk of drugs

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

Risk of not making profit in short run

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

Risk of industry regulations and policies

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

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

Foreign exchange risk

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

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH STAKEHOLDERS

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

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

ENVIRONMENTAL POLICY

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

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

As at 31 December 2020, the Company has not commercialised its products and there was no customer.

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined and the percentage of revenue from sales of goods or rendering of services attributable to the Group's five largest customers combined was in each case less than 30% of the total amount involved.

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES

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

SHARE CAPITAL

During the Reporting Period, there was no change in the share capital of the Company.

RESERVES

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

DISTRIBUTABLE RESERVES

There was no distributable reserve as at 31 December 2020.

EQUITY-LINKED AGREEMENTS

Save as disclosed of the convertible bonds in the section headed "Connected Transaction" of this report, no equity-linked agreement was entered into by the Company during the Reporting Period.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2020 are set out in note 21 to the consolidated financial statements.

SHARE INCENTIVES

Restricted Share Unit Scheme

A restricted share unit scheme (the "**RSU Scheme**") was conditionally adopted by the Shareholders on 18 October 2019, with effect from 12 November 2019, the principle terms of which are set out in the section headed "Statutory and General Information – E. Scheme" in Appendix IV of the Company's prospectus dated 31 October 2019. The RSU Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules. On 5 March 2020, the Company appointed Computershare Hong Kong Investor Services Limited to manage the RSU Scheme. For the purpose of the operation of the RSU Scheme, on 25 March 2020, Skytech Technology Limited, a company wholly-owned by Dr. Shui On LEUNG, transferred 36,174,400 Shares to Computershare Hong Kong Nominees Limited which holds such Shares for the beneficiaries of the RSU Scheme.

The Company may grant restricted share units ("**RSUs**") to existing employees, Directors (whether executive or non-executive, but excluding independent non-executive Directors) or officers of the Group and any person(s) whether or not an employee or officer of the Group whom the Board considers to be able to enhance the operations or value of our Group.

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

The purpose of the RSU Scheme is to incentivise the Directors, senior management and employees for their contribution to the Group and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group, by providing them with the opportunity to own equity interests in the Company. The Board will select participants to receive RSUs under the RSU Scheme at its discretion.

The grant and vesting of any RSUs, which may be granted pursuant to the RSU Scheme will be in compliance with Rule 10.07 of the Listing Rules.

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

On 5 June 2020, the Company granted 10,062,404 RSUs under the RSU Scheme in respect of 10,062,404 Shares to an employee of the Company and the said RSUs were vested on the same date. Please refer to the announcement of the Company dated 5 June 2020 for further information.

Share Award Scheme

Subsequent to the Reporting Period, the Company has adopted a share award scheme as amended from time to time, (the "**Share Award Scheme**") on 4 February 2021 (the "**Adoption Date**"). The Share Award Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules.

Under the Share Award Scheme, the Board or an Authorized Person may select any eligible person and grant an award (the "**Award**") to the selected participants ("**Selected Participants**"). Computershare Hong Kong Trustees Limited (the "**Trustee**") has been appointed by the Company as the trustee for the Share Award Scheme. To satisfy an Award, the Company shall transfer to the trust the necessary funds and instruct the Trustee to acquire Shares through on-market transactions at the prevailing market price or through manual trades.

The Share Award Scheme will remain in force for a period of 10 years commencing on its Adoption Date.

The maximum number of award Shares throughout the duration of the Share Award Scheme is 50,312,020 Shares, being 5% of the issued Shares of the Company as at the Adoption Date. The maximum number of Shares which may be awarded to a Selected Participant under the Share Award Scheme is 20,124,808 Shares, being 2% of the issued Shares of the Company as at the Adoption Date. Details of the Share Award Scheme are set out in the announcement of the Company dated 4 February 2021.

As of the date of this annual report, no awards have been granted or agreed to be granted under the Share Award Scheme.

DIRECTORS

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

Executive Director

Dr. Shui On LEUNG *(Chairman and Chief Executive Officer)*

Non-executive Directors

Dr. Haigang CHEN
Mr. Xun DONG
Mr. Senlin LIU
Ms. Wenyi LIU
Mr. Huiyuan MA
Mr. Jing QIANG *(resigned as the President and re-designated from an Executive Director to a Non-executive Director with effect from 30 November 2020)*

Independent Non-executive Directors

Mr. Ping Cho Terence HON
Mr. Dylan Carlo TINKER
Mr. Michael James Connolly HOGAN
Mr. George William Hunter CAUTHERLEY

On 30 November 2020, Mr. Jing QIANG resigned as the President of the Company and was re-designated from an Executive Director to a Non-executive Director due to work re-arrangement.

Details of the Directors' biographies are set out on pages 17 to 21 of this annual report.

In accordance with Article 111(a) of the Articles, the following Directors will retire from office by rotation at the 2021 Annual General Meeting:

(i) Mr. George William Hunter CAUTHERLEY;

(ii) Dr. Haigang CHEN;

(iii) Mr. Xun DONG; and

(iv) Mr. Michael James Connolly HOGAN.

All of the above retiring Directors are eligible for re-election at the 2021 Annual General Meeting. Mr. Michael James Connolly HOGAN, for the purpose of devoting more time to his personal business engagement, and in accordance with the relevant requirements of retirement by rotation and re-election of director under the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and the Articles, has tendered his request for retirement at the 2021 Annual General Meeting and not to offer himself for re-election after retirement. Mr. Hogan confirmed that he has no disagreement with the Board and there are no other matters in relation to his retirement that need to be brought to the attention of the Shareholders. The other three retiring Directors mentioned above will stand for re-election at the 2021 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Listing Rules, will be set out in the Circular.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the interim report of the Company for the six months ended 30 June 2020 is set out below:

Name of Director	Details of changes
Executive Director:	
Dr. Shui On LEUNG	• Appointed as a director of the Hong Kong Genome Institute with effect from 5 November 2020.
Non-executive Director:	
Mr. Jing QIANG	• Resigned as President and re-designated from an Executive Director to a Non-executive Director of the Company, with effect from 30 November 2020.

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors and Senior Management".

Service Agreement

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

We have issued a letter of appointment to each of Ms. Wenyi LIU, Dr. Haigang CHEN, Mr. Senlin LIU, Mr. Chang LIU and Mr. Huiyuan MA on 18 October 2019 (i) for an initial fixed term of three years commencing from 12 November 2019 and (ii) subject to termination in accordance with the terms under their respective terms. The letter of appointment to Mr. Chang LIU was terminated due to his resignation on 23 December 2019.

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

On 23 December 2019, we have entered into a service agreement with Mr. Jing QIANG and issued a letter of appointment to each of Mr. Xun DONG and Mr. George William Hunter CAUTHERLEY (i) for a term of three years with effect from 23 December 2019, and (ii) subject to termination in accordance with the terms thereunder. On 30 November 2020, the service agreement with Mr. Jing QIANG was terminated due to re-designation of his position from executive director to non-executive director. A letter of appointment was issued to Mr. Qiang on 30 November 2020 (i) for an initial fixed term of three years commencing from 30 November 2020, and (ii) subject to termination in accordance with the terms thereunder.

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

Permitted Indemnity Provision

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

Directors' Rights to Acquire Shares or Debentures

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

Competing Interest and Other Interest

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as otherwise disclosed herein, none of the Directors of the Company nor a connected entity of the Directors had any beneficial interests, whether direct or indirect, in any significant transactions, arrangements or contracts to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party at the end of the Reporting Period or at any time during the year.

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement whose objects are to enable a Director to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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 and the Company considers such Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

Management Contracts

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

Remuneration Policy

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

Remuneration of Directors and Five Individuals with Highest Emoluments

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

DIRECTORS OF SUBSIDIARIES

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

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

As at 31 December 2020, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and Stock Exchange pursuant to the Model Code were as follows:

Name of Director/ chief executive	Capacity/nature of interest[1]	Number of Shares	Approximate percentage of shareholding[2]
Ms. Wenyi LIU[4]	Interest in a controlled corporation and interest of spouse	247,721,040	24.62%
Mr. Jing QIANG[6]	Interest in a controlled corporation and interest of spouse	247,721,040	24.62%
Dr. Shui On LEUNG[3]	Interest in a controlled corporation	168,781,196	16.77%
Mr. Huiyuan MA[5]	Interest of spouse	61,500,740	6.11%

Notes:

(1) All interests stated are long positions.

(2) As at 31 December 2020, the Company had 1,006,240,400 issued Shares.

(3) As at 31 December 2020, these Shares were held by Skytech Technology, which is wholly owned by Dr. Leung.

(4) As at 31 December 2020, 212,889,400 Shares were held by Apricot Capital (上海杏澤投資管理有限公司) through Apricot Oversea Holdings Limited, West Biolake Holdings Limited, Apricot BioScience Holdings, L.P., Le Rong Limited and Zliverland Holdings Limited, which are ultimately controlled by Ms. Liu. Ms. Liu is deemed to be interested in these Shares for the purposes of the SFO. The interest in the other 34,831,640 Shares were held through Grogene Technology Limited (格擎生物科技有限公司) which is wholly owned by Mr. Jing QIANG. Ms. Liu is the spouse of Mr. Qiang who is deemed to have an interest in the 34,831,640 Shares for the purposes of the SFO.

(5) As at 31 December 2020, these Shares were held by Mr. Ma's spouse, Ms. Huimin TIAN, through Forbest Capital Investment Group Limited (致譽投資集團有限公司), in which Mr. Ma is deemed to be interested for the purposes of the SFO.

(6) Mr. Qiang is the spouse of Ms. Wenyi LIU who is deemed to have an interest in 212,889,400 Shares for the purposes of the SFO. The interest in the other 34,831,640 Shares were held by Grogene Technology Limited (格擎生物科技有限公司), which is wholly owned by Mr.Qiang.

Save as disclosed above, as at 31 December 2020, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code.

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

As at 31 December 2020, to the best knowledge of the Directors, the following persons/entities (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which fall to be disclosed to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholder	Capacity/nature of interest[1]	Number of Shares	Approximate percentage of shareholding[2]
Apricot Capital (上海杏澤投資管理有限公司) [5][6][7]	Interest in a controlled corporation	212,889,400	21.16%
Shanghai Yueyi Investment Centre (Limited Partnership)* (上海月溢投資中心(有限合夥)) [5][7]	Interest in a controlled corporation	212,889,400	21.16%
Skytech Technology[3]	Beneficial interest	168,781,196	16.77%
Hainan Haiyao Co., Ltd. (海南海藥股份有限公司)	Beneficial interest	158,882,115	15.79%
Apricot Oversea Holdings Limited[5]	Beneficial interest	108,316,600	10.76%
Ms. Sijia XU	Beneficial interest	89,802,105	8.92%
West Biolake Holdings Limited[6]	Beneficial interest	72,349,000	7.19%
For Best Holding Capital Group Investment Inc. [4]	Interest in a controlled corporation	61,500,740	6.11%
Forbest Capital Investment Group Limited[4]	Beneficial interest	61,500,740	6.11%
Ms. Huimin TIAN[4]	Interest in a controlled corporation	61,500,740	6.11%
Mr. Kang WENG[4]	Interest in a controlled corporation	61,500,740	6.11%
Yunnan Baiyao Group Co., Ltd* (雲南白藥集團股份有限公司)	Beneficial interest	51,599,400	5.13%

* *For identification purpose only*

Notes:

(1) All interests stated are long positions.

(2) As at 31 December 2020, the Company had 1,006,240,400 issued Shares.

(3) Skytech Technology is a company wholly owned by Dr. Shui On LEUNG.

(4) As at 31 December 2020, Forbest Capital Investment Group Limited was wholly held by For Best Holding Capital Group Investment Inc. which was held by Ms. Huimin TIAN and Mr. Kang WENG as to 90% and 10%, respectively. Under the SFO, each of Ms. Tian and Mr. Weng is deemed to be interested in the Shares held by Forbest Capital Investment Group Limited.

(5) Apricot Oversea Holdings Limited is the overseas holding platform of Xingze Xinghe and Shanghai Jianyi Xinghe Startup Investment Center (Limited Partnership)* (上海健益興禾創業投資中心(有限合夥)) ("**Jianyi Xinghe**"), holding as to approximately 9.26% and 1.51% of the issued Shares as at 31 December 2020, respectively. Apricot Capital (上海杏澤投資管理有限公司) is the general partner of Jianyi Xinghe. Apricot Capital and Shanghai Yueyi Investment Centre (Limited Partnership)* (上海月溢投資中心(有限合夥)) ("**Yueyi Investment**") are the co-general partners of Xingze Xinghe. For the purpose of the SFO, Apricot Capital and Yueyi Investment are deemed to have an interest in the Shares held by Apricot Oversea Holding Limited.

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

(7) Save as Apricot Capital's deemed interest in West Biolake Holdings Limited and Apricot Oversea Holdings Limited pursuant to the SFO, Apricot Capital is the general partner of Xingze Xingzhan. Apricot BioScience Holdings, L.P. held approximately 1.31% of the issued Shares as at 31 December 2020. Le Rong Limited and Zliverland Holdings Limited are the overseas holding platforms of Xingze Xingzhan, holding as to approximately 1.09% and 0.80% of the issued Shares as at 31 December 2020, respectively. Apricot Capital was owned by Ms. Wenyi LIU, a non-executive Director, and Shanghai Zuohe Investment Management Co., Ltd.* (上海佐禾投資管理有限公司) ("**Zuohe Investment**") as to 40% and 60%, respectively as at 31 December 2020. Zuohe Investment was owned by Ms. Liu and an independent third party as to 51% and 49% as at 31 December 2020, respectively. For the purpose of the SFO, Ms. Liu is deemed to have an interest in the Shares held by Apricot Capital and Zuohe Investment.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTION

On 22 December 2020, a subscription agreement (the "**Subscription Agreement**") was entered into between the Company (the issuer) and Haiyao International Group Limited (the "**Investor**") in respect of the subscription by the Investor for convertible bonds in an aggregate principal amount of HK$100,000,000 ("**Convertible Bonds**"). The initial conversion price of the Convertible Bonds is HK$5.0 per conversion share, representing a premium of approximately 25% over the closing price of the Shares as quoted on the Stock Exchange on 22 December 2020 (which is HK$4.0), subject to adjustment ("**Conversion Price**"). After deducting the transaction cost, the net price for each conversion share is HK$4.945 (assuming full conversion of the Convertible Bonds at the initial Conversion Price and assuming no adjustment). The Investor has the right to convert all or part of the Convertible Bonds on the first anniversary date from the date on which Convertible Bonds are originally issued in accordance with the Subscription Agreement. Assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into a maximum of 20,000,000 Shares (subject to adjustment).The conversion share has no nominal value.

The purpose of the transactions contemplated under the Subscription Agreement is to raise immediate funding for the Group. The following table sets out the planned applications of the net proceeds from the issue of Convertible Bonds of approximately HK$98.9 million (after deduction of all estimated expenses relating thereto):

Use of proceeds	**Planned applications** *(HK$million)*	**Percentage of total net proceeds** *(%)*	**Actual utilization up to 31 December 2020** *Note 1* *(HK$million)*	**Unutilized net proceeds as at 31 December 2020** *Note 1* *(HK$million)*	**Expected timeline for full utilization of the unutilized net proceeds** *Note 2*
For the 2021 Phase I clinical study costs for SM17, to be started in 2021	9.89	10	N/A	N/A	By end of 2022
For the Investigational New Drug enabling of SM17 to be started in 2021, which is mainly to contract research organization and contract manufacturing organization	19.78	20	N/A	N/A	By end of 2022
For the construction costs for the Suzhou production base	29.67	30	N/A	N/A	By end of 2022
For general working capital	39.56	40	N/A	N/A	N/A
Total:	98.90	100	N/A	N/A	

Notes:

1. As completion of the Subscription Agreement has not yet taken place as of 31 December 2020, the Company has not yet received the proceeds from the issue of the Convertible Bonds.

2. The expected timeline for utilizing the unutilized net proceeds is based on the best estimation made by the Group. It is subject to change based on the future development and events which may be outside of the Group's control.

The Investor is a wholly owned subsidiary of Hainan Haiyao Co., Ltd. ("**Haiyao**"), a substantial shareholder of the Company. Therefore, the Investor is a connected person of the Company. As at the date of the Subscription Agreement, Haiyao held 158,882,115 Shares, representing approximately 15.79% equity interests in the Company.

Accordingly, the Subscription Agreement and the transactions thereunder constituted a connected transaction of the Company and were subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. At the extraordinary general meeting of the Company held on 19 February 2021, the issue of convertible bonds upon the terms and conditions of the Subscription Agreement was approved by the independent shareholders of the Company.

As at the date of this annual report, the Subscription Agreement has not yet completed.

Details of the Subscription Agreement and the issue of the Convertible Bonds were disclosed in the announcements of the Company dated 22 December 2020 and 14 January 2021 and the circular of the Company dated 27 January 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

POTENTIAL NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

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

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

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

As at the date of this annual report, Mr. Jing QIANG, our non-executive Director and the spouse of Ms. Wenyi LIU, our non-executive Director, controlled over 30% of the voting power at the shareholders meeting of Suzhou Sinovent. Suzhou Sinovent is a close associate of Mr. Qiang and Ms. Liu and therefore, the Company's connected person. Specifically, as at the date of this annual report, Mr. Qiang directly held approximately 0.56% in Suzhou Sinovent. Mr. Qiang indirectly controlled in aggregate approximately 39.16% in Suzhou Sinovent, through Shanghai Lipan Enterprise Management Center (Limited Partnership)* (上海勵攀企業管理中心(有限合夥)), Ningbo Meishan bonded port Youxiao Business Management Center, L.P.* (寧波梅山保稅港區猷霄企業管理中心(有限合夥)) (formerly known as Ningbo Meishan Bonded Port Yinji Equity Investment Partnership (Limited Partnership)* (寧波梅山保稅港區胤基股權投資合夥企業(有限合夥))), Suzhou Youyao Business Management Center, L.P.* (蘇州佑曜企業管理中心(有限合夥)) (formerly known as Ningbo Meishan Bonded Port Boyu Jian'n Equity Investment Partnership (Limited Partnership)* (寧波梅山保稅港區博裕儉安股權投資合夥企業(有限合夥))) and Ningbo Meishan bonded port Chenghuaiyangguan Business Management Center, L.P.* (寧波梅山保稅港區騁懷仰觀企業管理中心(有限合夥)) (formerly known as Ningbo Meishan Bonded Port Baichuan Lecheng Equity Investment Partnership (Limited Partnership)* (寧波梅山保稅港區百川樂成股權投資合夥企業(有限合夥))), each a limited partnership incorporated in the PRC, as Mr. Qiang beneficially owned more than 50% equity interest in each of them.

In addition, as at the date of this annual report, Suzhou Sinovent was held as to 5.04% by Xingze Xinghe, one of our Pre-IPO Investors, and as to 0.57% by Hangzhou Xingze Xingfu Investment Management Partnership (Limited Partnership)* (杭州杏澤興福投資管理合夥企業（有限合夥)), a limited partnership incorporated in the PRC with Apricot Capital (上海杏澤投資管理有限公司), which was ultimately controlled by Ms. Wenyi LIU, our non-executive Director, as its general partner, respectively. Save as disclosed above, Suzhou Sinovent was held by independent third parties as to 54.67% as at the date of this annual report.

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

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

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

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

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

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with "related parties" as defined under the applicable accounting standards. Related party transactions are disclosed in note 27 to the consolidated financial statements.

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

PRE-EMPTIVE RIGHTS

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. As at the date of this report, the Board comprises one executive Director, six non-executive Directors and four independent non-executive Directors. The Board has adopted the code provisions set out in the CG Code as its corporate governance code. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 23 to 38 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

FINANCIAL SUMMARY

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

AUDIT COMMITTEE

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

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

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

AUDITOR

The financial statements for the year ended 31 December 2020 has been audited by Ernst & Young. Ernst & Young shall retire in the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution to re-appoint Ernst & Young as auditor of the Company and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

SUBSEQUENT EVENTS

Disposal of China Healthcare Fund

On 4 February 2021, the Company (as seller) and Dragon Capital Special Opportunities SPC for and on behalf of its segregated portfolio named Dragon Capital Special Opportunities 2 SP (as purchaser) entered into a contract to sell 775,347.912 units of class A participating shares in China Healthcare Fund (the "**Investment**") at a consideration of HK$110,572,365.73 (the "**Disposal**"). The Company recorded a gain of approximately HK$32,572,365.73 (representing approximately 41.76% return on Investment) from the Disposal.

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constituted a discloseable transaction of the Company subject to the announcement requirement under Chapter 14 of the Listing Rules.

The Disposal was completed on 18 February 2021. Please refer to the Company's announcements dated 4 February 2021 and 5 February 2021 for more details.

Connected Transaction under Lease Agreement

On 22 March 2021, a Lease Agreement was entered into between Hainan SinoMab Biotech Co., Ltd. (海南賽樂敏生物科技有限公司*) ("**Hainan SinoMab**"), a wholly owned subsidiary of the Company, (as Lessee), and Haikou Pharmaceutical Factory Co., Ltd (海口市製藥廠有限公司) ("**Haikou Pharmaceutical**"), (as Lessor), to lease No.6 Building (SinoMab Building) for a term of 20 years at an annual rent of RMB3,392,500 (exclusive of management fees and other outgoing expenses).

Pursuant to the Lease Agreement, Hainan SinoMab rented the No.6 Building (SinoMab Building) located in Haiyao Industry Park, 192 Nanhai Avenue, Xiuying District, Haikou City, Hainan Province with a total gross floor area of 14,637 square metres and a land area of approximately 6,550 square metres attached to the building, together with the existing fixtures, improvements and public facilities and equipment attached to the building and the land.

As Haikou Pharmaceutical is a subsidiary of Haiyao, a substantial shareholder of the Company, the transaction under the Lease Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 22 March 2021 for more details.

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

22 March 2021

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

OPINION

We have audited the consolidated financial statements of SinoMab BioScience Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 101 to 163, 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 Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Risk of misstatement of research and development costs The Group incurred significant research and development ("**R&D**") costs of RMB103,402,000 as disclosed in the consolidated statement of profit or loss for the year ended 31 December 2020. Service fees paid to contract research organisations ("**CROs**"), clinical site management operators ("**SMOs**") (collectively referred as "Outsourced Service Providers"), and co-development fees paid to R&D collaboration partners are included in the Group's R&D costs. The R&D activities with these Outsourced Service Providers and R&D collaboration partners are documented in agreements and are typically performed over an extended period. These expenses are charged to the statement of profit or loss based on the progress of the R&D projects. We identified the measurement of R&D costs as a key audit matter due to its significant amount and the risk of not recording R&D costs in the appropriate reporting period. The accounting policy and the disclosure for significant accounting judgement related to R&D costs has been disclosed in note 2.4 and note 3 of the consolidated financial statements.	We obtained an understanding of and evaluated the design, and tested the operating effectiveness of the controls related to the Group's R&D process. We reviewed the agreements with Outsourced Service Providers and R&D collaboration partners to evaluate the method adopted by the management in setting up the calculation basis for R&D costs. We inquired the R&D project managers and inspected the progress reports and correspondence to obtain an understanding of the progress of R&D projects. We re-calculated the service fees using management's method. We obtained external confirmations of service fees from Outsourced Service Providers.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
22 March 2021

Consolidated Statement of Profit or Loss

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Other income and gain	5	**58,439**	2,994
Research and development costs		**(103,402)**	(214,342)
Administrative expenses		**(72,010)**	(61,544)
Finance costs	7	**(2,416)**	(2,338)
Other expenses, net		**(2,464)**	(1,052)
Share of loss of an associate		**(747)**	–
LOSS BEFORE TAX	6	**(122,600)**	(276,282)
Income tax expense	10	**–**	–
LOSS FOR THE YEAR		**(122,600)**	(276,282)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	12	**0.12**	0.33

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	2020 *RMB'000*	2019 *RMB'000*
LOSS FOR THE YEAR	**(122,600)**	(276,282)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation to the presentation currency	**(57,687)**	3,198
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(180,287)**	(273,084)

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**101,093**	17,077
Right-of-use assets	14	**44,830**	25,091
Investment in an associate	15	**31,897**	–
Deposits	17	**1,391**	–
Other non-current assets	16	**15,958**	26,955
Total non-current assets		**195,169**	69,123
CURRENT ASSETS			
Prepayments, deposits and other receivables	17	**30,926**	14,174
Financial asset at fair value through profit or loss	18	**93,058**	–
Cash and cash equivalents	19	**810,370**	1,200,868
Total current assets		**934,354**	1,215,042
CURRENT LIABILITIES			
Other payables and accruals	20	**44,674**	98,635
Lease liabilities	14	**9,130**	8,040
Interest-bearing bank borrowing	21	**5,000**	–
Total current liabilities		**58,804**	106,675

continued/...

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NET CURRENT ASSETS		**875,550**	1,108,367
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,070,719**	1,177,490
NON-CURRENT LIABILITIES			
Lease liabilities	*14*	**28,247**	25,292
Interest-bearing bank borrowing	*21*	**55,461**	20,282
Total non-current liabilities		**83,708**	45,574
Net assets		**987,011**	1,131,916
EQUITY			
Equity attributable to owners of the parent			
Share capital	*22*	**1,679,126**	1,679,126
Reserves	*23*	**(692,115)**	(547,210)
Total equity		**987,011**	1,131,916

Leung Shui On
Director

Qiang Jing
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Note	Share capital RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2019		301,532	8,637	(6,878)	(275,885)	27,406
Loss for the year		–	–	–	(276,282)	(276,282)
Other comprehensive income for the year:						
Exchange differences on translation to the presentation currency		–	–	3,198	–	3,198
Total comprehensive loss for the year		–	–	3,198	(276,282)	(273,084)
Issue of shares	22	1,437,460	–	–	–	1,437,460
Share issue expenses		(59,866)	–	–	–	(59,866)
At 31 December 2019		1,679,126	8,637	(3,680)	(552,167)	1,131,916

	Note	**Share capital RMB'000**	**Share-based payment reserve RMB'000**	**Capital reserve RMB'000**	**Exchange fluctuation reserve RMB'000**	**Accumulated losses RMB'000**	**Total equity RMB'000**
At 1 January 2020		**1,679,126**	**–**	**8,637**	**(3,680)**	**(552,167)**	**1,131,916**
Loss for the year		**–**	**–**	**–**	**–**	**(122,600)**	**(122,600)**
Other comprehensive loss for the year:							
Exchange differences on translation to the presentation currency		**–**	**–**	**–**	**(57,687)**	**–**	**(57,687)**
Total comprehensive loss for the year		**–**	**–**	**–**	**(57,687)**	**(122,600)**	**(180,287)**
Equity-settled share-based payment expense	24	**–**	**35,382**	**–**	**–**	**–**	**35,382**
At 31 December 2020		**1,679,126**	**35,382***	**8,637***	**(61,367)***	**(674,767)***	**987,011**

* These reserve accounts comprise the consolidated reserves of RMB692,115,000 (2019: RMB547,210,000) in the consolidated statement of financial position. Capital reserve represents the contribution of RMB8,637,146 by a non-controlling shareholder to the Company in 2018.

continued/...

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(122,600)**	(276,282)
Adjustments for:			
Finance costs	*7*	**2,416**	2,338
Bank interest income	*5*	**(17,346)**	(2,993)
Loss on disposal of items of property, plant and equipment		**–**	7
Fair value gain on a financial asset at fair value through profit or loss	*5*	**(28,253)**	–
Share of loss of an associate		**747**	–
Depreciation of property, plant and equipment	*6*	**4,042**	2,236
Depreciation of right-of-use assets	*6*	**6,631**	6,253
Equity-settled share-based payment expense	*6*	**34,903**	–
		(119,460)	(268,441)
Increase in prepayments, deposits and other receivables		**(18,143)**	(3,473)
(Decrease)/increase in other payables and accruals		**(21,081)**	46,432
Cash used in operations		**(158,684)**	(225,482)
Interest received	*5*	**17,346**	2,993
Net cash flows used in operating activities		**(141,338)**	(222,489)

continued/...

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in an associate		**(17,332)**	–
Purchases of items of property, plant and equipment		**(75,955)**	(42,286)
Purchase of land use rights		**(16,366)**	–
Purchase of financial asset at fair value through profit or loss		**(69,565)**	–
Cash flows used in investing activities		**(179,218)**	(42,286)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	*22*	**–**	1,437,460
Share issue expenses		**(49,253)**	(8,749)
New bank loans	*25(b)*	**40,179**	20,282
Repayment of other borrowings	*25(b)*	**–**	(10,000)
Principal portion of lease payments	*25(b)*	**(6,286)**	(14,168)
Interest paid		**(3,448)**	(4,023)
Net cash flows (used in)/from financing activities		**(18,808)**	1,420,802
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(339,364)**	1,156,027
Cash and cash equivalents at beginning of year		**1,200,868**	41,512
Effect of foreign exchange rate changes, net		**(51,134)**	3,329
CASH AND CASH EQUIVALENTS AT END OF YEAR		**810,370**	1,200,868
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**77,606**	703,983
Non-pledged time deposits with original maturity of less than three months when acquired		**732,764**	496,885
Cash and cash equivalents as stated in the statement of cash flows	*19*	**810,370**	1,200,868

1. CORPORATE INFORMATION

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

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
SinoMab BioScience (Shenzhen) Limited (深圳賽樂敏生物科技有限公司) (note (a))	People's Republic of China/Mainland China	HKD 176,428,600	100%	–	Research and development of pharmaceutical products
SinoMab BioScience (Hainan) Limited* (Formerly known as Hainan SinoMab Biotech Co., Ltd.) (海南賽樂敏生物科技有限公司) (note (b))	People's Republic of China/Mainland China	RMB 50,000,000	–	100%	Research and development of pharmaceutical products
MediNexus Pharma (Suzhou) Limited (Formerly known as SinoLink Pharma (Suzhou) Limited) (杏聯藥業（蘇州）有限公司) (note (a))	People's Republic of China/Mainland China	RMB 200,000,000	100%	–	Research and development of pharmaceutical products
SINOMAB PTY LTD	Australia	AUD 100	100%	–	Research and development of pharmaceutical products
MediNexus Pharma (Shanghai) Limited* (興聯藥業（上海）有限公司) (note (a))	People's Republic of China/Mainland China	RMB 7,000,000	100%	–	Research and development of pharmaceutical products
Ingenious Sino Limited	British Virgin Islands	USD1	100%	–	Investment holding

Notes:

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

(b) The subsidiary is registered as a domestic enterprise under PRC law.

* *For identification purpose only*

2.1 BASIS OF PREPARATION

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

These financial statements have been prepared under the historical cost convention, except for financial asset at fair value through profit or loss which has been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 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 information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address on issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

The Group elected to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB1,389,000 has been accounted for as a lease modification by derecognising part of the lease liabilities and right-of-use assets as at 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3,6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3,5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

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

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

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

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

The Group has interest-bearing bank borrowing denominated in Renminbi ("**RMB**") based on the People's Bank of China RMB Loan Prime Rate ("**LPR**") as at 31 December 2020. If the interest rates of the borrowing are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of the borrowing when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Fair value measurement

The Group measures its equity investments 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

or

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

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

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

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

Research and development costs

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

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

Leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	30 years
Buildings	3 to 10 years

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

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the 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 and leases of low-value assets

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

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

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Debt investments at fair value through other comprehensive income and 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 and contract assets 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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

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.

Revenue recognition

Other income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 24 to the financial statements.

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.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension scheme

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

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

Borrowing costs

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

Dividends

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

Foreign currencies

These financial statements are presented in RMB as the major operations of the Group are within the PRC. The functional currency of the Company and certain subsidiaries incorporated outside Mainland China is the HKD and the functional currency of the subsidiaries established in Mainland China is RMB, which is the currency of the primary economic environment in which those entities operate. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Research and development costs

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

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

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.

Leases – Estimating the incremental borrowing rate

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

Impairment of non-financial assets (other than goodwill)

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

Useful lives and residual values of property, plant and equipment

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

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

4. OPERATING SEGMENT INFORMATION

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

Geographical information

Non-current assets

	2020 RMB'000	2019 RMB'000
Mainland China	**157,135**	59,134
Hong Kong	**6,137**	9,989
Cayman Islands	**31,897**	–
	195,169	69,123

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

5. OTHER INCOME AND GAIN

An analysis of other income and gain is as follows:

	2020 RMB'000	2019 RMB'000
Other income and gain		
Bank interest income	**17,346**	2,993
Government grants*	**12,760**	–
Fair value gain on a financial asset at fair value through profit or loss	**28,253**	–
Others	**80**	1
	58,439	2,994

* The government grants mainly represent grants received from the local governments for the purpose of support for research activities and clinical trials and award for the successful listing of the Company. There were no unfulfilled conditions or contingencies relating to these grants received during the year.

6. LOSS BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000
Depreciation of property, plant and equipment	13	**4,042**	2,236
Depreciation of right-of-use assets	14(a)	**6,631**	6,253
Research and development costs		**103,402**	214,342
Lease payments not included in the measurement of lease liabilities	14(c)	**925**	255
Auditor's remuneration		**2,005**	1,702
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**27,722**	17,484
Equity-settled share-based payment expense		**34,903**	–
Pension scheme contributions		**1,744**	1,945
Staff welfare expenses		**1,157**	271
		65,526	19,700
Other expenses:			
Foreign exchange loss, net		**2,276**	974
Others		**188**	78
		2,464	1,052

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on bank loans	2,354	385
Interest on lease liabilities	1,515	1,720
Interest on other borrowings	–	233
	3,869	2,338
Less: Capitalised interest expense	(1,453)	–
	2,416	2,338

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 RMB'000	2019 RMB'000
Fees	1,040	165
Other emoluments:		
Salaries, allowances and benefits in kind	4,090	2,948
Performance related bonuses*	1,734	–
Pension scheme contributions	16	16
	5,840	2,964
	6,880	3,129

* Certain directors of the company are entitled to bonus payment which are determined based on success of listing.

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 RMB'000	2019 RMB'000
Mr. Michael James Connolly HOGAN (i)	260	55
Mr. Dylan Carlo TINKER (i)	260	55
Mr. Ping Cho Terence HON (i)	260	55
Mr. George William Hunter CAUTHERLEY (ii)	260	–
	1,040	165

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

(b) Executive directors and non-executive directors

Year ended 31 December 2020	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive director:				
Dr. Shui On LEUNG (iii)	4,090	867	16	4,973
	4,090	867	16	4,973
Non-executive directors:				
Mr. Jing QIANG (iv)	–	867	–	867
Dr. Haigang CHEN	–	–	–	–
Ms. Wenyi LIU	–	–	–	–
Mr. Huiyuan MA (viii)	–	–	–	–
Mr. Senlin LIU (viii)	–	–	–	–
Mr. Xun DONG (ix)	–	–	–	–
	–	867	–	867

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

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

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

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

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

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

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

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

(iv) Mr. Jing QIANG was appointed as an executive director of the Company with effect from 23 December 2019, and re-designated from an executive director to a non-executive director with effect from 30 November 2020.

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

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

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

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

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

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

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2019: one) director, details of whose remuneration is set out in note 8 above. Details of the remuneration for the year of the remaining four highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020	2019
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**4,565**	3,968
Performance related bonuses	**–**	885
Pension scheme contributions	**117**	60
Equity-settled share-based payment expense	**34,903**	–
	39,585	4,913

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

	Number of employees	
	2020	2019
Nil to HKD1,000,000	**2**	3
HKD1,000,001 to HKD1,500,000	**1**	–
HKD3,000,001 to HKD3,500,000	**–**	1
HKD41,000,001 to HKD41,500,000	**1**	–
	4	4

During the year, shares were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 24 to the financial statements. The fair value of such shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

No Hong Kong profit tax has been made as the Company did not generate any assessable profit during the year (2019: Nil).

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

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

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

2020

	Hong Kong *RMB'000*	Mainland China *RMB'000*	Australia *RMB'000*	Total *RMB'000*
Loss before tax	(22,802)	(89,669)	(10,269)	(122,740)
Tax at the statutory tax rates	(3,762)	(22,417)	(3,081)	(29,260)
Income not subject to tax	(4,139)	–	–	(4,139)
Expenses not deductible for tax	5,623	–	–	5,623
Temporary difference not recognised	62	(836)	–	(774)
Tax losses not recognised	2,216	23,253	3,081	28,550
Tax charge at the Group's effective rates	–	–	–	–

10. INCOME TAX (continued)

2019

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

The Group has accumulated tax losses arising in Hong Kong of HKD329,187,450 and HKD261,066,779 as at 31 December 2020 and 2019, respectively, subject to the agreement by relevant tax authorities that were available indefinitely to offset against future taxable profits arising in Hong Kong.

The Group has accumulated tax losses arising in Mainland China of RMB232,051,441 and RMB158,409,183 as at 31 December 2020 and 2019, respectively, subject to the agreement by relevant tax authorities that will expire in one to five years for offsetting against future taxable profits arising in Mainland China.

The Group has accumulated tax losses arising in Australia of AUD3,423,490 and AUD1,349,093 as at 31 December 2020 and 2019, respectively, subject to the agreement by relevant tax authorities that can be used to offset against future taxable profits arising in Australia.

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

11. DIVIDENDS

No dividend was paid or declared by the Company during the years ended 31 December 2020 and 2019.

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

The calculation of the basic earnings per share is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,006,240,400 (2019: 836,654,781) in issue during the year.

The weighted average number of ordinary shares for the year ended 31 December 2019 was calculated based on the assumption that the bonus issue as detailed in note 22(b) to the financial statements has been adjusted retrospectively.

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

	2020	2019
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent	**122,600**	276,282

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year	**1,006,240,400**	836,654,781

13. PROPERTY, PLANT AND EQUIPMENT

	Production and R&D equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020						
At 1 January 2020:						
Cost	11,356	2,382	774	6,019	4,678	25,209
Accumulated depreciation	(6,380)	(318)	(300)	(1,134)	–	(8,132)
Net carrying amount	4,976	2,064	474	4,885	4,678	17,077
At 1 January 2020, net of accumulated depreciation	4,976	2,064	474	4,885	4,678	17,077
Additions	3,280	1,458	79	3,446	80,142	88,405
Depreciation provided during the year	(1,509)	(526)	(112)	(1,895)	–	(4,042)
Transfer from construction in progress	–	1,763	–	8,616	(10,379)	–
Exchange realignment	(26)	(61)	(23)	(237)	–	(347)
At 31 December 2020, net of accumulated depreciation	6,721	4,698	418	14,815	74,441	101,093
At 31 December 2020:						
Cost	14,380	5,526	824	17,767	74,441	112,938
Accumulated depreciation	(7,659)	(828)	(406)	(2,952)	–	(11,845)
Net carrying amount	6,721	4,698	418	14,815	74,441	101,093
31 December 2019						
At 1 January 2019:						
Cost	8,883	661	273	836	1,826	12,479
Accumulated depreciation	(5,376)	(474)	(209)	(612)	–	(6,671)
Net carrying amount	3,507	187	64	224	1,826	5,808
At 1 January 2019, net of accumulated depreciation	3,507	187	64	224	1,826	5,808
Additions	2,589	778	495	3,676	5,899	13,437
Disposals	–	(7)	–	–	–	(7)
Depreciation provided during the year	(1,126)	(126)	(90)	(894)	–	(2,236)
Transfer from construction in progress	–	1,221	–	1,826	(3,047)	–
Exchange realignment	6	11	5	53	–	75
At 31 December 2019, net of accumulated depreciation	4,976	2,064	474	4,885	4,678	17,077
At 31 December 2019:						
Cost	11,356	2,382	774	6,019	4,678	25,209
Accumulated depreciation	(6,380)	(318)	(300)	(1,134)	–	(8,132)
Net carrying amount	4,976	2,064	474	4,885	4,678	17,077

14. LEASES

The Group as a lessee

The Group has lease contracts for buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owner with lease period of 30 years, and no ongoing payments will be made under the terms of this land lease. Leases of buildings generally have lease terms between 3 to 10 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Leasehold land *RMB'000*	Buildings *RMB'000*	Total *RMB'000*
As at 1 January 2019	–	32,601	32,601
Additions	–	2,349	2,349
Lease modification	–	(3,514)	(3,514)
Exchange realignment	–	(92)	(92)
Depreciation charge	–	(6,253)	(6,253)
As at 31 December 2019 and 1 January 2020	–	25,091	25,091
Additions	16,366	11,558	27,924
Lease modification	–	(1,389)	(1,389)
Exchange realignment	–	(165)	(165)
Depreciation charge	(318)	(6,313)	(6,631)
As at 31 December 2020	16,048	28,782	44,830

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**33,332**	50,267
New leases	**11,558**	2,331
Lease modification	**(1,389)**	(3,514)
Foreign exchange movement	**(198)**	114
Accretion of interest recognised during the year	**1,515**	1,720
Payments	**(7,441)**	(17,586)
Carrying amount at 31 December	**37,377**	33,332
Analysed into:		
Current portion	**9,130**	8,040
Non-current portion	**28,247**	25,292
	37,377	33,332

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

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**1,515**	1,720
Depreciation charge of right-of-use assets	**6,631**	6,253
Expense relating to short-term leases (included in administrative expenses)	**882**	224
Expense relating to leases of low-value assets (included in administrative expenses)	**43**	31
Total amount recognised in profit or loss	**9,071**	8,228

(d) The total cash outflow for leases is disclosed in note 25(c) to the financial statements.

15. INVESTMENT IN AN ASSOCIATE

	2020 *RMB'000*
Share of net assets	**16,452**
Goodwill on acquisition	**15,445**
	31,897

Particulars of the associate is as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Principal activity
D2M Biotherapeutics Limited ("**D2M**")	Preferred shares	Cayman Islands	29.24	Research and development of pharmaceutical products

On 22 July 2020, the Company entered into a share purchase agreement (the "Share Purchase Agreement") and a shareholder's agreement with D2M, among other, pursuant to which Ingenious Sino Limited, a wholly-owned subsidiary of the Group, purchased from D2M 27,780,000 series pre-A1 preferred shares, representing 38.17% equity interest in D2M, at an aggregate purchase price of USD5,000,000. During the year ended 31 December 2020, the Group has paid the purchase price of USD2,500,000 and the remaining consideration of USD2,500,000 is due for payment upon achievement of certain milestones as stipulated in the Share Purchase Agreement. Subsequent to the acquisition, D2M issued 22,220,000 series pre-A2 preferred shares to another investor, as such, the Group's equity interest in D2M decreased to 29.24% from 38.17%.

The Group's investment in D2M is accounted for under the equity method of accounting because the Group has significant influence over D2M by way of representation on D2M's board of directors and participation in the policy-making process.

On 22 July 2020, the Company and D2M also entered into a research, development and commercialisation agreement in respect of a long-term collaboration for the identification of novel drugs targets. D2M, which is considered a material associate of the Group, is a strategic partner of the Group engaged in research and development of pharmaceutical products. The Group is entitled to conduct subsequent researches, development and commercialization with regards to the qualified drugs targets, which are chosen by the Group from the original results of D2M's target identification works.

15. INVESTMENT IN AN ASSOCIATE (continued)

The following table illustrates the summarised financial information in respect of D2M adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2020 *RMB'000*
Current assets	**56,011**
Non-current assets	**272**
Current liabilities	**(19)**
Net assets	**56,264**
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	**29.24%**
Group's share of net assets of the associate, excluding goodwill	**16,452**
Goodwill on acquisition	**15,445**
Carrying amount of the investment	**31,897**
Revenue	**335**
Loss for the year	**(2,553)**
Total comprehensive loss for the year	**(2,553)**

16. OTHER NON-CURRENT ASSETS

	2020 *RMB'000*	2019 *RMB'000*
Prepayments for purchases of property, plant and equipment	**15,958**	26,955

The amount mainly represents prepayments for purchases of property, plant and equipment for the construction of Suzhou production base primarily for the commercial-scale production of the core product SM03.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	RMB'000	RMB'000
Prepayments	18,152	7,685
Deposits and other receivables	14,165	6,489
	32,317	14,174
Portion classified as non-current:		
Deposits	(1,391)	–
Current portion	30,926	14,174

The financial assets included in the above balances relate to deposits and receivables for which there was no recent history of default and past due amounts. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

18. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RMB'000	RMB'000
Unlisted investment, at fair value	93,058	–

On 22 January 2020, the Company made an investment amounting to HKD78,000,000 in China Healthcare Fund Segregated Portfolio, which is a segregated portfolio of New China Overseas Opportunity Fund SPC. The above investment was mandatorily classified as financial asset at fair value through profit or loss as its contractual cash flows are not solely payments for principal and interest.

19. CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash and bank balances	**77,606**	703,983
Time deposits	**732,764**	496,885
	810,370	1,200,868
Denominated in:		
RMB	**430,060**	27,867
USD	**347,781**	197,371
AUD	**1,305**	357
GBP	**4**	–
HKD	**31,220**	975,273
Cash and cash equivalents	**810,370**	1,200,868

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

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

20. OTHER PAYABLES AND ACCRUALS

	Notes	2020 RMB'000	2019 RMB'000
Due to a related party	27(b)	–	20,000
Accrued expenses		7,490	56,630
Payable for an investment in an associate	15	16,312	–
Payroll payable		1,578	679
Taxes other than income tax		167	29
Deferred revenue		1,554	7,625
Other payables	(i)	17,573	13,672
		44,674	98,635

Notes:

(i) Other payables primarily consisted of service fees payable to outsourced service providers including contract research organisations and clinical trial centres.

Other payables are non-interest-bearing and repayable on demand within 1 year.

21. INTEREST-BEARING BANK BORROWING

	2020 RMB'000	2019 RMB'000
Non-current bank borrowing:		
Unsecured bank borrowing	55,461	20,282
Current bank borrowing:		
Unsecured bank borrowing	5,000	–
	60,461	20,282

21. INTEREST-BEARING BANK BORROWING (continued)

	Note	2020 RMB'000	2019 RMB'000
Bank loans repayable:	(i)		
Within one year		5,000	–
In the second year		5,000	5,000
In the third to fifth years, inclusive		40,000	15,282
Beyond five years		10,461	–
		60,461	20,282

Note:

(i) The details of interest-bearing bank borrowing are set out below:

In July 2019, the Group entered into an unsecured loan agreement with a reputable banking institution, which agreed to provide a credit facility of RMB200 million for a term of nine years at a variable rate of interest equal to the People's Bank of China RMB Loan Prime Rate plus 0.25%, and the effective interest rate was 4.9% (2019: 4.9%) as of 31 December 2020. As at 31 December 2020, the amount of utilised facilities was RMB60,460,553.

22. SHARE CAPITAL

	2020 RMB'000	2019 RMB'000
Issued and fully paid:		
1,006,240,400 (2019: 1,006,240,400) ordinary shares	1,679,126	1,679,126

22. SHARE CAPITAL (continued)

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

	Notes	Number of shares in issue	Amount RMB'000
At 1 January 2019		3,617,445	301,532
Issue of shares on 15 February 2019	*(a)*	503,110	200,000
Bonus issue	*(b)*	819,990,445	–
Issue of shares on 12 November 2019	*(c)*	182,129,400	1,237,460
Share issue expenses		–	(59,866)
At 31 December 2019, 1 January 2020 and 31 December 2020		1,006,240,400	1,679,126

Notes:

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

(b) Pursuant to the resolution of shareholders of the Company passed on 18 October 2019, directors of the Company were authorised to allot and issue 819,990,445 shares at nil consideration to all existing shareholders on a pro rata basis under the bonus issue. The allotment was conditional upon completion of the initial public offering as detailed in note (c) below.

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

23. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on page 105 of the financial statements.

24. EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSE

The Company operates a restricted share unit scheme (the "**Scheme**") with effect from 12 November 2019. The purpose of the Scheme is to incentivise the Directors, senior management and employees for their contribution to the Group and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group, by providing them with the opportunity to own equity interests in the Company. Eligible persons of the Scheme include existing employees, Directors (whether executive or non-executive, but excluding independent non-executive Directors) or officers of the Group and any person(s) whether or not an employee or officer of the Group whom the Board considers to be able to enhance the operations or value of the Group.

Unless otherwise cancelled or amended, the Scheme shall be valid and effective for a period of ten years, commencing on the date of the first grant of the restricted share units (the "**RSUs**") (unless it is terminated earlier in accordance with its terms).

On 25 March 2020, Skytech Technology Limited (a limited company incorporated in the British Virgin Islands on 2 January 2001 and wholly-owned by Dr. Shui On LEUNG) transferred 36,174,400 Shares to Computershare Hong Kong Nominees Limited which holds such Shares for the beneficiaries of the RSU Scheme. The maximum number of RSUs that may be granted under the Scheme in aggregate shall be 36,174,400 shares, which represents approximately 3.60% of the shares in issue. Any grant of RSUs to any Director, chief executive or substantial shareholder of the Company (as defined in the Listing Rules), or any of their respective associates (as defined in the Listing Rules) shall be subject to the requirements of the Listing Rules.

A grant shall be made by a letter and/or any such notice or document in such form as the Board may from time to time determine and such grant shall be subject to the terms as specified in the Scheme. Such RSUs shall remain open for acceptance by the selected person to whom a grant is made for a period to be determined by the Board. To the extent that the RSUs are not accepted within the period determined by the Board, it will be deemed to have been irrevocably declined and shall immediately lapse.

The following RSUs were outstanding under the Scheme during the year:

	2020		2019	
	Exercise price	**Number of units**	Exercise price	Number of units
	HKD per unit	***'000***	HKD per unit	'000
As at 1 January	**–**	**36,174**	–	–
Effective of the Scheme	**–**	**–**	–	36,174
Grant and exercise during the year	**–**	**(10,062)**	–	–
As at 31 December	**–**	**26,112**	–	36,174

On 5 June 2020, the Company granted 10,062,404 RSUs under the Scheme in respect of 10,062,404 units to an employee of the Company and the said RSUs were vested on the same date. The exercise price of RSUs is nil.

24. EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSE (continued)

The fair value of RSUs granted during the year is HKD38,639,631 (HKD3.84 per unit), and the Group recognised an equity-settled share-based payment expense of HKD38,639,631 during the year.

The directors of the board of the Company have used the closing price at the grant date to determine the fair value of the RSUs granted, as the RSUs were vested on the same date of grant.

25. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of RMB11,558,000 and RMB11,558,000, respectively, in respect of lease arrangement for buildings (2019: right-of-use assets and lease liabilities of RMB2,349,000 and RMB2,331,000, respectively).

The Group had non-cash additions to share-based payment reserve amounting to RMB35,382,000 in respect of granting RSU (2019: Nil).

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*
At 1 January 2020	**20,282**	**33,332**
Changes from financing cash flows	**40,179**	**(6,286)**
Interest paid classified as financing cash flow	**–**	**(1,155)**
Lease modification	**–**	**(1,389)**
New leases	**–**	**11,558**
Foreign exchange movements	**–**	**(198)**
Interest expense	**–**	**1,515**
At 31 December 2020	**60,461**	**37,377**

25. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

	Bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*
At 1 January 2019	10,000	50,267
Changes from financing cash flows	10,282	(14,168)
Interest paid classified as financing cash flow	–	(3,418)
Lease modification	–	(3,514)
New leases	–	2,331
Foreign exchange movements	–	114
Interest expense	–	1,720
At 31 December 2019	20,282	33,332

(c) Total cash outflow for leases

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

	2020 ***RMB'000***	2019 *RMB'000*
Within operating activities	**925**	255
Within financing activities	**7,441**	17,586
	8,366	17,841

26. COMMITMENTS

The Group had the following capital commitments at the end of each reporting period:

	2020 ***RMB'000***	2019 *RMB'000*
Contracted, but not provided for:		
Plant and machinery	**64,260**	72,793

27. RELATED PARTY TRANSACTIONS

(a) In addition to the balances, arrangements and transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2020 RMB'000	2019 RMB'000
Repayment of borrowings from a related party:			
Hainan Haiyao Co., Ltd.	(i)	–	10,000
Interest expense paid to a related party:			
Hainan Haiyao Co., Ltd.	(i)	–	233
Co-development fee paid to a related party:			
Suzhou Sinovent Pharmaceutical Technology Co., Ltd.	(ii)	–	40,000
Operating lease from a related party:			
Haikou Pharmaceutical Factory Co., Ltd.	(iii)	820	–

Notes:

(i) The borrowing from Hainan Haiyao Co., Ltd. ("**Hainan Haiyao**"), which is a substantial Shareholder of the Company, was unsecured, and guaranteed by Forbest Capital Investment Group Limited, which is one of the substantial shareholders of the Group, bore interest at 5% per annum and was repaid during the year ended 31 December 2019.

(ii) On 30 March 2019, the Company entered into a technology transfer and collaboration agreement with Suzhou Sinovent Pharmaceutical Technology Co., Ltd. ("**Suzhou Sinovent**"). Pursuant to the agreement, the Company agreed to acquire, and Suzhou Sinovent agreed to transfer, the techniques and applications of the BTK inhibitor. The total consideration of the agreement is RMB140 million, assuming that all the milestones described in the agreement have materialised. RMB40,000,000 was recognised in the statement of profit or loss for the year ended 31 December 2019 and had been paid by end of 31 December 2020.

(iii) The operating lease represented the rental expense, relating to a short-term lease with Haikou Pharmaceutical Factory Co., Ltd. ("**Haikou Pharmaceutical**"), which is a subsidiary of Hainan Haiyao. The transaction under the operating lease constituted a connected transaction as defined under Chapter 14A of the Listing Rules to the Company, but is exempted from relevant disclosures and other requirements, including, inter alia, independent Shareholders' approval in accordance with the Listing Rules.

27. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

	Notes	2020 RMB'000	2019 RMB'000
Other payables and accruals:			
Suzhou Sinovent	(i)	–	20,000
Haikou Pharmaceutical		820	–
		820	20,000
Lease liability:			
Haikou Pharmaceutical	(ii)	23,511	27,389

Notes:

(i) This balance is unsecured, interest-free and has no fixed terms of repayment.

(ii) The Company entered into the lease agreement with Haikou Pharmaceutical to lease the property for a term of 10 years commencing from 1 January 2016 to 31 December 2025. As at 31 December 2020, the total lease liabilities payable to Haikou Pharmaceutical was amounted to RMB23,511,000 (2019: RMB27,389,000). During the year, the total lease payment to Haikou Pharmaceutical was amounted to RMB5,000,000 (2019: RMB5,000,000).

(c) Compensation of key management personnel of the Group:

	2020 RMB'000	2019 RMB'000
Short term employee benefits	9,522	7,801
Equity-settled share-based payment expense	34,903	–
Pension scheme contributions	133	76
Total compensation paid to key management personnel	44,558	7,877

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 31 December 2020

Financial assets

	Financial assets at amortised cost *RMB'000*	Financial assets at fair value through profit or loss *RMB'000*	Total *RMB'000*
Financial assets included in prepayments, deposits and other receivables	4,379	–	4,379
Financial asset at fair value through profit or loss	–	93,058	93,058
Cash and cash equivalents	810,370	–	810,370
	814,749	93,058	907,807

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Lease liabilities	37,377
Financial liabilities included in other payables and accruals	41,375
Interest-bearing bank borrowing	60,461
	139,213

28. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2019

Financial assets

	Financial assets Financial assets at amortised cost *RMB'000*
Financial assets included in prepayments, deposits and other receivables	2,150
Cash and cash equivalents	1,200,868
	1,203,018

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Lease liabilities	33,332
Financial liabilities included in other payables and accruals	90,302
Interest-bearing bank borrowing	20,282
	143,916

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

All the carrying amounts of the Group's financial instruments approximate to their fair values.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group invests in an unlisted investment, which represents a segregated portfolio of China Healthcare Fund. The Group has estimated the fair value of the unlisted investment based on the Group's share of the net asset value of the investment funds. The net asset value of the investment funds comprise mainly equities listed on the Hong Kong Stock Exchange, as well as the stock exchanges in the PRC and the United States. Therefore, management has determined that the net asset value of the investment funds represents the fair value as at the end of each reporting period.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted investment	Net asset value	Based on the net asset value of the segregated equity portfolio	HKD100.60 to HKD142.61 (31 December 2019: nil)	1% increase/decrease in net asset value would result in increase/decrease in fair value by RMB930,580 (31 December 2019: nil)

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) ***RMB'000***	**Significant observable inputs (Level 2)** ***RMB'000***	**Significant unobservable inputs (Level 3)** ***RMB'000***	**Total** ***RMB'000***
Financial asset at fair value through profit or loss	**–**	**–**	**93,058**	**93,058**

The Group did not have any financial assets measured at fair value as at 31 December 2019.

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 financial assets (2019: Nil).

The movement in fair value measurement within Level 3 during the year is as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Financial asset at fair value through profit or loss		
At 1 January	**–**	–
Purchase	**69,565**	–
Total gain recognised in the statement of profit or loss included in other income	**28,253**	–
Exchange realignment	**(4,760)**	–
At 31 December	**93,058**	–

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group principal financial instruments comprise interest-bearing bank borrowing, cash and cash equivalents. 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 financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals and lease liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
31 December 2020			
If RMB weakens against USD	5	5,038	17,389
If RMB strengthens against USD	(5)	(5,038)	(17,389)
If RMB weakens against HKD	5	76	1,561
If RMB strengthens against HKD	(5)	(76)	(1,561)
31 December 2019			
If RMB weakens against USD	5	9,869	9,869
If RMB strengthens against USD	(5)	(9,869)	(9,869)
If RMB weakens against HKD	5	48,764	48,764
If RMB strengthens against HKD	(5)	(48,764)	(48,764)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

	As at 31 December 2020					
	On demand *RMB'000*	Less than 1 month *RMB'000*	1 to less than 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	–	265	9,240	27,889	4,496	41,890
Interest-bearing bank borrowing	–	–	5,163	53,090	13,238	71,491
Other payables and accruals	20,574	4,489	16,312	–	–	41,375
	20,574	4,754	30,715	80,979	17,734	154,756

	As at 31 December 2019				
	On demand *RMB'000*	Less than 1 month *RMB'000*	1 to less than 12 months *RMB'000*	1 to 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	–	–	8,040	25,292	33,332
Interest-bearing bank borrowing	–	–	–	20,282	20,282
Other payables and accruals	6,317	1,454	82,531	–	90,302
	6,317	1,454	90,571	45,574	143,916

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

31. EVENTS AFTER THE REPORTING PERIOD

(a) On 4 February 2021, the Company (as seller) and Dragon Capital Special Opportunities SPC for and on behalf of its segregated portfolio named Dragon Capital Special Opportunities 2 SP (as purchaser) entered into a contract to sell 775,347.912 units of class A participating shares in China Healthcare Fund at a consideration of HKD110,572,365.73 which was referred to the net asset value of class A participating shares in China Healthcare Fund as at 31 December 2020. The disposal was completed on 18 February 2021.

(b) On 22 December 2020, the Company entered into a subscription agreement with Haiyao International Group Limited (the "Investor"),which is a wholly owned subsidiary of a substantial shareholder of the Company, Hainan Haiyao Co. Ltd. The Company agreed to issue the Investor convertible bonds in an aggregate principal amount of HK$100,000,000 for strengthening the financial position and providing working capital to the Group. Pursuant to the subscription agreement, the investor has the right to convert the convertible bonds into a maximum of 20,000,000 (subject to adjustment) new shares of the Company.

At the extraordinary general meeting of the Company held on 19 February 2021, the independent shareholders of the Company approved the terms and conditions of the subscription agreement. For details of the subscription agreement and the convertible bonds, please refer to the announcements of the Company dated 22 December 2020 and 14 January 2021 and the circular dated 27 January 2021. As at the date of this annual report, the subscription agreement has not yet completed.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**5,065**	6,077
Right-of-use assets	**541**	3,355
Investments in subsidiaries	**393,636**	256,334
Other non-current assets	**531**	557
Total non-current assets	**399,773**	266,323
CURRENT ASSETS		
Prepayments, deposits and other receivables	**104,279**	20,774
Financial asset at fair value through profit or loss	**93,058**	–
Cash and cash equivalents	**677,505**	1,135,195
Total current assets	**874,842**	1,155,969
CURRENT LIABILITIES		
Other payables and accruals	**7,974**	82,564
Lease liabilities	**1,157**	2,092
Total current liabilities	**9,131**	84,656
NET CURRENT ASSETS	**865,711**	1,071,313
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,265,484**	1,337,636
NON-CURRENT LIABILITIES		
Lease liabilities	**–**	1,747
Total non-current liabilities	**–**	1,747
Net assets	**1,265,484**	1,335,889
EQUITY		
Equity attributable to owners of the parent		
Share capital	**1,679,126**	1,679,126
Reserves (note)	**(413,642)**	(343,237)
Total equity	**1,265,484**	1,335,889

Leung Shui On
Director

Qiang Jing
Director

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

Note:

A summary of the Company's reserves is as follows:

	Share-based payment reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2019	–	(6,119)	(135,238)	(141,357)
Loss for the year	–	–	(210,686)	(210,686)
Exchange differences on translation to the presentation currency	–	8,806	–	8,806
Total comprehensive loss for the year	–	8,806	(210,686)	(201,880)
At 31 December 2019 and 1 January 2020	–	2,687	(345,924)	(343,237)
Loss for the year	–	–	(22,802)	(22,802)
Exchange differences on translation to the presentation currency	–	(82,985)	–	(82,985)
Total comprehensive loss for the year	–	(80,298)	(368,726)	(449,024)
Equity-settled share-based payment expense	35,382	–	–	35,382
At 31 December 2020	35,382	(80,298)	(368,726)	(413,642)

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2021.

Definitions

"Articles"	the articles of association of the Company, as amended from time to time
"AGM" or "2021 Annual General Meeting"	2021 annual general meeting of the Company to be held on Tuesday, 15 June 2021
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors and for the purposes of the Scheme, "**Board**" means the board of Directors or a duly authorised committee of the Board
"BTK Transfer and Collaboration Agreement"	a technology transfer and collaboration agreement entered into between the Company and Suzhou Sinovent on 30 March 2019
"CFA"	Chartered Financial Analyst
"Company" or "our Company"	SinoMab BioScience Limited (中國抗體製藥有限公司), a company incorporated in Hong Kong on April 27, 2001 with limited liability
"connected person"	has the meaning ascribed to it under the Listing Rules
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"FDA"	the United States Food and Drug Administration
"GMP"	Good Manufacturing Practice
"Group" or "our Group"	the Company and its subsidiaries
"HKFRSs"	the Hong Kong Financial Reporting Standards

"HK$" or "HKD" or "Hong Kong Dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Listing Date"	12 November 2019, the date on which the Shares were first listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NMPA"	National Medical Products Administration of the PRC
"Nomination Committee"	the nomination committee of the Company
"PCT"	Patent Cooperation Treaty
"PRC" or "China"	the People's Republic of China
"Pre-IPO Investor(s)"	the investor(s) undertaking the pre-IPO investments in the Company
"Prospectus"	the prospectus of the Company dated 31 October 2019
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended 31 December 2020
"RMB" or "Renminbi"	the lawful currency of the PRC
"RSU"	restricted share unit
"RSU Scheme"	the restricted share unit scheme of the Company conditionally adopted by the Shareholders on 18 October 2019, with effect from 12 November 2019
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares

Definitions

"Skytech Technology"	Skytech Technology Limited, a limited company incorporated in the British Virgin Islands on 2 January 2001 and wholly-owned by Dr. Shui On LEUNG
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiaries"	the Company's subsidiaries and "subsidiaries" has the meaning ascribed to it under section 2 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time)
"Suzhou Sinovent"	Suzhou Sinovent Pharmaceutical Technology Co., Ltd.* (蘇州信諾維醫藥科技有限公司), a connected person of the Company
"U.S." or "U.S.A." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"we", "our" or "us"	the Company or the Group as the context requires
"Xingze Xinghe"	Shanghai Xingze Xinghe Startup Investment Centre (Limited Partnership)* (上海杏澤興禾創業投資中心 (有限合夥)), formerly known as Shanghai Xingze Xinghe Investment Management Centre (Limited Partnership)* (上海杏澤興禾投資管理中心 (有限合夥)), a limited partnership established in the PRC on 8 January 2016
"Xingze Xingzhan"	Shanghai Xingze Xingzhan Enterprise Management Centre (Limited Partnership)* (上海杏澤興瞻企業管理中心 (有限合夥)), a limited partnership established in the PRC on 16 October 2018
%	per cent

** For identification purpose only*