ALPHAMAB ONCOLOGY
康寧傑瑞生物製藥

(Incorporated in the Cayman Islands with limited liability)
Stock code : 9966

2020

ANNUAL REPORT

康宁杰瑞
ALPHAMAB ONCOLOGY

Contents

Company Profile

OVERVIEW

We are a leading clinical-stage biopharmaceutical company in China with a fully integrated proprietary biologics platform in bispecifics and protein engineering. Our mission is to deliver world-class innovative therapeutic biologics to treat patients globally by applying our unique drug discovery and development capabilities. We believe our unique drug discovery and development capabilities are demonstrated by our strong R&D track record and supported by our proprietary technologies, platforms and expertise.

PIPELINE

Our highly differentiated in-house pipeline consists of fifteen tumor monoclonal antibodies and bispecific antibodies, and one COVID-19 multifunctional antibody. Among our pipeline products, we have one BLA submitted, three in late clinical stage, and two to three in schedule for IND submission in 2021.

- *KN046* – a BsAb immune checkpoint inhibitor simultaneously targeting two clinically-validated immune checkpoints, PD-L1 and CTLA-4, representing a potential breakthrough, next-generation immuno-oncology blockbuster drug. Currently, there are around 20 clinical trials at multiple stages covering more than 10 types of tumors including NSCLC, pancreatic cancer, HCC, triple-negative breast, esophageal squamous cell carcinoma and thymic carcinoma in Australia, China and the United States. The results from the clinical trials have shown favorable safety profile and early efficacy signals of KN046 in treatment. The preliminary results of our phase II clinical trial in China indicate promising efficacy of KN046 for NSCLC and TNBC, especially the combination therapy with chemotherapy. We have published preliminary promising safety and efficacy data of KN046 in patients who have failed prior immune checkpoint inhibitors. We have initiated a pivotal phase III clinical trial in squamous NSCLC, and a pivotal trial of KN046 in thymic carcinoma. We are also exploring cooperation opportunities to conduct clinical trials of KN046 in combination with our business partners' drug candidates to achieve better therapeutic effects. We have adopted a fast/first-to-market approach on selecting indications and we plan to submit the first BLA for KN046 in China in the first half of 2022.

- *KN026* – a next-generation anti-HER2 BsAb that can simultaneously bind two distinct clinically-validated epitopes of HER2, resulting in potentially superior efficacy. Our phase I/II clinical trial of KN026 in China had shown early efficacy signals and favorable safety profile in the treatment of heavily pre-treated breast cancers. In the first half of 2020, we have completed a 6-month follow-up study in China with patients for the phase Ib trial for HER2-positive breast cancer, and the preliminary clinical data indicated promising efficacy signals, the results of which were published in the ASCO conference in May 2020. We are also conducting phase II clinical trials in China for first line HER2-positive breast cancer (in combination with docetaxel) and late line HER2-expressing breast and GC/GEJ, as well as a phase I clinical trial in the United States for HER2-positive or HER2-expressing solid tumors, including but not limited to breast cancer and GC/GEJ. In addition, we have published preliminary promising safety and efficacy data of KN046+KN026 Combo in patients with HER2 positive solid tumors. In the second half of 2020, we have initiated a phase II clinical trial of KN026 in combination with KN046 for HER2-positive solid tumors. We plan to start a pivotal phase III trial in HER2-positive breast cancer in the second half of 2021.

- *KN019* – a CTLA-4-based immunosuppressant fusion protein with potential broad applications in both auto-immune diseases and oncology treatment-induced immune disorders. We have completed patient enrolment in China for phase II trials for RA. We plan to expand to other auto-immune disorders including oncology immunotherapy-induced immune disorder in the future.

- *KN035 (Envafolimab)* – potentially the first subcutaneously injectable PD-L1 inhibitor worldwide, offering advantages in terms of safety, convenience, compliance, access to patients not suitable for intravenous infusion, and lower medical cost. Invented by us and jointly developed with 3D Medicines, KN035 has completed a phase II pivotal clinical trial for dMMR/MSI-H solid tumors and is currently undergoing a phase III pivotal trial for BTC in China. The pivotal trials in undifferentiated pleomorphic sarcoma and malignant fibrous histiocytoma are ongoing and FDA granted ODD for advanced biliary tract cancer. The first BLA for KN035 was accepted by NMPA in December 2020.

The depth and breadth of our in-house R&D and manufacturing capabilities are demonstrated by the following: (i) structure-guided protein engineering capability to develop protein building blocks in various formats, including sdAbs and engineered proteins; (ii) our in-house developed proprietary platforms including sdAb/mAb, CRIB platform, CRAM platform, BADC (bispecific antibody-drug conjugate) platform, BIMC (b–immune modulator conjugation) platform, TIMC (tr–immune modulator conjugation) platform, GIMC (glyco-Immuno modulator conjugation) platform and CIMC (chemokine immune modulator conjugation) platform; and (iii) state-of-the-art manufacturing capability of 6,000 L, to be further strengthened by additional facilities with an expected capacity of over 30,000L, designed and built to meet the cGMP standards of NMPA, the European Medicines Agency and the FDA.

Corporate Information

Board of Directors	**Executive Directors:** Dr. XU Ting *(Chairman of the Board and Chief Executive Officer)* Ms. LIU Yang **Non-Executive Directors:** Mr. XU Zhan Kevin Mr. QIU Yu Min **Independent Non-Executive Directors:** Dr. JIANG Hualiang Mr. WEI Kevin Cheng Mr. WU Dong
Audit Committee	Mr. WEI Kevin Cheng *(Chairman)* Mr. QIU Yu Min Mr. WU Dong
Remuneration Committee	Mr. WU Dong *(Chairman)* Ms. LIU Yang Mr. WEI Kevin Cheng
Nomination Committee	Dr. XU Ting *(Chairman)* Dr. JIANG Hualiang Mr. WU Dong
Strategy Committee	Ms. LIU Yang *(Chairman)* Dr. XU Ting Mr. XU Zhan Kevin Dr. JIANG Hualiang
Joint Company Secretaries	Ms. CHAN Lok Yee *(appointed on July 20, 2020)* Ms. WANG Jin'nan *(appointed on December 7, 2020)*
Authorized Representatives	Ms. LIU Yang Ms. WANG Jin'nan *(appointed on December 7, 2020)*
Registered Office	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands

Head Office and Principal Place of Business in China

No. 175 Fangzhou Road
Suzhou Industrial Park
Suzhou
Jiangsu Province, PRC

Principal Place of Business in Hong Kong

Room 1901, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Legal Advisor

As to Hong Kong and United States laws:

Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC laws:

Commerce & Finance Law Offices
6/F, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing, PRC

As to Cayman Islands laws:

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Auditor	**Deloitte Touche Tohmatsu** *Registered Public Interest Entity Auditors* 35/F, One Pacific Place 88 Queensway Admiralty Hong Kong
Compliance Advisor	**Somerley Capital Limited** 20/F, China Building 29 Queen's Road Central Hong Kong
Principal Share Registrar	**Conyers Trust Company (Cayman) Limited** Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716 17/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Stock Code	9966
Company Website	http://www.alphamabonc.com/

Chairman's Statement

Dear Shareholders:

On behalf of the Board, I am pleased to present the annual results of the Group for the year ended December 31, 2020.

For Alphamab Oncology, 2020 was a challenging but rewarding year. With the joint efforts of all employees and the management team, the Company has made breakthroughs in our drug R&D, business operations, and organizational construction, laying a solid foundation for Alphamab Oncology to realize its ambitious vision and move to a new stage.

KN046, our PD-L1/CTLA-4 bispecific antibody, has accumulatively enrolled more than 600 patients in China, the U.S. and Australia, demonstrating encouraging efficacy and reliable safety. We have carried out two registered clinical studies for first-line squamous NSCLC and thymic carcinoma, and we expect to submit our first NDA for KN046 in the first half of 2022. In addition, the research in the treatment of PD-(L)1 resistant patients, pancreatic cancer, hepatocellular carcinoma and other fields is also ongoing. Clinical registration will be initiated successively. KN046 is the first PD-L1-based bispecific antibody drug to enter phase III clinical trial in the world. It is expected to become the cornerstone of the next generation in the field of tumor immunotherapy, bringing longer-term survival benefits to cancer patients.

KN026, our HER2 bispecific antibody, has also achieved positive data in multiple clinical studies around the world. In terms of breast cancer, the ORR in the phase I clinical trial on patients with HER2-positive metastatic breast cancer who failed Trastuzumab treatment exceeded 30%, data of which have been published at the ASCO. At the same time, we have explored to expand the indication of KN026 from breast cancer and GC to multiple cancers, including digestive tract tumors, as well as low HER2 expression tumors. The KN026+KN046 Combo used in patients with post line GC has also achieved excellent effect and ODD was granted by the FDA. The disease control rate (DCR) of KN026+KN046 for HER2-positive solid tumors we published on the Society for Immunotherapy of Cancer (SITC) exceeded 90%.

In 2020, the marketing application for Envafolimab, the world's first subcutaneously injectable PD-L1 inhibitor, was submitted and priority review was granted. The phase II clinical trial of KN019 for the treatment of rheumatoid arthritis also progressed smoothly and completed the enrollment of a total of 140 patients. 4 pivotal clinical studies have been initiated, 3 products have been granted ODD by the FDA, and 9 INDs have been approved. We have entered into strategic cooperation with 10 domestic and foreign partners, including Pfizer Inc., Sanofi, and Shanghai Pasteur Institute of Chinese Academy of Sciences. We have also obtained Drug Production License for our phase I production line of the new manufacturing facilities with over 30,000L capacity designed to house in total. Our management team has further strengthened with experienced executives joining the Company, including Dr. Johannes NIPPGEN, the chief medical officer, and Mr. XU Weihao, the chief financial officer.

Alphamab Oncology has been and will make continuous efforts on the R&D of innovative biological drugs. The highly differentiated pipeline products self-developed by the Company have expanded from 8, at the time of the Listing, to 16, and, based on the bispecific antibody R&D platform and the single domain antibody platform, have extended to different research directions. In 2021, we expect to apply for IND for 2 to 3 innovative pre-clinical products, including KN026-based antibody-drug conjugate (ADC), PD-L1/OX40 bispecific antibody and COVID-19 bispecific neutralization antibody.

In 2021, we expect to be greeted with the first approval for marketing KN035, which will be a key milestone for Alphamab Oncology to transit from R&D to commercialization. The next 1 to 2 years will also be crucial for Alphamab Oncology to move towards a new stage. We determine to forge ahead with our mission to become a global biopharmaceutical company integrating R&D, production and commercialization.

Looking forward, we believe that the Company is ready to seize the opportunity of the growth of the biomedical industry and achieve rapid growth. We will continue to build our team and management, increase R&D investment, accelerate clinical progress, establish our commercialization team, and promote strategic cooperation, aiming to fully promote our products launch and follow-up pipeline development.

In the end, I, on behalf of the Board, would like to thank all employees and the management team for their outstanding contributions and professionalism. I would also like to extend our sincere gratitude to Shareholders and all walks of life for their trust and support. We will march forward with persistence and perseverance, and create new value for patients, Shareholders and society with innovative and differentiated world-class antitumor drugs.

Dr. XU Ting
Chairman and Chief Executive Officer

Suzhou, PRC

Definitions and Glossary of Technical Terms

"95% CI"	95% confidence interval, a commonly used concept in biostatistics, meaning in approximately 95 out of 100 times, the interval will contain the true mean value
"3D Medicines"	3D Medicines (Beijing) Co., Ltd. (思路迪(北京)醫藥科技有限公司), a company incorporated under the laws of the PRC on December 22, 2014, an Independent Third Party collaborating with us in the development of KN035
"Advantech I"	Advantech Capital Investment I Limited, a company incorporated in the Cayman Islands
"Advantech II"	Advantech Capital II AlphaMab Partnership L.P., a limited partnership registered in the Cayman Islands
"AGM"	the annual general meeting of the Company to be held at 9:00 a.m. on Friday, June, 11, 2021 at No. 175, Fangzhou Road, Suzhou Industry Park, Suzhou, Jiangsu, China or any adjournment thereof
"Articles of Association"	articles of association of our Company conditionally adopted on November 24, 2019 with effect from the Listing Date
"ASCO"	American Society of Clinical Oncology
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Company

"bispecific"	in reference to antibodies, antibodies that combine two antigen-recognizing elements into a single construct, able to recognize and bind to two different antigens (or epitopes)
"BLA"	biologic license application
"Board"	the board of directors of our Company
"BsAb"	bispecific monoclonal antibody
"BTC"	biliary track cancer
"BVI"	the British Virgin Islands
"CDE"	Center for Drug Evaluation (藥品審評中心) set up by the NMPA
"cGMP"	current good manufacturing practice
"China" or "PRC"	the People's Republic of China, and for the purpose of this annual report only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CMC"	chemistry, manufacturing and controls processes in the development, licensure, manufacturing and ongoing marketing of pharmaceutical products
"CMO(s)"	contract manufacturing organizations, which provide support to the pharmaceutical industry in the form of manufacturing services outsourced on a contract basis
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "the Company"	Alphamab Oncology (康寧傑瑞生物製藥), an exempted company with limited liability incorporated under the laws of the Cayman Islands on March 28, 2018

"connected person"	has the meaning ascribed thereto under the Listing Rules
"connected transaction"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Xu and/or Rubymab
"Core Products"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purposes of this annual report, our Core Products refer to KN046 and KN026
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"CRAM platform"	the charge repulsion induced antibody mixture platform, used to engineer antibody mixtures
"CRIB platform"	the charge repulsion improved bispecific platform, used to engineer heterodimeric Fc-based BsAbs
"CRO(s)"	contract research organizations, which provide support to the pharmaceutical, biotechnology and medical device industries in the form of R&D services outsourced on a contract basis
"CTLA-4"	cytotoxic T-lymphocyte-associated protein 4, a protein expressed on all T-cells but which is expressed at the highest level on regulatory T-cells (Treg) and contributes to the suppressor function of Treg and acts as an off-switch to T-cell immune response to cancer cells
"disease control rate" or "DCR"	the total proportion of patients who demonstrate a response to treatment, equal to the sum of complete responses (CR), partial responses (PR) and stable disease (SD) lasting at least six weeks
"deficient mismatch repair" or "dMMR"	ability of a cell in correcting mistakes made when DNA is copied in a cell Mismatch repair deficient cells usually have many DNA mutations, which may lead to cancer

"Director(s)" or "our Director(s)"	the directors of our Company, including all executive, non-executive and independent non-executive directors
"Dr. Xu"	Dr. Xu Ting (徐霆), the founder, chairman, executive Director and chief executive officer of our Company
"Dr. Xu's Family Trust"	a discretionary family trust established by Dr. Xu as settlor for the benefits of Dr. Xu's family members, of which South Dakota Trust is a trustee
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time
"ESCC"	esophageal squamous cell carcinoma
"EU"	the European Union
"FDA"	the U.S. Food and Drug Administration, a federal agency of the U.S. Department of Health and Human Services responsible for regulating food and drugs
"FOLFOX"	a combination of chemotherapy drugs used to treat bowel cancer and GC, consisting of oxaliplatin, leucovorin and 5-FU (Fluorouracil)
"FVTPL"	fair value through profit or loss
"GC"	gastric cancer
"GEJ"	gastroesophageal junction cancer
"Global Offering"	the offer for subscription of an aggregate of 206,313,000 Shares (including Shares issued and allotted pursuant to the Over-allotment Option) at offer price of HK$10.2 under the Hong Kong public offering and the international offering
"GMP"	Good manufacturing practice

"Group" or "our Group" or "we"	our Company and all of our subsidiaries or, where the context so requires, any companies that became our subsidiaries as part of the reorganization and the oncology businesses operated by such subsidiaries or their predecessors, Suzhou Alphamab (as the case may be)
"HCC"	hepatocellular carcinoma
"HER2"	human epidermal growth factor receptor 2
"HER2 High"	a high level of HER2 expression in tumors, typically assigned with a "++" or "+++" value in immunohistochemistry, or scored as positive in FISH
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRSs"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"immune checkpoint inhibitor(s)" or "ICI(s)"	molecules that release the natural brakes of immune response
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China and clinical trial notification in Australia
"Independent Third Party(ies)"	party or parties that is or are not a connected party within the meaning of the Listing Rules
"irAE"	immune-related adverse event
"Jiangsu Alphamab"	Jiangsu Alphamab Biopharmaceuticals Co., Ltd. (also known as Jiangsu Alphamab Pharmaceuticals Co., Ltd.) (江蘇康寧傑瑞生物製藥有限公司), a limited liability company established in the PRC on July 14, 2015 and our wholly owned subsidiary
"Joint Global Coordinators"	Morgan Stanley Asia Limited, CLSA Limited and Jefferies Hong Kong Limited

"KN035"	an anti-PD-L1 recombinant humanized single domain antibody invented by the Group
"KN026+KN046 Combo"	the combination therapy of KN026 plus KN046
"Latest Practicable Date"	April 20, 2021, being the latest practicable date prior to the printing of this purpose of ascertaining the information contained herein
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Date"	December 12, 2019, the date on which dealings in our Shares first commence on the Main Board of the Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM. For the avoidance of doubt, the Main Board excludes the GEM
"mBC"	metastatic breast cancer
"metastatic"	in reference to any disease, including cancer, disease producing organisms or of malignant or cancerous cells transferred to other parts of the body by way of the blood or lymphatic vessels or membranous surfaces
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"MSI-H"	microsatellite instability-high, a feature of cancer's genetic coding with a high amount of instability in a tumor
"NE"	not evaluable
"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
"Nomination Committee"	the nomination committee of the Company

"Non-competition Undertaking"	the non-competition undertaking dated November 24, 2019 and entered into by the Controlling Shareholders in favor of our Company
"NPC"	nasopharyngeal carcinoma
"NSCLC"	non-small cell lung cancer
"ODD"	orphan drug designation
"ORR"	objective response rate, which is equal to the sum of complete response (CR) and PR
"OS"	overall survival
"Over-allotment Option"	the option granted by our Company to the international underwriters and exercised by the Joint Global Coordinators (on behalf of the international underwriters) pursuant to which our Company allotted and issued additional 26,910,000 Shares at the offer price of HK$10.2 under the Global Offering on January 8, 2020
"PAG Growth"	PAG Growth I (BVI) Limited, a business company incorporated under the laws of the BVI and one of our pre-IPO investors
"PD"	progressive disease, cancer that is growing, spreading or getting worse
"PD-1"	programmed cell death protein 1, an immune checkpoint receptor expressed on some T-cells, B-cells and macrophages that turns off the T-cell mediated immune response as part of the process that discourages a healthy immune system from attacking other cells in the body
"PD-(L)1"	PD-1 and/or PD-L1
"PD-L1"	programmed death ligand 1, a protein on the surface of a normal cell or a cancer cell that can attach to PD-1 on the surface of the T-cell that causes the T-cell to turn off its ability to kill the cancer cell
"Pearlmed"	Pearlmed Ltd., a company incorporated in the BVI on March 22, 2018 and wholly owned by Mr. XUE Chuanxiao as of the Latest Practicable Date

"PFS"	progression free survival
"pharmacokinetics" or "PK"	the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Company in accordance with the scheme rules adopted by the Board on April 10, 2020 and approved by Shareholders' meeting on May 25, 2020, details of which are set forth in the Company's circular dated April 22, 2020, as amended from time to time, the principal terms of which are set out in "Directors' Report – Post-IPO Share Option Plan" to this annual report
"Post-IPO Restricted Share Award Scheme"	the post-IPO restricted share award scheme adopted by our Company on March 23, 2021, as amended from time to time, the principal terms of which are set out in "Directors' Report – Post-IPO Restricted Share Award Scheme" to this annual report
"PR"	partial response, refers to a decrease in the size of a tumor, or in the extent of cancer in the body, in response to treatment
"Pre-IPO Share Option Plans"	the pre-IPO share option plan I adopted by our Company on October 16, 2018, which was further amended on March 29, 2019 and the pre-IPO share option plan II adopted by our Company on March 29, 2019, as amended from time to time, the principal terms of which are set out in "Directors' Report – Pre-IPO Share Option Plans" to this annual report
"Prospectus"	the prospectus of the Company dated December 2, 2019
"Q2W"	once every two weeks
"Q3W"	once every three weeks
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company

"Renminbi" or "RMB"	the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2020
"rheumatoid arthritis" or "RA"	a chronic, systemic inflammatory disorder that may affect many tissues and organs, but principally attacks synovial joints
"Rubymab"	Rubymab Ltd., a company incorporated in the BVI on March 22, 2018 and wholly owned by Dr. Xu's Family Trust as of the Latest Practicable Date
"sdAb"	single domain antibody
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	common stock of the Company, par value US$0.000002 per share
"Shareholder(s)"	holder(s) of our Share(s)
"Sky Diamond"	Sky Diamond Co., Ltd., a company incorporated in the BVI on June 1, 2018 and wholly owned by Mr. ZHANG Xitian (張喜田)
"South Dakota Trust"	South Dakota Trust Company LLC, the trustee of Dr. Xu's Family Trust
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Strategy Committee"	the strategy committee of the Company
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules

"Suzhou Alphamab"	Suzhou Alphamab Co., Ltd. (蘇州康寧傑瑞生物科技有限公司), a limited liability company established in the PRC on November 6, 2008 and our connected person as of the Latest Practicable Date
"TERE(s)"	treatment emergent adverse event
"TET"	thymic epithelial tumors
"TNBC"	triple-negative breast cancer, any breast cancer that does not express the genes for estrogen receptor (ER), progesterone receptor (PR) and HER2/neu
"TRAE"	treatment-related adverse event
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)" or "US$"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax; all amounts are exclusive of VAT in this annual report except where indicated otherwise
"we", "us" or "our"	the Company or the Group, as the context requires
"%"	per cent

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:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31,			
	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other income	**111,136**	34,429	783	1,428
Fair value change of convertible redeemable preferred shares	**–**	(542,291)	(26,284)	–
Research and development expenses	**(331,241)**	(166,654)	(65,608)	(53,221)
Administrative expenses	**(78,208)**	(117,736)	(25,857)	(13,025)
Reorganization related expenses	**–**	–	(69,416)	–
Finance costs	**(11,826)**	(3,606)	(1,507)	(8)
Listing expenses	**–**	(36,561)	(4,911)	–
Other losses	**(117,627)**	(321)	(9,833)	–
Loss before taxation	**(427,766)**	(832,740)	(202,633)	(64,826)
Income taxation	**–**	–	–	–
Loss for the year	**(427,766)**	(832,740)	(202,633)	(64,826)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,			
	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**440,294**	410,115	170,790	35,362
Current assets	**2,199,228**	2,444,468	656,103	11,215
Non-current liabilities	**36,903**	228,128	1,011,121	10,000
Current liabilities	**329,535**	200,530	82,800	10,266
Net assets/(liabilities)	**2,273,084**	2,425,925	(267,028)	26,311

* The Shares of the Company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on December 12, 2019.

Business Highlights

Since April 13, 2020, being the latest practicable date of the Company's 2019 annual report, we have been making significant progress with respect to our drug pipeline and business operations, including the following milestones and achievements:

KN046

- Jiangsu Alphamab received an approval notification from the FDA that it is safe to proceed with a phase II clinical trial of KN046 for anti-PD-(L)1 refractory or relapsed NSCLC in the U.S. on April 15, 2020.

- Jiangsu Alphamab submitted an IND to the CDE on February 10, 2020 for a phase II clinical trial to study KN046 in combination with KN026 for the treatment of HER2 positive or expressing solid tumors, including but not limited to HER2-positive or expressing breast cancer, GC, esophageal cancer, colorectal cancer, pancreatic cancer, bile duct cancer, ovarian cancer, urothelial cancer and lung cancer. We received the IND approval from the CDE on May 12, 2020. In the second half of 2020, we have initiated a phase II clinical trial of KN026 in combination with KN046 for HER2-positive solid tumors.

- On January 23, 2020, Jiangsu Alphamab collaborated with Sunshine Lake Pharma Co., Ltd. ("**SLP**") and submitted an IND for a phase II clinical trial to study the safety, tolerability and preliminary efficacy of KN046 in combination with CT053 (Ningetinib Toluenesulfonate), a multi-target small molecule inhibitor, for hematology malignancies and solid tumors including advanced HCC. We received the IND approval from the CDE on May 12, 2020.

- Jiangsu Alphamab and InxMed (Shanghai) Co., Ltd. ("**InxMed**") entered into a partnership agreement to jointly develop the combination therapy of KN046 and IN10018, a focal adhesion kinase inhibitor, on May 22, 2020.

- Jiangsu Alphamab and SLP entered into a new collaboration agreement to expand the original collaboration, pursuant to which both parties agreed to jointly develop an anti-tumor combination therapy of CT053 (Ningetinib Toluenesulfonate) and KN046 for solid tumor indications on May 28, 2020.

- We presented the preliminary efficacy and safety data of a dose escalation and expansion phase Ia/Ib clinical trial of KN046 in China in patients who have failed prior immune checkpoint inhibitors at the 2020 ASCO Annual Meeting on May 29, 2020.

- Jiangsu Alphamab and Sinovent entered into a partnership agreement to jointly develop the combination therapy of KN046 and XNW7201, a small molecule inhibitor targeting at Wnt pathway (an anti-tumor research target commonly seen in gastrointestinal tumors), in oncology indications on June 19, 2020.

- On July 30, 2020, Jiangsu Alphamab entered a partnership agreement with Kintor Pharmaceutical Limited ("**Kintor**"), a company listed on the Stock Exchange (stock code: 09939), to jointly develop the combination therapy of KN046 and GT90001, an activin receptor-like kinase-1 monoclonal antibody, in HCC.

- In August 2020, Jiangsu Alphamab officially launched ENREACH-LUNG-01, a multi-center phase III clinical trial to evaluate efficacy and safety of combination therapy of KN046 and platinum-based chemotherapy in patients with stage IV squamous NSCLC.

- In September 2020, KN046 was granted ODD by the FDA for the treatment of TET.

- On September 3, 2020, Jiangsu Alphamab officially launched ENREACH-Thymic, a pivotal phase II clinical trial of KN046 for thymic carcinoma in China. It is designed to be a phase II, open-label, multi-center, single arm study in subjects with advanced thymic carcinoma who failed prior platinum-based combination chemotherapy treatment.

- In September 2020, Jiangsu Alphamab has achieved the first patient dosing in ENREACH-LUNG-01, a pivotal Phase III clinical trial of KN046 in combination with chemotherapy for the treatment of NSCLC.

- In January 2021, the first patient was successfully dosed with KN046 in the ENREACH-Thymic pivotal trial for the treatment of thymic cancer.

- We presented new data from the phase II clinical study of KN046 in patients with metastatic NSCLC and preliminary safety and efficacy results in patients with rare thoracic tumors at the 2020 World Conference on Lung Cancer ("**WCLC 2020**").

- We presented abstracts on the preliminary efficacy and safety of KN046 in combination with chemo-radiation therapy for the treatment of recurrent and metastatic ESCC at 2021 ASCO Gastrointestinal Cancers Symposium Annual Meeting in January 2021.

- In February 2021, the first patient dosing of KN046 in combination with Donafenib, an orally administered multikinase inhibitor developed by Suzhou Zelgen Biopharmaceuticals Co., Ltd. ("**Zelgen**") was achieved. Zelgen is a company listed on the Shanghai Stock Exchange (SHA: 688266).

- On March 5, 2021, an IND approval for initiating an open-label, multi-center phase II clinical trial in the United States for KN046 has been received from the FDA.

- We presented the preliminary safety, tolerability and efficacy results of KN046 in combination with nab-paclitaxel in patients with metastatic TNBC at the 2021 American Association for Cancer Research annual meeting ("**2021 AACR Annual Meeting**") in April 2021.

KN046 has been under clinical trials in Australia and China and has entered pivotal trial stages in 2020. Currently, there are around 20 clinical trials at multiple stages covering more than 10 types of tumors including NSCLC, pancreatic cancer, HCC, TNBC, ESCC and thymic carcinoma. The results of these clinical trials have demonstrated a preliminary profile of good safety and promising efficacy of KN046.

KN026

- Jiangsu Alphamab submitted an IND to the CDE on February 10, 2020 for a phase II clinical trial to study KN046 in combination with KN026 for the treatment of HER2 positive or expressing solid tumors, including but not limited to HER2-positive or expressing breast cancer, GC, esophageal cancer, colorectal cancer, pancreatic cancer, bile duct cancer, ovarian cancer, urothelial cancer and lung cancer. We received the IND approval from the CDE on May 12, 2020. In the second half of 2020, we have initiated a phase II clinical trial of KN026 in combination with KN046 for HER2-positive solid tumors.

- Jiangsu Alphamab submitted an IND to the CDE on February 10, 2020 for a phase II clinical trial for the study to assess the effectiveness and safety of KN026 in monotherapy or combination therapy for HER2 low expression or HER2-positive recurrent/mBC. We received the IND approval from the CDE on May 12, 2020.

- On May 29, 2020, we presented the preliminary safety, efficacy and pharmacokinetics results of a first-in-human, open-label, phase I clinical trial of KN026 in China in patients with HER2-positive mBC at the 2020 ASCO Annual Meeting.

- On June 22, 2020, we presented abstracts on using a translational tumor growth inhibition model and pharmacokinetics analysis to predict efficacious doses for KN026 in patients with HER2-positive mBC at the 2020 AACR Annual Meeting.

- Jiangsu Alphamab and Sanofi (China) Investment Co., Ltd. ("**Sanofi**") entered into an exclusive option agreement for the strategic collaboration to advance clinical studies investigating KN026 in combination with Sanofi's product Taxotere® in patients with HER2-positive breast cancer on June 9, 2020.

- In November 2020, we presented clinical data from phase Ib trial of KN026+KN046 Combo at the 35th Annual Meeting of the Society for Immunotherapy of Cancer.

- In December 2020, Jiangsu Alphamab had the first patient successfully dosed in SEARCH-01 study, a phase II clinical trial of KN026 in combination with KN046.

- KN026 in combination with KN046 was granted ODD by FDA for the treatment of HER2-positive or low expressing gastric or GEJ in December 2020.

- In December 2020, our Company received from NMPA the approval for an IND application for combination therapies of KN026 and palbociclib or combination therapy of KN026, palbociclib and fulvestrant for the treatment of HER2-positive locally advanced unresectable and/or metastatic breast cancer in patients who have failed the treatment of Trastuzumab and Taxanes.

KN035 (Envafolimab)

- We presented clinical trial results of KN035 in patients with advanced tumors with dMMR and a combination therapy with KN035 plus chemotherapy for advanced GC and GEJ which were accepted for poster presentation at the 2020 ASCO Annual Meeting.

- An IND application for a pivotal trial for KN035 in the soft tissue sarcoma subtypes (ENVASARC) of undifferentiated pleomorphic sarcoma and myxofibrosarcoma was submitted by TRACON Pharmaceuticals, Inc. ("**TRACON**", NASDAQ ticker symbol: TCON), our U.S. partner, on July 16, 2020. On August 14, 2020, TRACON received an approval notification from the FDA that the study may proceed in the U.S. The first patient dosing was successfully accomplished in the registration trail in the U.S. in December 2020.

- On November 16, 2020, the BLA of KN035, has been submitted to the NMPA.

- On December 17, 2020, the BLA for KN035 has been accepted by the NMPA.

- In January 2021, KN035 was granted priority review by CDE of the NMPA.

FACILITIES

- The phase I production lines (2x2,000L) of the new manufacturing facilities of Jiangsu Alphamab obtained drug production license issued by Jiangsu Drug Administration on July 6, 2020. The facility is designed to house over 30,000L capacity in total and future expansion is planned.

OTHER HIGHLIGHTS

- On June 10, 2020, the Company and Institut Pasteur of Shanghai, Chinese Academy of Sciences ("**IPS**") entered a cooperative development agreement on the co-development, manufacturing and commercialization of therapeutic antibody for COVID-19.

- On June 16, 2020, the Company was recognized as "Unicorn Cultivation Enterprise in Suzhou".

- In July 2020, the Company was recognized as one of the first high-tech enterprises in Suzhou Free Trade Zone.

- In July 2020, the Company was recognized as Foreign-funded R&D Center in Jiangsu province.

- In July 2020, Dr. XU Ting, the chairman of the Board, executive Director and chief executive officer of the Company, won the sixth "Suzhou Outstanding Talent Award" awarded by the Suzhou Municipal Government. The "Suzhou Outstanding Talent Award" is a prominent talent award, which is awarded once every three years to ten recipients who have made significant contribution to economic and social development.

- In July 2020, Ms. LIU Yang, executive Director and vice president of corporate operations of the Company, was awarded as one of 2020 China Top 50 Women in Technology by Forbes China. This award is an honor awarded to acknowledge the extraordinary contributions made by female leaders in technology industry.

- On November 28, 2020, we were awarded as "2020 China Top 500 New Economy".

- At the end of November 2020, we were acknowledged as "Chinese Pharmaceutical Innovation Enterprises 100".

- Our Company has been included in the Hong Kong Stock Connect list under the Shenzhen-Hong Kong Stock Connect, with effect from December 28, 2020.

- On January 6, 2021, our Company was awarded with "Most Valuable Medical and Pharmaceutical Company" in the 5th Annual Awards Ceremony of Hong Kong Golden Stock held in Shenzhen.

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

OVERVIEW

We are a leading clinical-stage biopharmaceutical company in China with a fully integrated proprietary biologics platform in bispecifics and protein engineering. Our mission is to deliver world-class innovative therapeutic biologics to treat patients globally by applying our unique drug discovery and development capabilities. We believe these capabilities are demonstrated by our strong R&D track record and supported by our proprietary technologies, platforms and expertise.

PRODUCT PIPELINE

Our highly differentiated in-house pipeline consists of fifteen tumor monoclonal antibodies and bispecific antibodies, and one COVID-19 multifunctional antibody. Among our pipeline products, we have one BLA submitted, three in late clinical stage, and two to three in schedule for IND submission in 2021. The following chart summarizes our product pipeline as of the date of this annual report:

Stage	Drug Candidate	Target(s)	Platform	Commercial Rights	Key Indications	Pre-clinical	Dose escalation	Proof of concept	Pivotal	NDA
Late-stage	**KN046**	PD-L1/CTLA-4 bispecific	sdAb/ mAb	Global	NSCLC, Thymic, HCC, Pancreatic ESCC, TNBC					
	KN026	HER2/HER2 bispecific	CRIB	Global	HER2-positive BC, GC/GEJ					
	KN026 +KN046	Target therapy +IO combo	Biomarker driven	Global	HER2-positive solid tumors					
	KN035	Subcu PD-L1	sdAb/ mAb	Global Co-development	MSI-H, BTC, Sarcoma, TMB-H, MSS endometrial					NDA submitted in 2020Q4
Clinical/ IND	**KN019**	B7	Fusion protein	Global	RA, lupus, renal transplant, GvHD				Phase II ongoing	
	KN052	PD-L1/OX40 bispecific	CRIB	Global	Solid tumors					
	KN062	None RBD conformation bispecific	CRIB	Global	COVID-19					
	JSKN-003	HER2 ADC	BADC	Global	HER2-positive/low solid tumors					
Pre-clinical	**JSKN-001**	Undisclosed	CRIB	Global	Solid tumors					
	JSKN-002	Undisclosed	GIMC	Global	Solid tumors					
	JSKN-004	Undisclosed	TIMC	Global	Solid tumors					
	JSKN-005	Undisclosed	CIMC	Global	Solid tumors					
	JSKN-006	Undisclosed	BIMC	Global	Solid tumors					
	KN053	Undisclosed bispecific	sdAb/ mAb	Global	Solid tumors					
	KN055	Undisclosed bispecific	sdAb/mAb fusion protein	Global	Solid tumors					
	KN058	Undisclosed bispecific	sdAb/mAb fusion protein	Global	Solid tumors					
	KN138	None-blocking CTLA-4	sdAb/ mAb	Global	Solid tumors					

The depth and breadth of our in-house R&D and manufacturing capabilities are demonstrated by the following: (i) structure-guided protein engineering capability to develop protein building blocks in various formats, including sdAbs and engineered proteins; (ii) proprietary CRIB platforms and CRAM platforms for bispecifics and antibody mixtures, respectively; and (iii) state-of-the-art manufacturing capability to be further strengthened by new facilities with an expected capacity of over 30,000L, designed and built to meet the cGMP standards of NMPA, the European Medicines Agency and the FDA.

COMMERCIALIZATION

To date, we have not commercialized any products. We started to build our own core commercialization team in China with an initial focus on late-stage drug candidates and plan to hire key talents for medical affairs, governmental affairs and other related functions in 2021 to prepare for the upcoming launch of KN046 in 2022 and KN026 in 2024. We expect our team to cover major provinces and municipalities in China, especially the ones with relatively well-developed economies and high levels of discretionary income. We intend to continue to expand our team in anticipation of more product launches and more approved indications.

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

BUSINESS REVIEW

Events during the Reporting Period

Since April 13, 2020, being the latest practicable date of the Company's 2019 annual report, we have been making significant progress with respect to our drug pipeline and business operations.

- On April 15, 2020, Jiangsu Alphamab received an approval notification from FDA that it is safe to proceed with a phase II clinical trial of KN046 for anti-PD-(L)1 refractory NSCLC in the United States. The phase II clinical trial of KN046 has been designed as an open-label, multi-center, multiple cohorts and single-arm study to evaluate the efficacy, safety and tolerability of KN046 monotherapy or in combination with chemotherapy in locally advanced unresectable or metastatic NSCLC. The FDA has completed the safety review of IND application of Jiangsu Alphamab and concluded that Jiangsu Alphamab may proceed with the phase II clinical trial. For further details, please refer to the Company's announcement dated April 15, 2020.

- On May 12, 2020, Jiangsu Alphamab received approvals from CDE for four IND applications for new therapies of KN046 and KN026, including (i) the evaluation of the effectiveness, safety and tolerance of KN046 in combination with KN026 for HER2-positive or HER2 expression solid tumors in phase Ib clinical study; (ii) multi-center, open-label, phase Ib/II clinical trials for Ningetinib Tosylate in combination with KN046 for the treatment of advanced HCC; and (iii) phase II clinical study to assess the effectiveness and safety of KN026 in monotherapy or combination therapy for HER2 low expression or HER2-positive recurrent/mBC.

- We presented the preliminary safety, efficacy and PK results of a first-in-human, open-label, phase I clinical trial of KN026 in China in patients with HER2-positive mBC and the preliminary efficacy and safety data of a dose escalation and expansion phase Ia/Ib clinical trial of KN046 in China in patients who have failed prior ICI at the 2020 ASCO Annual Meeting. The results indicate that (i) KN026 is well tolerated and has demonstrated encouraging anti-tumor activity in HER2-positive breast cancer patients who have failed standard anti-HER2 therapies. The recommended phase II dose of KN026 were 20 mg/kg Q2W and 30 mg/kg Q3W; and (ii) KN046 showed a favorable safety profile and promising clinical benefit in advanced solid tumor patients who failed on prior ICI therapies. For further details, please refer to the Company's announcement dated May 14, 2020.

- We presented clinical trial results of KN035 in patients with advanced tumors with mismatch-repair deficiency and a combination therapy with KN035 plus chemotherapy for advanced GC/GEJ at the 2020 ASCO Annual Meeting. The results indicate that (i) KN035 demonstrated durable anti-tumor activity with a manageable safety profile in patients with previously treated advanced MSI-H/dMMR cancer; and (ii) FOLFOX in combination with KN035, demonstrated a manageable safety profile with promising clinical efficacy as a first line therapy for advanced GC/GEJ cancer. For further details, please refer to the Company's announcement dated May 15, 2020.

- We presented using a translational tumor growth inhibition model and PK analysis to predict efficacious doses for KN026 in patients with HER2-positive mBC at the 2020 AACR Annual Meeting. The simulation results from the translational tumor growth inhibition indicate that the efficacious steady state dose levels of KN026 were predicted to be 20 mg/kg Q2W and 30 mg/kg Q3W. Loading doses which provide higher dosing and drug exposure in the first dosing cycle were predicted to have the advantage of maximizing initial tumor killing. We expect to use the translational tumor growth inhibition model to shorten the lead time from early stage development to full development, which could help the registration of KN026 in major regions. For further details, please refer to the Company's announcement dated May 18, 2020.

- On May 22, 2020, Jiangsu Alphamab and InxMed entered into a partnership agreement to jointly develop the combination therapy of KN046 and IN10018, a focal adhesion kinase inhibitor, to explore the synergistic effect of the combination of KN046 and IN10018. The collaboration is expected to first evaluate the safety, tolerability, and efficacy of the combination of KN046 and IN10018 in patients with pancreatic cancer.

- On May 28, 2020, Jiangsu Alphamab and SLP entered into a new collaboration agreement to expand the original collaboration, pursuant to which both parties agreed to jointly develop an anti-tumor combination therapy with CT053 (Ningetinib Toluenesulfonate), a multi-target small molecule inhibitor, and KN046, for human solid tumors. For further details, please refer to the Company's announcement dated May 28, 2020.

- On June 9, 2020, Jiangsu Alphamab and Sanofi entered into an exclusive option agreement for the strategic collaboration to advance clinical studies investigating KN026 in combination with Sanofi's product Taxotere® in patients with HER2+ breast cancer. Jiangsu Alphamab is responsible for the ongoing clinical trials on KN026 and the new combination study of KN026 and Taxotere®. For further details, please refer to the Company's announcement dated June 9, 2020.

- On June 10, 2020, Jiangsu Alphamab and Institut Pasteur of Shanghai entered into a cooperative development agreement in respect of the collaboration in the global R&D, preclinical and clinical development, registration, commercial manufacturing and sales of certain antibodies owned by Institut Pasteur of Shanghai at the early stage of drug discovery in the field of coronavirus. For further details, please refer to the Company's announcement dated June 10, 2020.

- On June 19, 2020, Jiangsu Alphamab and Suzhou Sinovent Pharmaceutical Co., Ltd. ("**Sinovent**") entered into a partnership agreement to jointly develop the combination therapy of KN046 and XNW7201, a small-molecule inhibitor, in oncology indications. The collaboration is expected to explore the safety, tolerability, and efficacy of the combination therapy of KN046 and XNW7201 for advanced malignant tumors such as pancreatic cancer.

- On July 6, 2020, the phase I production lines (2x2,000L) of the new manufacturing facilities of Jiangsu Alphamab obtained drug production license issued by Jiangsu Drug Administration. The new manufacturing facilities are designed and constructed in accordance with cGMP standards with two 2,000L cell culture production lines, one stainless steel buffer preparation system, and one purification line. These production lines are equipped with world-class equipment that meet the regulatory requirements of NMPA, FDA and European Medicines Agency for GMP.

- On July 16, 2020, we supported TRACON, our U.S. partner, to submit an IND application for a pivotal trial for KN035 in the soft tissue sarcoma subtypes (ENVASARC) of undifferentiated pleomorphic sarcoma and myxofibrosarcoma. On August 14, 2020, TRACON received an approval notification from FDA that the study may proceed in the United States.

- In July 2020, the Company was recognized as one of the first high-tech enterprises in Suzhou Free Trade Zone.

- In July 2020, the Company was recognized as Foreign-funded R&D Center of Jiangsu province.

- In July 2020, Dr. XU won the sixth "Suzhou Outstanding Talent Award" awarded by the Suzhou Municipal Government. The "Suzhou Outstanding Talent Award" is a prominent talent award awarded once every three years to various outstanding talents who have made significant contribution to economic and social development.

- On July 30, 2020, Jiangsu Alphamab entered a partnership agreement with Kintor, to jointly develop the combination therapy of KN046 and GT90001 in HCC. GT90001 is an antagonistic mediator of lateral transforming growth factor-beta/ALK-5 signaling, which is a fully humanized IgG2 neutralizing monoclonal antibody.

- In August 2020, Jiangsu Alphamab officially launched ENREACH-LUNG-01, a multi-center phase III clinical trial to evaluate efficacy and safety of combination therapy of KN046 and platinum-based chemotherapy in patients with stage IV squamous NSCLC.

- On September 2, 2020, FDA granted ODD to KN046 for the treatment of TET. Originated from the Orphan Drug Act of 1983, an ODD is an incentive awarded by the FDA to promote the development of innovative drugs for the treatment of rare diseases and conditions that affect less than 200,000 people in the U.S. Drug candidates with ODD have the opportunity to gain seven years of market exclusivity, along with a series of comprehensive benefits provided by the FDA, including tax credits, exemption from biological license application fees, deduction of or exemption from prescription drug user fees, R&D funding support, protocol assistance, and accelerated regulatory approval. For further details, please refer to the Company's announcement dated September 3, 2020.

- On September 3, 2020, Jiangsu Alphamab officially launched ENREACH-Thymic, a KN046 pivotal phase II clinical trial of KN046 for thymic carcinoma in China and the U.S. It is designed to be a phase II, open-label, multicenter, single arm study in subjects with advanced thymic carcinoma after failure of prior platinum-based combination chemotherapy treatment.

- In September 2020, Jiangsu Alphamab has achieved the first patient dosing in ENREACH-LUNG-01. ENREACH-LUNG-01 is a multi-center, randomized, double-blind, placebo-controlled phase III clinical trial to evaluate the efficacy and safety of KN046 in combination with the platinum-based chemotherapy in patients with advanced unresectable or metastatic squamous NSCLC.

- We presented clinical data from phase Ib trial of KN026+KN046 Combo at the 35th Annual Meeting of the Society for Immunotherapy of Cancer. KN026+KN046 Combo has achieved preliminary positive results in a clinical phase Ib trial for the treatment of HER2 aberrated solid tumors in patients who have failed standard therapy. KN026+KN046 Combo for 14 evaluable subjects with HER2-positive achieved an ORR of 64.3% and a DCR of 92.9%. The antitumor activity of KN026+KN046 Combo was not affected by previous treatments from trastuzumab and anti-PD-1 immune checkpoint inhibitors and PD-L1 expression. The incidence of treatment-related adverse events at grade 3 or higher levels ranged from approximately 23% to 24%. The clinical data indicated that KN026+KN046 Combo was well tolerated and no dose-limiting toxicity was observed. For further details, please refer to the Company's announcement dated November 10, 2020.

- On November 16, 2020, the BLA of KN035, has been submitted to the NMPA.

- On November 28, 2020, we were awarded as one of "2020 China Top 500 New Economy" by the China Enterprises Evaluation Association (中國企業評價協會組織). This award was granted to iconic enterprises with high standards to promote the development of new economic industries.

- At the end of November 2020, we were acknowledged as "Chinese Pharmaceutical Innovation Enterprises 100" in the 2020 China Healthcare Summit of Entrepreneurs, Scientists and Investors (中國醫藥企業家科學家投資家大會). This award was granted for the selection of promising companies in the pharmaceutical industry, taking into account four factors, including the number of authorized patents, the total number of patent citations, the number of clinical trials and the number of innovative drugs approved and listed. We were selected for two consecutive years.

- In December 2020, Jiangsu Alphamab had the first patient successfully dosed in SEARCH-01 study, a phase II clinical trial of KN026 in combination with KN046. The SEARCH-01 trial is an open label, phase II and multi-center clinical study to evaluate the efficacy, safety and tolerability of KN026 in combination with KN046 for HER2-positive solid tumors.

- In December 2020, the first patient was successfully dosed in the ENVASARC registration trial conducted in the United States. This ENVASARC registration trial is a multi-center, open-label, randomized, non-comparative, parallel group registration trial to evaluate KN035 for the treatment of patients with undifferentiated pleomorphic sarcoma/malignant fibrous histiocytosarcoma who have failed previous systemic treatment and is naive to immune checkpoint inhibitor.

- In December 2020, FDA granted ODD to KN026 in combination with KN046 for the treatment of HER2-positive or low expressing gastric or GEJ. This is the third ODD granted to the Company by FDA after the first ODD granted to KN035 by FDA for the treatment of biliary track cancer in January 2020 and the second ODD granted to KN046 for the treatment of TET in September 2020.

- In December 2020, our Company received from the NMPA the approval for an IND application for combination therapies of KN026 and palbociclib or combination therapy of KN026, palbociclib and fulvestrant for the treatment of HER2-positive locally advanced unresectable and/or metastatic breast cancer in patients who have failed the treatment of Trastuzumab and Taxanes.

- On December 17, 2020, the BLA for KN035 was accepted by the NMPA. This BLA is based on a pivotal phase II clinical trial that evaluates KN035 as a monotherapy for the treatment of MSI-H/dMMR advanced solid tumors. A total of 103 Chinese patients with advanced MSI-H/dMMR solid tumors who failed first-line or above systemic treatment were enrolled. The ORR assessed and confirmed by the blinded independent review committee in the overall population, colorectal cancer, GC and other cancer patients was 42.7%, 43.1%, 44.4%, and 40.0% respectively.

- Our Company has been included in the Hong Kong Stock Connect list under the Shenzhen-Hong Kong Stock Connect, with effect from December 28, 2020. This allows mainland institutional investors and individuals who meet the conditions to purchase our Shares through Hong Kong Stock Connect. For further details, please refer to the Company's announcement dated December 28, 2020.

Events after the Reporting Period

- In January 2021, the first patient was successfully dosed in the ENREACH-Thymic registration trial, a pivotal phase II, open label, multi-center pivotal clinical study to evaluate efficacy, safety and tolerability of KN046 in subjects with thymic carcinoma.

- In January 2021, KN035 was granted priority review by CDE. The BLA of KN035 is accepted for the treatment of MSI-H advanced colorectal cancer, GC/dMMR advanced solid tumors.

- On January 6, 2021, our Company was awarded as the "Most Valuable Medical and Pharmaceutical Company" in the 5th Annual Awards Ceremony of Hong Kong Golden Stock held in Shenzhen. This award is to acknowledge Hong Kong-listed medical and pharmaceutical companies with a healthy corporate governance structure, leading industry position, sound business operations, capability to offer investors sustainable and stable returns.

- In January 2021, we presented abstracts on the preliminary efficacy and safety of KN046 in combination with chemo-radiation therapy for the treatment of recurrent and metastatic ESCC at 2021 ASCO Gastrointestinal Cancers Symposium Annual Meeting. This investigator initiated study recruited patients with recurrent or metastatic ESCC that have not been treated by chemoradiotherapy or other systemic treatment within 6 months. The subjects received palliative chemoradiotherapy that consisted of the standard dose of chemotherapy (cisplatin and paclitaxel) and radiation and were subject to a regimen of using KN046 at ascending doses of 1, 3 and 5 mg/kg Q3W after the completion of radiation therapy and concurrently with chemotherapy, followed by KN046 Q2W maintenance. For a total of 18 evaluable patients as of June 30, 2020, the ORR and DCR were 44.4% and 94.4%, respectively. At 3 mg/kg, the ORR and DCR were 55.6% and 100%, respectively. All nine patients experienced further tumor reduction after receiving KN046 treatment, among which two patients at 3mg/kg achieved complete response.

- In February 2021, the first patient dosing of KN046 in combination with Donafenib, an orally administered multikinase inhibitor developed by Zelgen, was accomplished in phase I/II clinical trials for the treatment of advanced or metastatic HCC.

- We presented abstracts on the clinical data from a phase II clinical study of KN046 in patients with advanced NSCLC at the WCLC 2020. With a median follow up of 13 months, the median PFS was 3.68 months (95% CI: 3.35, 7.29), which are numerically higher than historical data for PD-1 therapeutics in Chinese patients. 6-month survival rate was 85.6%, 12-month survival rate was 69.7%. 24 (37.5%) out of a total of 64 patients experienced TRAEs graded ≥3. TRAEs graded ≥3 related to KN046 are mainly infusion reactions (10.9%), anemia (4.7%), drug-induced liver injury (3.1%), abnormal liver function (3.1%), lung infection (3.1%), a decrease in neutrophil count (3.1%) and a decrease in white blood cell count (3.1%). The most frequent irAE included a decrease in neutrophil count (3.1%) and a decrease in white blood cell count (3.1%). It indicates that KN046 was well tolerated and effective as a second-line treatment for advanced NSCLC, which indicated promising PFS and OS benefits in NSCLC. For further details, please refer to the Company's announcement dated January 13, 2021.

- We presented abstracts on the preliminary safety and efficacy results of KN046 from a phase I clinical study of KN046 in treatment of patients with rare thoracic tumors at WCLC 2020. The confirmed ORR was 50%, the unconfirmed ORR was 75%, and the DCR was 100% in TET. Most of TRAEs were at grade 1 or 2. 14 irAEs occurred in three out of the five patients, and only one subject had two TRAEs at grade 3 autoimmune hepatitis and elevated alanine aminotransferase. It indicates that KN046 has an acceptable safety profile and in line with other immune checkpoint inhibitors in patients with TET. It has preliminary but promising efficacy. For further details, please refer to the Company's announcement dated January 13, 2021.

- On March 5, 2021, an IND approval for initiating an open-label, multi-center phase II clinical trial in the United States for KN046 has been granted by the FDA. The clinical trial is designed to evaluate the efficacy, safety and tolerability of KN046 in the treatment of thymic carcinoma. For further details, please refer to the Company's announcement dated March 8, 2021.

- In April 2021, we presented the preliminary safety, tolerability and efficacy results of KN046 in combination with nab-paclitaxel in patients with metastatic TNBC at the 2021 AACR Annual Meeting, one of the first and largest cancer research organizations dedicated to accelerating the conquest of cancer. This study is an open-label, multi-center, phase Ib/II study for KN046 in combination with nab-paclitaxel in patients with metastatic TNBC, which enrolled patients with treatment-naïve locally advanced inoperable or metastatic TNBC. Among all 27 enrolled patients with TNBC, the median follow-up time was 13.7 months. Median PFS was 7.3 (95% CI: 3.7, NE) months. Median OS has not been reached and the 15-month OS rate was 73.4% (95% CI: 46.1%, 88.4%). Among 25 evaluable patients, the ORR was 40% and the DCR was 96%, In subgroup with PD-L1 positive (IC PD-L1≥1%), the median PFS was 13.8 (95% CI: 1.6, NE) months and the 15-month OS rate was 77.1% (95% CI: 34.5%, 93.9%). No KN046 treatment related TEAE leading to death. Grade 3 or above KN046 treatment related TEAE occurred in 13 (48.1%) patients. KN046 treatment related serious adverse event occurred in 4 (14.8%) patients. 11 (40.7%) patients experienced irAEs. The majority of irAEs were at grade 1 or 2 except that 3 patients experienced grade 3 irAEs with two immune-mediated hepatic disorders and one rash. According to the study, the combination of KN046 and nab-paclitaxel is safe and tolerable, and has demonstrated encouraging anti-tumor activity and response for treatment of 1L metastatic TNBC. DCR was 96.0% in all evaluable patients, and median PFS was 13.8 months in PD-L1 positive patients. These data are amongst the best of those reported by other immunotherapies. For further details, please refer to the Company's announcement dated April 12, 2021.

The global outbreak of COVID-19 and the subsequent quarantine measures imposed by governments in 2020 have created challenges to the Group's business operations, including but not limited to the advancement of clinical trials, approval of regulatory registration and procurement of raw materials. Despite a temporary disruption in our business operations as a result of the restriction orders imposed by the local government to restrain COVID-19 outbreak, the pandemic had a limited impact on our business operations for 2020. However, the uncertainty in the development of global epidemic of COVID-19 may have potential negative impact on the Group's business. The Group has implemented comprehensive measures to minimize delays and disruptions to the business operations, including but not limited to implementing risk management measures, updating the standard operating procedures according to guidance issued by regulatory bodies, adjusting our research plans and status of clinical trials, providing alternative methods for safety and efficacy assessment and engaging in online meetings with our principal investigators for the clinical trials to track progress and identify any issues that may arise. The Group will continue to monitor the epidemic situation and react actively to such impact. In addition, the Group, through collaboration with academic institute, initiated R&D projects to address COVID-19 variants with bispecific and antibody engineering platforms.

FUTURE DEVELOPMENT

We kicked off 2020 with significant business advancement for the future and have witnessed numerous milestones despite impact of COVID-19 pandemics. We, together with the global pharmaceutical industry, have sought to implement and adhere to emergency management plans, social distancing guidelines and adjusted regulatory processes, while have continued to strive to develop and produce treatments and drug candidates that benefit patients.

In recent years, China has issued or amended a series of rules and policies with respect to, among others, priority review and patent compensation, quality control, sales, data protection of drug trials to support the research and development of pharmaceutical products. In 2020, the amended Measures for Administration of Drug Registration (《藥品註冊管理辦法》), the Measures for the Supervision and Administration of Drug Production (《藥品生產監督管理辦法》), the Good Clinical Practice of Pharmaceutical Products (《藥物臨床試驗質量管理規範》) and the Registration Category of Biological Products and the Information Requirements for Declaration (《生物製品註冊分類及申報資料要求》) came into effect to streamline the R&D and production process of new drugs and the application process under the drug marketing authorization holder mechanism, as well as to provide a clear classification for therapeutic biological products. These policies removed political barriers and sped up the R&D process for innovative new drugs, which along with innovative technologies has become a hotspot for industrial capital. The newly revised Patent Law of the People's Republic of China (《中華人民共和國專利法》), which will take effect on June 1, 2021, launches a protection term compensation system for new drugs, where a patent may be granted an extended patent term up to five years as compensation for the time taken up due to regulatory review and approval. As a result, pharmaceutical companies with strong R&D capabilities for innovative therapeutic biologics will stand out and they will have unprecedented opportunities for development. After the pandemic, the Company believes that there will be a stronger focus on R&D of innovative therapeutic biologics and heavier investments in new biotechnology. It is believed that in the next decade, the R&D of innovative therapeutic biologics in the PRC will drive the growth of the entire pharmaceutical industry.

The Group will continue to strive for delivering world-class innovative therapeutic biologics to treat patients globally by applying our unique drug discovery and development capabilities. To accomplish this mission, we will commit to advancing clinical development of our product pipeline, including developing KN046 for various major cancer indications in addition to selected indications using a fast/first-to-market approach. We will also strategically focus on cancers with HER2 expression in our KN026 clinical development plan. In the meantime, leveraging our strong in-house R&D capabilities, we will further advance our pre-clinical programs of 10 multi-specific immune-oncology drug candidates and will leverage our technology platforms to discover, validate and select targets and lead candidates to enrich our early-stage pipeline with a focus on immuno-oncology based bispecific and multi-specific drugs. We will also continue to optimize our manufacturing process and technologies to enhance product quality and reduce the costs. To maximize the commercial value of our assets with global rights, we will also continue to actively seek strategic collaboration opportunities for our Core Products, such as co-development, collaboration in combination development, and out-licensing.

FINANCIAL REVIEW

Overview

For the year ended December 31, 2020, the Group recorded other income of RMB111.1 million, as compared with RMB34.4 million for the year ended December 31, 2019. We recorded other losses of RMB117.6 million for the year ended December 31, 2020, as compared to RMB0.3 million for the year ended December 31, 2019. Our total comprehensive expense amounted to RMB428.3 million for the year ended December 31, 2020, as compared with RMB832.9 million for the year ended December 31, 2019. The R&D expenses of the Group amounted to RMB331.2 million for the year ended December 31, 2020, as compared with RMB166.7 million for the year ended December 31, 2019. The fair value change of convertible redeemable preferred shares of the Group decreased to nil for the year ended December 31, 2020, as compared with RMB542.3 million for the year ended December 31, 2019. The administrative expenses amounted to RMB78.2 million for the year ended December 31, 2020 as compared with RMB117.7 million for the year ended December 31, 2019. The finance costs amounted to RMB11.8 million for the year ended December 31, 2020 as compared with RMB3.6 million for the year ended December 31, 2019.

Revenue

We currently have no products for commercial sale. For the years ended December 31, 2019 and 2020, we did not generate any revenue from product sales.

Other Income

The Group's other income primarily consists of interest income, government grants and other miscellaneous income.

For the year ended December 31, 2020, the Group's other income increased by RMB76.7 million to RMB111.1 million, compared to RMB34.4 million for the year ended December 31, 2019, primarily due to the significant increase in interest income and government grants income. Our interest income of RMB64.7 million during the Reporting Period refers to the interest we generated from bank balances, which primarily consisted of time deposits of proceeds from our pre-IPO financing and Global Offering. In 2020, we recorded government grants of RMB44.9 million during the Reporting Period, primarily including: (i) subsidies from the PRC local government in support of oncology drug development and successful IPO of the Company; and (ii) unconditional subsidies from the Australian government which are specifically for supporting the R&D activities carried out in Australia.

Other Losses

The Group's other losses primarily consists of net exchange losses in relation to the impact of foreign currency translation.

For the year ended December 31, 2020, we recorded RMB117.6 million of other losses, compared to RMB0.3 million of other losses for the year ended December 31, 2019, mainly due to the impact of foreign currency fluctuation, in particular, the exchange rates amongst RMB and U.S. dollar.

Fair Value Change of Convertible Redeemable Preferred Shares

The Group's fair value change of convertible redeemable preferred shares refers to the fair value losses of the series A preferred shares we issued in October 2018 and series B preferred shares we issued in May 2019, which takes into account exchange rate changes.

For the year ended December 31, 2020, we did not record fair value losses of convertible redeemable preferred shares, compared to RMB542.3 million of the fair value losses for the year ended December 31, 2019, primarily because all preferred shares were automatically converted to the ordinary shares upon the Company's listing on the Main Board of the Stock Exchange in December 2019 and the Company no longer issued any convertible redeemable preferred shares during the Reporting Period.

R&D Expenses

The Group's R&D expenses were primarily comprised of (i) third-party contracting costs related to services provided by contract research organizations, contract manufacturing organizations, clinical trial sites, clinical research coordinators, consultants and other service providers during the R&D of our pipeline products; (ii) staff costs for our R&D staff, including salary, bonus and share option incentives; (iii) raw materials costs in relation to the R&D of our drug candidates; (iv) office rental costs, utilities and depreciation and amortization; and (v) other miscellaneous expenses, which primarily include expenses for patent application registration services and logistics expenses of drug samples for clinical trials.

For the year ended December 31, 2020, our R&D expenses increased significantly by RMB164.5 million to RMB331.2 million, compared to RMB166.7 million for the year ended December 31, 2019, primarily due to (i) the increase in the number of ongoing clinical trials; (ii) the expansion of the scale of our clinical studies; (iii) the advancement of clinical trials of our drug candidates; and (iv) the increase in staff cost due to the increase in our R&D staff. The following table sets forth the breakdown of our R&D expenses by nature for the years indicated.

	For the year ended December 31,			
	2020		2019	
	(RMB in thousands, except percentages)			
Third-party contracting costs	**161,258**	**48.7%**	77,451	46.5%
Staff costs	**65,706**	**19.8%**	43,040	25.8%
Raw material costs	**61,429**	**18.6%**	28,486	17.1%
Office rental costs, utilities, and depreciation and amortization	**31,408**	**9.5%**	12,279	7.4%
Others	**11,440**	**3.5%**	5,398	3.2%
Total	**331,241**	**100.00%**	166,654	100.00%

Administrative Expenses

The Group's administrative expenses primarily comprise staff costs for our administrative staff, including salary, bonus and share option incentives.

Our administrative expenses decreased by RMB39.5 million to RMB78.2 million for the year ended December 31, 2020, from RMB117.7 million for the year ended December 31, 2019, primarily because a substantial portion of the pre-IPO share options granted by the Company under the pre-IPO share option schemes were materialized as share-based payment expenses in 2019 due to the successful completion of our IPO in 2019, which was one of the conditions for the materialization of relevant pre-IPO share options and no longer incurred in 2020. In 2020, we recorded share-based payment expenses primarily according to the timing schedules and R&D milestones as stipulated in the share option grant letters.

Finance Costs

The Group's finance costs primarily comprise of interest expenses on (i) bank borrowings, (ii) contract liabilities, and (iii) lease liabilities related to our leases of office premises and R&D facilities.

Our finance costs amounted to RMB11.8 million for the year ended December 31, 2020, as compared to RMB3.6 million for the year ended December 31, 2019, primarily because the construction of our new manufacturing, R&D facilities was completed in late 2019 and therefore no further capitalization on interest expenses from bank borrowings was incurred onwards.

Listing Expenses

No listing expenses were incurred for the year ended December 31, 2020, as compared to RMB36.6 million for the year ended December 31, 2019, primarily because we completed our Listing in 2019.

Income Taxation

The Company is exempted from taxation under the laws of the Cayman Islands. Alphamab Oncology (BVI) Ltd., a company incorporated in the BVI and a direct wholly-owned subsidiary of our Company, is exempted from taxation under the laws of the BVI.

Our PRC subsidiaries are subject to income tax rate of 25% under the EIT Law. Jiangsu Alphamab was accredited as a "high-tech enterprise" in Suzhou Free Trade Zone and is entitled to obtain a refund from the local government of Suzhou Free Trade Zone for a three-year period since 2020.

Alphamab Oncology (HK) Limited, a limited liability company incorporated in Hong Kong on May 11, 2018, is subject to the two-tiered profits tax rates regime in Hong Kong. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017 of Australia, corporate entities who qualify as "small business entities" are eligible for the lower corporate tax rate at 27.5%. Alphamab (Australia) Co Pty Ltd, a company incorporated in Australia and a direct wholly-owned subsidiary of Jiangsu Alphamab, is qualified as a small business entity and is subject to a corporate tax rate of 27.5%.

We had unused tax losses of RMB504.5 million and RMB1,028.1 million available for set off against future profits as of December 31, 2019 and 2020, respectively. No deferred tax asset was recognized in respect of the unused tax losses as of December 31, 2019 and 2020 due to the unpredictability of future profit.

Loss for the Year

As a result of the above factors, the loss of the Company decreased by RMB404.9 million to RMB427.8 million for the year ended December 31, 2020 from RMB832.7 million for the year ended December 31, 2019.

Property, Plant and Equipment

Property, plant and equipment primarily consists of our new manufacturing, R&D facilities and office premises.

Our property, plant and equipment increased by RMB29.0 million to RMB361.0 million as of December 31, 2020, compared to RMB332.0 million as of December 31, 2019, primarily attributable to the procurement of new equipment and machinery in 2020, which was primarily prepared for the continuous construction of our new facilities.

Right-of-use Assets

Under IFRS 16, we recognize right-of-use assets with respect to our property leases. Our right-of-use assets are depreciated over the lease term or the useful life of the underlying asset, whichever is shorter.

Our right-of-use assets decreased by RMB10.4 million to RMB32.0 million as of December 31, 2020, compared to RMB42.4 million as of December 31, 2019, primarily due to the amortization of right-of-use assets.

Deposits Paid for Acquisition of Property, Plant and Equipment

Deposits paid for acquisition of property, plant and equipment increased by RMB8.5 million to RMB12.8 million as of December 31, 2020, compared to RMB4.3 million as of December 31, 2019, primarily due to an increase in deposits for the procurement of equipment and machinery in 2020, which was primarily prepared for the continuous construction of our new facilities.

Inventories

The Group's inventories consist of raw materials and other consumables used in the R&D of our drug candidates.

Our inventories increased by RMB18.4 million to RMB44.3 million as of December 31, 2020, compared to RMB25.9 million as of December 31, 2019, primarily due to the increased raw materials and other consumables for our R&D activities.

Other Receivables, Deposits and Prepayments

The Group's other receivables, deposits and prepayments primarily consist of (i) other receivables and prepayments mainly related to prepayments made in connection with our purchase of raw materials and payments to contract research organizations and other third parties for services relating to our clinical trials; (ii) deposits and interest receivables mainly related to our time deposits; and (iii) VAT recoverable in connection with the procurement of raw materials and third-party services for our R&D activities, machinery and equipment for our new facilities, which can offset the VAT to be incurred upon commercialization.

Our other receivables, deposits and prepayments increased by RMB51.7 million to RMB119.3 million as of December 31, 2020, compared to RMB67.6 million as of December 31, 2019, primarily because of (i) the increase in other receivables and prepayments related to increased purchases of raw materials and third-party services for clinical trials; and (ii) the increase in deposits and interest receivables related to our time deposits.

Derivative Financial Instruments

We recorded RMB5.9 million of derivative financial instruments for the year ended December 31, 2020, as compared to nil for the year ended December 31, 2019, primarily because we entered into several foreign exchange forward contracts with banks in order to manage our foreign currency exposure in relation to U.S. dollars against RMB and did not elect to adopt hedge accounting for those contracts.

Cash and Cash Equivalents and Time Deposits with Original Maturity Over Three Months

Our cash and cash equivalents mainly comprise of (i) cash at banks and on hand; and (ii) time deposits within original maturity less than three months. Our cash and cash equivalents decreased significantly from RMB1,867.9 million as of December 31, 2019 to RMB185.3 million as of December 31, 2020, while our time deposits with original maturity over three months significantly increased from RMB502.9 million as of December 31, 2019 to RMB1,835.4 million as of December 31, 2020, primarily because a majority of our time deposits with original maturity less than three months were converted into deposits with original maturity over three months.

Financial Assets Measured at FVTPL

The Group's financial assets measured at FVTPL mainly represent RMB-denominated wealth management products we purchased from commercial banks in the PRC.

Our financial assets measured at FVTPL increased from RMB11.7 million as of December 31, 2019 to RMB43.5 million as of December 31, 2020, primarily due to the purchase of non-principal-guaranteed wealth management products as our financial investments.

We believe that we can make better use of our cash by utilizing wealth management products, such as structured deposits, to enhance our income without interfering with our business operations or capital expenditures. We make investment decisions based on our estimated capital requirements for the next three months and our annual budget, taking into account the duration, expected returns and risks of the wealth management product. We generally limit purchases to low-risk, short-term products from reputable commercial banks. Our finance department is responsible for the purchase of wealth management products, which is reviewed by our senior management team. In the future, we intend to continue taking a disciplined approach regarding purchasing low-risk wealth management products with a short maturity period based on our operational needs.

Trade and Other Payables

The Group's trade and other payables primarily consist of payables for outsourcing certain manufacturing activities of our drug candidates to industry-recognized independent third party contract manufacturing organizations in China and the United States. Our trade and other payables also include accrued R&D expenses and staff costs, which largely relate to staff costs payable to R&D personnel. We also recorded (i) trade payables to suppliers of raw materials and third-party services; and (ii) interest payables.

Our trade and other payables decreased from RMB146.0 million as of December 31, 2019 to RMB121.9 million as of December 31, 2020, primarily because (i) we no longer accrued listing expenses in relation to the Global Offering; and (ii) a decrease in payables in connection with the procurement of property and equipment as we settled the payment for construction in 2020.

Amount Due to a Related Company

Our amount due to a related company, Suzhou Alphamab, increased from RMB0.8 million as of December 31, 2019 to RMB3.8 million as of December 31, 2020. The increase in the amounts due to Suzhou Alphamab as of December 31, 2020 were primarily due to the rental fees and utility fees as well as the accrued development processing fees payable to Suzhou Alphamab.

Lease Liabilities

The Group's lease liabilities are in relation to properties we leased for our manufacturing and R&D activities and our office premises. We recognize a lease liability with respect to all lease agreements in which we are the lessee, except for short term leases. For these leases, we generally recognize the lease payments as an operating expense on a straight-line basis over the term of the lease. The lease liability is initially measured at present value that are not paid at the commencement date of the lease and subsequently adjusted by interest accretion and lease payments.

Our lease liabilities decreased from RMB23.2 million as of December 31, 2019 to RMB13.5 million as of December 31, 2020, primarily because we settled the lease payments under the relevant lease contracts and therefore the lease liabilities decreased.

Contract Liabilities

We recorded contract liabilities of RMB11.7 million and RMB12.7 million as of December 31, 2019 and 2020, respectively. Our contract liabilities primarily consist of upfront payment we received from 3D Medicines and such amount is adjusted for the effects of the time value of money at a discount rate of 4.35% taking into consideration of the credit characteristics of the Group. We own the right to manufacture and supply KN035 to 3D Medicines. After the approval and commercialization of KN035, we will recognize revenue on the upfront payment received. None of the contract liabilities were recognized as revenue during the Reporting Period.

Liquidity and Source of Funding

Our primary uses of cash are to fund our clinical trials, manufacturing, purchase of equipment and raw materials and other expenses. During the Reporting Period, we primarily funded our working capital requirements through proceeds from the Global Offering, pre-IPO financing and bank borrowings at reasonable market rates. Currently, the Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved. In order to better control and minimize the cost of funds, the Group's treasury activities are centralized and all cash transactions are dealt with the qualified banks and international banks with good reputation. We closely monitor uses of cash and cash balances and strive to maintain a healthy liquidity for our operations.

As of December 31, 2020, there was a balance of unutilized net proceeds from the Global Offering, pre-IPO financing and bank borrowings. For details on the net proceeds from the Global Offering, please refer to the section headed "Use of Net Proceeds from Global Offering" in this annual report. The Company believes that it has sufficient funds to satisfy our working capital and capital expenditure requirements for 2021.

Borrowings

As of December 31, 2020, our bank borrowings of RMB209.4 million, had effective interest rates of 3.40-4.10%. As of December 31, 2020, our bank borrowings were secured by property, plant and equipment of RMB272.0 million and land use rights in our right-of-use assets of RMB22.2 million.

Key Financial Ratios

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

	As of December 31,	
	2020	2019
Current ratio[(1)]	**6.67**	12.19
Quick ratio[(2)]	**6.54**	12.06
Gearing ratio[(3)]	**0.01**	(0.68)

Notes:

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

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

(3) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by total equity and multiplied by 100%. For avoidance of doubt, ratios in brackets represent negative numbers.

Material Investments

The Group did not hold any material investments during the year ended December 31, 2020. In order to meet the increasing research demands and the international operational needs, the Company is considering to construct and develop a new R&D and operational center in Shanghai. Currently, the Company has no concrete plan. Save as disclosed in this annual report, there is no current plan of the Group for material investments or additions of material capital assets.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures for the year ended December 31, 2020.

Pledge of Assets

As of December 31, 2020, the Group had a total RMB272.0 million of property, plant and equipment and RMB22.2 million of land use rights pledged to secure its loans and banking facilities.

Contingent Liabilities

As of December 31, 2020, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that is likely to have a material and adverse effect on our business, financial condition or results of operations.

Foreign Exchange Exposure

During the year ended December 31, 2020, the Group mainly operated in China and a majority of its transactions were settled in RMB, the functional currency of the Company's primary subsidiaries. As of December 31, 2020, a significant amount of the Group's bank balances and cash was denominated in U.S. dollars. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Except for certain bank balances and cash, other receivables, trade and other payables denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as of December 31, 2020.

Employees and Remuneration

As of December 31, 2020, the Group had 334 employees. The total remuneration cost incurred by the Group for the year ended December 31, 2020 was RMB114.8 million, as compared to RMB146.8 million for the year ended December 31, 2019.

The remuneration package of our employees includes salary, bonus and share option incentives, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

The Company also has adopted Pre-IPO Share Option Plans and Post-IPO Share Option Scheme to provide incentives for the Group's employees. Please refer to the section headed "Statutory and General Information – D. Pre-IPO Share Option Plans" in Appendix V to the Prospectus and the Company's circular dated April 22, 2020 for further details.

EXECUTIVE DIRECTORS

Dr. XU Ting (徐霆), aged 48, is the founder, the chairman of our Board, an executive Director and the chief executive officer of our Company. Dr. Xu was appointed as a Director and the chairman of the Board on March 28, 2018 and October 31, 2018, respectively. Dr. Xu was re-designated as an executive Director on July 3, 2019. Dr. Xu has been serving as the chief executive officer of our Company since October 1, 2018. Dr. Xu is primarily responsible for overall management of the business strategy, corporate development and R&D of our Group and oversight of the commercial suitability and sustainability of our Group. Dr. Xu is also a director and the general manager of Jiangsu Alphamab.

Dr. Xu has more than 16 years of experience in pharmaceutical R&D. Prior to founding our Group, from November 2003 to June 2007, Dr. Xu worked at EMD Serono Research Institute Inc. (now part of Merck KGaA). From June 2007 to 2010, Dr. Xu served as senior scientist of Biogen IDEC Inc., a global biotechnology company, the shares of which are listed on NASDAQ (ticker symbol: BIIB). In November 2008, Dr. Xu founded Suzhou Alphamab, the predecessor and a connected person of our Company, and has been serving as a director of Suzhou Alphamab since its incorporation. Dr. Xu currently holds certain positions in our connected persons including a chairman of Suzhou Alphamab, a chairman of Suzhou SmartNuclide Biopharmaceutical Co., Ltd. (蘇州智核生物醫藥科技有限公司) and a chairman of Suzhou BioNovoGene Biotech Co., Ltd. (蘇州帕諾米克生物醫藥科技有限公司). In addition, Dr. Xu also currently serves as a director of Shanghai Kangjing Bioscience Co., Ltd. (上海康景生物醫藥科技有限公司) and a director of Suzhou Oncoimmune Co., Ltd. (蘇州昂康免疫科技有限公司). He also held several positions in Suzhou Dingfu Target Biotechnology Co., Ltd. (蘇州丁孚靶點生物技術有限公司), including the chairman and general manager from November 2011 to July 2018 and the legal representative from November 2011 to September 2018.

Dr. Xu obtained his bachelor's degree in biochemistry from Nanjing University (南京大學) in the PRC in July 1993 and his master's and doctoral degree in molecular biology and Biochemistry from Chinese Academy of Science (中國科學院) in the PRC in December 1997. Dr. Xu was a post-doctoral fellow of Tufts University in the U.S. from January 1998 to October 2000 and a post-doctoral fellow of Harvard University in the U.S. from November 2000 to March 2002. Dr. Xu was awarded the Science and Technology Leading Talent (科技領軍人才) by Suzhou Industry Park Administration Committee (蘇州工業園區管理委員會) in 2009, and was a member of national Thousand People Plan by the Organization Department of the Central Committee of the CPC (中共中央組織部) in 2013 and was granted the Mayor Award (市長獎) by Suzhou Municipal People's Government (蘇州市人民政府) in 2017. Dr. Xu won the sixth "Suzhou Outstanding Talent Award" awarded by the Suzhou Municipal Government in July 2020. Dr. Xu is the spouse of Ms. Liu.

Ms. LIU Yang (劉陽), aged 49, was appointed as our Director on October 31, 2018 and re-designated as our executive Director on July 3, 2019. She was also appointed as the Vice President, Corporate Operations of our Company on October 1, 2018. Since joining our Group, Ms. Liu has participated in the daily operations of our Group and is primarily responsible for corporate operations and management, including human resources, administration and supply chain of the Group. Ms. Liu also holds several positions with other members of our Group including a vice president of Jiangsu Alphamab and a director of Alphamab Australia Co Pty Ltd.

Ms. Liu has extensive experience in the biotechnology industry and worked as a physician for four years. Prior to joining our Group, Ms. Liu served as an attending physician in internal medicine at the First People's Hospital of Lianyungang City (連雲港第一人民醫院) from July 1994 to July 1997. From March 1999 to May 2001, she worked at Ironwood Pharmaceuticals, Inc. (formerly known as Microbia, Inc.). Ms. Liu also worked at ImmunoGen. Inc. from 2003 to 2010. She also served as a vice president of Suzhou Dingfu Target Biotechnology Co., Ltd. (蘇州丁孚靶點生物技術有限公司). Ms. Liu was awarded as one of 2020 China Top 50 Women in Technology by Forbes China in July 2020.

Ms. Liu obtained her bachelor's degree in medicine from Xuzhou Medical University (徐州醫科大學) in the PRC in July 1994. Ms. Liu is the spouse of Dr. Xu.

NON-EXECUTIVE DIRECTORS

Mr. XU Zhan Kevin (許湛), aged 39, was appointed as our Director on November 8, 2018 and re-designated as our non-executive Director on July 3, 2019. Mr. Xu is primarily responsible for participating in formulating our Company's corporate and business strategies.

Mr. Xu currently serves as a managing director with PAG Asia Capital, an affiliate of PAG (formerly known as Pacific Alliance Group), where Mr. Xu has been a member since September 2011. In addition, Mr. Xu holds positions in the following companies including a director of Zhejiang Hisun BioRay Bio-pharmaceutical Co.,Ltd. (浙江海正博銳生物製藥有限公司) since September 2019, a director of Sinopharm Rosino (Shanghai) Commercial Factoring Co., Ltd. (國藥融匯(上海)商業保理有限公司) since October 2018, a director of Shenzhen Samoyed Financial Services Co., Ltd. (深圳薩摩耶互聯網金融服務有限公司) since September 2018, a director of Shenzhen Qianhai Dadao Financial Services Co., Ltd. (深圳前海大道金融服務有限公司) since December 2016, a director of Inner Mongolia Youran Dairy Co., Ltd. (內蒙古優然牧業有限責任公司) since December 2015 and a director of Shenzhen Qianhai Dashu Financial Services Co., Ltd. (深圳前海大數金融服務有限公司) since November 2015. From January 2006 to August 2007, Mr. Xu worked at Morgan Stanley Asia Limited, where he was responsible for consulting services for corporate securities issuance and mergers and acquisitions. From August 2007 to June 2009, Mr. Xu served as an associate of TPG Capital Limited. From November 2009 to August 2011, Mr. Xu served as a senior associate in the investment general team of Apax Partners Hong Kong Limited.

Mr. Xu obtained his bachelor's degree in electronic information engineering from Zhejiang University (浙江大學) in the PRC in June 2003. He later obtained his master's degree in management science and engineering from Stanford University in the U.S. in January 2006.

Mr. QIU Yu Min (裘育敏), aged 48, was appointed as our Director on October 31, 2018 and re-designated as our non-executive Director on July 3, 2019. Mr. Qiu is primarily responsible for participating in formulating our Company's corporate and business strategies. Prior to joining our Group, Mr. Qiu has over 15 years of experience in medical and healthcare advisory and investment industry. In addition, Mr. Qiu has been a partner of investment department at Advantech Capital (尚珹投資) since October 2017. Since September 26, 2018, he has served as a director of TOT Biopharm International Company Limited (東曜藥業股份有限公司), the shares of which are listed on the Stock Exchange (stock code: 1875) and is currently a non-executive director and a member of audit and connected transactions review committee of TOT Biopharm International Company Limited. Mr. Qiu also holds directorship in the following companies including Heal Force Bio-Meditech Holdings Limited, Arrail Group Limited, Shanghai Wiwide UKang Network Technology Co., Ltd. (上海邁外迪佑康網絡科技有限公司), Shenzhen Huakang Quanjing Information Technology Co., Ltd. (深圳市華康全景資訊技術有限公司), HBM Holdings Limited, KBP Biosciences Holdings Limited, Shandong Henry Pharmaceutical Technology Co., Ltd. (山東亨利醫藥科技有限責任公司), Zhejiang Daoming Pharmaceutical Technology Co., Ltd. (浙江導明醫藥科技有限公司), Dongyao Pharmaceutical Co., Ltd. (東曜藥業有限公司) and Sinovac Research & Development Co., Ltd. (北京科興中維生物技術有限公司). He is also the legal representative and a director of Zhuhai Advantech Investment Consulting company limited (珠海尚珹投資諮詢有限公司).

Prior to joining our Group, Mr. Qiu worked at Vancouver Coastal Health Authority until 2007. From April 2007 to May 2010, he served as a manager of the healthcare advisory team of PricewaterhouseCoopers Consultants (Shenzhen) Ltd. Beijing Branch (普華永道諮詢(深圳)有限公司北京分公司), where he was responsible for providing consulting services in the medical industry. From May 2010 to April 2013, Mr. Qiu served as the vice president in investment department of GL Capital (德福資本), where he was responsible for investment in healthcare industry. From May 2013 to December 2015, Mr. Qiu held multiple positions in New Horizon Capital (新天域資本) including a director and an executive director. Mr. Qiu was an executive director of Advantech Capital (尚珹投資) from January 2016 to September 2017 and has been serving as a partner of Advantech Capital since October 2017.

Mr. Qiu obtained his bachelor's degree in power engineering from East China University of Technology (華東工業大學) in the PRC in July 1994. He obtained his master's degree in business management in finance from University of British Columbia in Canada in May 2004. Mr. Qiu has been a chartered financial analyst conferred by the Chartered Financial Analyst Institute since 2007 and a certified management analyst conferred by the Institute of Management Accountants since May 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. JIANG Hualiang (蔣華良), aged 56, was appointed as an independent non-executive Director on November 24, 2019. Dr. Jiang is primarily responsible for supervising and providing independent judgement to our Board.

Dr. Jiang joined Shanghai Institute of Materia Medica, Chinese Academy of Sciences (中國科學院上海藥物研究所) in August 1995 and successively served as different positions including a research fellow, a director and a research director of State Key Laboratory of Drug Research (新藥研究國家重點實驗室). He is also serving as an adjunct professor at Shenyang Pharmaceutical University (瀋陽藥科大學) since September 2015. Dr. Jiang was recognized as an Academician of Chinese Academy of Sciences (中國科學院院士) in November 2017. Dr. Jiang was awarded the Second Prize of State Technological Invention Award (國家技術發明獎二等獎) by State Council of the People's Republic of China (中華人民共和國國務院) in 2017, the First Prize of Shanghai Science and Technology Award (上海市科學技術獎一等獎) by Shanghai Municipal People's Government (上海市人民政府) twice in 2003 and 2015 and the Second Prize of National Natural Science Award (國家自然科學獎二等獎) by State Council of the People's Republic of China in 2007.

Dr. Jiang was appointed as an independent non-executive director of Shanghai Junshi Biosciences Co., Ltd. a company listed on the Stock Exchange (stock code: 1877) and Shanghai Stock Exchange (stock code: 688180) in October 2020 and an independent non-executive director of Microport Cardioflow Medtech Corporation, a company listed on the Stock Exchange (stock code: 2160) in February 2021.

Dr. Jiang obtained a bachelor's degree in chemistry from Nanjing University (南京大學) in the PRC in July 1987, a master degree in physical chemistry from East China Normal University (華東師範大學) in the PRC in July 1992 and a doctoral degree in medicinal chemistry from Shanghai Institute of Materia Medica, Chinese Academy of Sciences (中國科學院上海藥物研究所) in the PRC in July 1995.

Mr. WEI Kevin Cheng (蔚成), aged 53, was appointed as an independent non-executive Director on November 24, 2019. Mr. Wei's main responsibility includes serving as the chairman of the Audit Committee.

Mr. Wei is currently a managing partner of Fontainburg Corporation Limited, a corporate finance advisory firm. Mr. Wei has held the following positions in certain public companies:

- an independent non-executive director and the chairman of audit and compliance committee of Nexteer Automotive Group Limited, a company listed on the Stock Exchange (stock code: 1316) since June 2013; and

- a non-executive director and the chairman of nomination committee of Tibet Water Resources Ltd., a company listed on the Stock Exchange (stock code: 1115), since October 2020 and the chairman of the board of directors of Tibet Water since May 2020. He has previously served as the chairman of audit committee, a member of remuneration committee and nomination committee and risk management committee between March 2011 and October 2020 as an independent non-executive director.

Mr. Wei's prior directorships include:

- an independent director and the chairman of audit committee of the board of Hunter Maritime Acquisition Corp., which was delisted from NASDAQ in 2019, from April 2019 to July 2019;

- an independent director and the chairman of audit committee of Alpha Peak Leisure Inc., a company listed on the Toronto Stock Exchange (TSX-V: AAP), from November 2017 to June 2020.

Mr. Wei also served as the chief financial officer of IFM Investments Limited, a real estate services company headquartered in Beijing, from December 2007 to September 2013. IFM Investments Limited was delisted from NYSE in 2015. Prior to that, from July 2006 to October 2007, Mr. Wei served as the chief financial officer of Solarfun Power Holdings Co., Limited (ticker symbol: SOLF), a NASDAQ listed solar company (currently known as Hanwha SolarOne Co., Ltd. and relisted on NASDAQ as Hanwha SolarOne (ticker symbol: HSOL)). From September 2003 to July 2005, Mr. Wei served as the head of internal audit for LG.Philips Displays International Ltd.

Mr. Wei became a member of the American Institute of Certified Public Accountants in February 1999. He graduated in June 1991 from Central Washington University in the U.S., where he received his bachelor's degree in science (cum laude) with a double major in accounting and business administration.

Mr. WU Dong (吳冬), aged 51, was appointed as an independent non-executive Director on November 24, 2019. Mr. Wu is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Wu is currently serving as a venture partner at 6 Dimensions Capital (蘇州通和毓承投資合夥企業(有限合夥)), a leading venture capital firm specializing in the healthcare industry to invest in companies in their early stages of formation or progress for development. He is also the founder and an executive director of Shanghai Jiuben Technology Co., Ltd. (上海究本科技有限公司). Prior to joining 6 Dimensions Capital, Mr. Wu had worked for Johnson & Johnson (a company listed on the NYSE, stock code: JNJ) for over 10 years from August 2007 to March 2018 and served different positions including the head of Asia Pacific Innovation Center, a vice president of global engineering and emerging market R&D, the Emerging Market Innovation Centre Leader, a vice president of Research Development & Engineering, Asia Pacific and a senior director of emerging market R&D.

Mr. Wu received his bachelor's degree in applied chemistry from Fudan University (復旦大學) in the PRC in July 1992 and an executive master of business administration from China-Europe International Business School (中歐國際商學院) in the PRC in September 2005.

SENIOR MANAGEMENT

Dr. XU Ting (徐霆) is the chairman of the Board, Chief Executive Officer and an executive Director. Please see "Executive Directors" section on page 46 for details of his biography.

Dr. Johannes NIPPGEN, aged 53, was appointed as our chief medical officer on March 15, 2021. Dr. Nippgen is primarily responsible for the clinical development and transitional research of our innovative product pipelines, as well as participate in designing research and development strategy of innovative products and promote international cooperation.

Dr. Nippgen has over 25 years of experience in medical industry. His industry expertise covers the clinical research and development and as well as project management in various international biopharma and biotech companies. From January 2018 to March 2021, he served as head of research and development in China at Merck Group, a German multinational science and technology company. From January 2016 to December 2017, he served as a leader of research and development program at Merck KGaA, a Germany company specializing in healthcare, life science and electronics, the shares of which are listed on the U.S. over-the-counter market (OTCMKTS: MKGAF). From March 2015 to December 2015, he was in charge of clinical development at Karyopharm Therapeutics Inc., an innovation-driven pharmaceutical company focusing on the discovery, development and commercialization of medicines, the shares of which are listed on Nasdaq Global Select Market (NASDAQ ticker symbol: KPTI). From November 2012 to February 2015, he was the head of research and development at Glycotope GmbH, a clinical-stage immune-oncology company in Germany, From December 2008 to October 2012, he was vice president of medical sciences at ImClone Systems, a wholly-owned subsidiary of Eli Lilly and Company, the shares of which are listed on the New York Stock Exchange (NYSE: LLY). From 1994 to 2004, he worked at Universitätsklinikum Carl Gustav Carus, primarily responsible for surgical oncology and urology. Dr. Nippgen obtained his doctorate degree in clinical medicine from University of Mainz in German, and his another doctorate degree from University of Würzburg in German. He published in various regional and international journals including the New England Journal of Medicine.

Mr. XU Weihao (徐偉豪), aged 38, was appointed as our chief financial officer on March 30, 2021. Mr. Xu is primarily responsible for the formulation of our financial and capital market strategy and investor relations matters, as well as participate in our international business expansion and cooperation.

Mr. Xu has more than ten years of experience in global capital markets, equity investment and financial management. Mr. Xu held executive roles in several companies listed in the United Sates and global investment companies. Prior to joining our Company, Mr. Xu served as the chief financial officer at CASI Pharmaceuticals Inc., the shares of which are listed on the Nasdaq Global Select Market (NASDAQ ticker symbol: CASI). From 2018 to 2019, he also served as the chief financial officer and director at 111, Inc., the shares of which are listed on the Nasdaq Global Market (NASDAQ ticker symbol: YI). From 2016 to 2018, Mr. Xu served as a portfolio manager at Matthews International Capital Management LLC, a San Francisco-based investment firm focusing on investing in Asia. He also served as the head of the emerging markets and portfolio manager at Permal Asset Management LLC from 2014 to 2016 and worked as an investment analyst at Lansdowne Partners, an asset management company based in the United Kingdom, from 2012 to 2014. Mr. Xu received a master degree in finance and accounting from Columbia Business School.

Save as disclosed above, none of our Directors and senior management held any directorship in any public companies the shares of which are listed in the Stock Exchange or overseas stock markets during the three years prior to the date of this annual report.

To the best of the Board's knowledge, information and belief, save as disclosed in the annual report, our Directors and senior management do not have any relationship amongst them.

JOINT COMPANY SECRETARIES

Ms. WANG Jin'nan (王晉南), aged 38, the director of investor relations, was appointed as a joint company secretary and authorized representative of the Company on December 7, 2020. She has over ten years of experience in financing, investment and investor relationship management. Ms. Wang graduated from the Jilin University with a master's degree in Economics. Prior to joining the Company, she has been a manager of Duff & Phelps, primarily responsible for providing fairness opinion on equity transactions, financing, mergers and acquisitions and investment. She has also served as investor relationship director and manager of two companies listed on the Stock Exchange.

Ms. Chan Lok Yee (陳濼而) was appointed as one of our joint company secretaries on July 20, 2020. Ms. Chan is a manager of Corporate Services of Vistra Corporate Services (HK) Limited. She has over seven years of experience in providing a full range of company secretarial and compliance services to private and listed companies. Ms. Chan obtained a bachelor's degree in arts from The Hong Kong Polytechnic University and a master's degree of science in professional accounting and corporate governance from The City University of Hong Kong. She has been an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators (now known as The Chartered Governance Institute) in the United Kingdom since 2015.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance Report

The Board presents this corporate governance report in the Group's annual report for the year ended December 31, 2020.

CORPORATE GOVERNANCE PRACTICES

The Company strives to achieve high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices.

For the year ended December 31, 2020, the Company has complied with all applicable code provisions set out in the Corporate Governance Code except for the deviations from code provision A.2.1 of the Corporate Governance Code.

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Xu currently serves as the chairman of the Board and the chief executive officer of the Company. He is the founder of the Group and has been operating and managing the Group since its establishment. Our Directors believe that it is beneficial to the business operations and management of the Group that Dr. Xu continues to serve as both the chairman of the Board and the chief executive officer of the Company.

The Company regularly reviews its compliance with corporate governance codes and the Board believes that, save as disclosed above, the Company was in compliance with the applicable code provisions of the Corporate Governance Code for the year ended December 31, 2020.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code for the year ended December 31, 2020.

The Company's relevant employees, who are likely to be in possession of unpublished price-sensitive information ("**Inside Information**") of the Company, have also been subject to the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company for the year ended December 31, 2020.

The Company has also established a policy on Inside Information to comply with its obligations under the SFO and the Listing Rules. In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

BOARD OF DIRECTORS

The Board currently comprises two executive Directors, two non-executive Directors and three independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors:

Dr. XU Ting (徐霆) *(Chairman of the Board and Chief Executive Officer)*
Ms. LIU Yang (劉陽)

Non-Executive Directors:

Mr. XU Zhan Kevin (許湛)
Mr. QIU Yu Min (裘育敏)

Independent Non-Executive Directors:

Dr. JIANG Hualiang (蔣華良)
Mr. WEI Kevin Cheng (蔚成)
Mr. WU Dong (吳冬)

The biographical details of the Directors are set out in the section headed "Profiles of Directors and Senior Management" on pages 46 to 51 of this annual report.

Save that Dr. Xu and Ms. Liu Yang are spouse, none of the members of the Board is related to one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

BOARD MEETINGS

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

Attendance record of Directors

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

	Number of meeting(s) attended/number of meeting(s) held for the year ended December 31, 2020					
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Strategy Committee**	**Annual General Meeting**
Executive Directors:						
Dr. XU Ting	5/5	N/A	N/A	1/1	1/1	1/1
Ms. LIU Yang	5/5	N/A	1/1	N/A	1/1	1/1
Non-executive Directors:						
Mr. XU Zhan Kevin	5/5	N/A	N/A	N/A	1/1	1/1
Mr. QIU Yu Min	5/5	2/2	N/A	N/A	N/A	1/1
Independent Non-executive Directors:						
Dr. JIANG Hualiang	5/5	N/A	N/A	1/1	1/1	1/1
Mr. WEI Kevin Cheng	5/5	2/2	1/1	N/A	N/A	1/1
Mr. WU Dong	5/5	2/2	1/1	1/1	N/A	1/1

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

For the year ended December 31, 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 Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from November 24, 2019 or until the third annual general meeting of the Company since the Listing Date (whichever is sooner). Independent non-executive Directors are required to inform the Company if there is any change that may affect his/her independence.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, identifying and recommending individuals suitably qualified to become Board members, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

Code Provision A.4.1 of the Corporate Governance Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election.

Each of the Directors, including non-executive Directors, is appointed for a term of three years and is subject to retirement by rotation once every three years.

Pursuant to Article 84(1) of the Articles of Association, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office and be eligible for re-election at each annual general meeting, provided that every Director is subject to retirement by rotation at least once every three years. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and be subject to re-election.

Accordingly, Ms LIU Yang, Mr. WEI Kevin Cheng and Mr. WU Dong shall retire at the AGM and, being eligible, will offer themselves for re-election pursuant to Article 84(1) of the Articles of Association.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for making all major decisions of the Company including the approval and monitoring of all major policies of the Group and overall strategies, internal control and risk management systems, notifiable and connected transactions, nomination of the Directors and joint company secretaries, and other significant financial and operational matters.

All of the Directors have full and timely access to all relevant information as well as the advice and services of the joint company secretaries, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions are periodically reviewed. Approval must be obtained from the Board before any significant transaction is entered into.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Strategy Committee for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. The terms of reference of the Board committees are available for viewing on the websites of the Company and the Stock Exchange.

Audit Committee

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company has established the Audit Committee and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the Corporate Governance Code.

The Audit Committee comprises two independent non-executive Directors and one non-executive Director, namely Mr. WEI Kevin Cheng, Mr. WU Dong and Mr. QIU Yu Min. Mr. WEI Kevin Cheng, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. The principal duties of the Audit Committee include, among others, the review and supervision of the Group's financial reporting system, risk management and internal control systems; review of the Group's financial information; review of the relationship with the external auditor of the Company; and performance of the corporate governance functions delegated by the Board.

The Group's interim results and interim report for the six months ended June 30, 2020 and annual results for the year ended December 31, 2020 have been reviewed by the Audit Committee and the annual results have also been audited by the independent auditor of the Company, Deloitte Touche Tohmatsu. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company during the Reporting Period.

The Audit Committee held two meetings during the Reporting Period.

Remuneration Committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management, to engage in assessing performance of executive directors, and to review and approve the compensation payable to executive directors and senior management in accordance with service contracts. The Remuneration Committee comprises one executive Director and two independent non-executive Directors, namely Ms. LIU Yang, Mr. WU Dong and Mr. WEI Kevin Cheng. Mr. WU Dong is the chairman of the committee.

The Remuneration Committee has reviewed policy and structure for the remuneration of the Directors and senior management of the Company and remuneration proposal of the Directors and senior management of the Company for the year ended December 31, 2020 during the Reporting Period.

The Remuneration Committee held one meeting during the Reporting Period.

Nomination Committee

We have established a nomination committee in compliance with the Corporate Governance. Code The primary duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Dr. Xu, Dr. JIANG Hualiang and Mr. WU Dong. Dr. Xu is the chairman of the committee.

The Nomination Committee has reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, recommended the re-appointment of the Directors standing for re-election at the annual general meeting of the Company and reviewed the board diversity policy and nomination policy of the Company during the Reporting Period.

The Nomination Committee held one meeting during the Reporting Period.

The nomination policy was approved and adopted by the Board for evaluating and selecting any candidate for directorship. The Nomination Committee would consider the following criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy), any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

Strategy Committee

We have established a strategy committee. The primary duties of the Strategy Committee are to review and advise on our medium to long term strategic positioning and development plans and to monitor the implementations of our development plans. The Strategy Committee comprises two executive Directors, one non-executive Director and one independent non-executive Director, namely Ms. LIU Yang, Dr. Xu, Dr. JIANG Hualiang and Mr. XU Zhan Kevin. Ms. LIU Yang is the chairman of the committee.

The Strategy Committee has reviewed the Company's medium-term and long-term strategic goals and development plans of the business goal of the Company during the Reporting Period.

The Strategy Committee held one meeting during the Reporting Period.

Board Diversity Policy

The composition and diversity of the Board were considered by adopting the Company's board diversity policy ("**Board Diversity Policy**") including the necessary balance of skills and experience appropriate for the requirements of the business development of the Company and for effective leadership. All the executive and non-executive Directors possess extensive and diversified experience in management and broad industrial experience. The three independent non – executive Directors possess professional knowledge in management, finance, accountancy and legal, respectively with broad and extensive experience in business advisory and management, respectively. A summary of the Board Diversity Policy is set out below and would be reviewed by the Nomination Committee from time to time:

Purpose

The Board Diversity Policy aims to set out the approach to achieve diversity of the Board and enable the Board to comply with the Corporate Governance Code.

Board Diversity Policy Statement

The Company considers increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from several aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

In reviewing the structure, size, composition and diversity of the Board, the Nomination Committee has considered the measurable objectives as set out in the Board Diversity Policy. The Nomination Committee is of the view that the diversity level of the Board is appropriate in terms of knowledge, experience and skills of the directors. However, the Nomination Committee will continue to observe the Board Diversity Policy and consider potential candidates against the objective criteria set out in the Board Diversity Policy in order to achieve increasing diversity at the Board level.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for determining corporate governance policy of the Company performing the functions set out in code provision D.3.1 of the Corporate Governance Code. Such duties have been delegated to the Audit Committee.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code, the Company's code of conduct applicable to its employees and Directors, and disclosure in its Corporate Governance Report during the Reporting Period.

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

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**") in accordance with the Corporate Governance Code. The Company does not have any pre-determined dividend payout ratio and intends to retain most, if not all, of available funds and any future earnings to operate and expand the business of the Company. Dividends may only be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed. All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six years from the date of declaration shall be forfeited and shall revert to the Company.

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 December 31, 2020.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors keep abreast of the responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

The Directors are continually provided with information relating to the developments in the legal and regulatory regime and the business and market environments to facilitate the execution of their responsibilities. Continuing briefings and professional development for the Directors were arranged by the Company and its professional Advisors.

For the year ended December 31, 2020, all of the Directors, namely, Dr. Xu, Ms. LIU Yang, Mr. XU Zhan Kevin, Mr. QIU Yu Min, Dr. JIANG Hualiang, Mr. WEI Kevin Cheng and Mr. WU Dong participated in a training session conducted by our former legal advisor as to Hong Kong law, on connected transactions, corporate governance and continuing obligations of listed companies and its directors.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed Deloitte as the external auditor for the year ended December 31, 2020. A statement by Deloitte about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 101 to 209.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte for the year ended December 31, 2020 are set out in the table below:

Services rendered for the Company	Fees paid and payable (RMB'000)
Audit service	
Annual audit services	2,690.0
Sub-total	2,690.0
Non-audit service	
Tax advising services	33.3
Internal control review for the listing	140.6
Sub-total	173.9
Total	2,863.9

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 Group's strategic objectives and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Board has delegated the Audit Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. The review covers all material controls, including financial, operational and compliance controls.

The Group has also established a set of internal control procedures and system and adopted corporate governance practices to facilitate the effectiveness operation of our business. The Group has adopted an information disclosure policy which sets out comprehensive guidelines in respect of handling and dissemination of inside information.

The Company is committed to excellence and continual improvement and will continue to encourage innovation while maintaining a low-risk profile. Employees are encouraged to adopt a positive approach to risk management, which further strengthens the risk-aware culture (as opposed to risk-adverse culture) of the Group. Risk management is incorporated into the strategic and operational processes at all levels within the Group in order to minimize the impact of risk. Opportunities and risks are identified and are proactively assessed and monitored by employees on an on-going basis.

The Group has established an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems. Relevant personnel have been designated to be responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. Each member of the Group is required to adhere strictly to the Group's internal control procedures and report to the internal audit team of any risks or internal control measures.

The risk management and internal control systems as well as the effectiveness of the internal audit function for the Group was reviewed by the internal consultant of the Company prior to the Company's Listing and has been reviewed by the Audit Committee and the internal auditor for the Reporting Period. No significant deficiency was located and no material issue was noted or discussed, which required management's attention. The Board is of the view that the risk management and internal control systems for the Reporting Period are effective and adequate.

Going forward, the Board, to be supported by the Audit Committee as well as the management report and the internal audit findings, will continue to review the effectiveness of the risk management and internal control systems of the Group, including the financial, operational, compliance controls and risk management annually. The annual review will also cover the financial reporting and staff qualifications, experience and relevant resources.

Arrangements are in place to facilitate employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Group.

JOINT COMPANY SECRETARIES

Ms. WANG Jin'nan, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also engaged Ms. CHAN Lok Yee, a manager of the corporate services department of Vistra Corporate Services (HK) Limited, as the joint company secretary to assist Ms. WANG Jin'nan in discharging the duties of a company secretary of the Company. Her primary contact person at the Company is Ms. WANG Jin'nan, the joint company secretary of the Company.

During the year ended December 31, 2020, Ms. CHAN Lok Yee has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year. Ms. WANG Jin'nan was appointed as one of our joint company secretaries on December 7, 2020 and had taken relevant professional training after her appointment. Ms. WANG Jin'nan will take no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules commencing from the financial year ending December 31, 2021.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings by Shareholders

Pursuant to Article 58 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company for the transaction of any business specified in such requisition.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves may convene the general meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Proposals at General Meetings

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (as amended from time to time) or the Articles of Association. However, Shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an extraordinary general meeting following the procedures set out in paragraph above.

As regards the procedures for Shareholders to propose a person for election as a Director, they are available on the Company's website at **http://www.alphamabonc.com/**.

Putting Forward Enquiries to the Board and Contact Details

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

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong by post with attention to Ms. CHAN Lok Yee/Ms. WANG Jin'nan, the Joint Company Secretaries or email to ir@alphamabonc.com, for the attention of the Joint Company Secretaries.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

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

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

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Company did not make any significant changes to its constitutional documents. A latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

GOING CONCERN

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to the Shareholders through the optimization of the debt and equity balance.

There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's liability to continue as a going concern.

The Board of the Company is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2020.

BOARD OF DIRECTORS

The Board currently comprises two executive Directors, two non-executive Directors and three independent non-executive Directors.

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

Executive Directors:

Dr. XU Ting (徐霆) *(Chairman of the Board and Chief Executive Officer)*
Ms. LIU Yang (劉陽)

Non-Executive Directors:

Mr. XU Zhan Kevin (許湛)
Mr. QIU Yu Min (裘育敏)

Independent Non-Executive Directors:

Dr. JIANG Hualiang (蔣華良)
Mr. WEI Kevin Cheng (蔚成)
Mr. WU Dong (吳冬)

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on March 28, 2018 as an exempted limited liability company under the laws of the Cayman Islands. The Company's Shares were listed on the Main Board of the Stock Exchange on December 12, 2019.

PRINCIPAL ACTIVITIES

We are a leading clinical-stage biopharmaceutical company in China with a fully-integrated proprietary biologics platform in bispecifics and protein engineering. Our mission is to deliver world-class innovative therapeutic biologics to treat patients globally by applying our unique drug discovery and development capabilities. We believe our unique drug discovery and development capabilities are demonstrated by our strong R&D track record and supported by our proprietary technologies, platforms and expertise.

RESULTS

The results of the Group for the year ended December 31, 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 106 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. These discussions form part of this annual report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Important Events After the Reporting Period" in this annual report. The discussion of the Company's key relationships with its employees, suppliers and others that have a significant impact on the Company is set out in the section headed "Key Relationships with the Stakeholders" in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties faced by the Group, some of which are beyond its control:

- we may be unable to obtain regulatory approval for our drug candidates;
- clinical drug development involves a lengthy and expensive process with uncertain outcomes, and we may be unable to commercialize our drug candidates on a timely basis;
- if our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates;
- we may not be able to identify, discover or develop new drug candidates;
- we have incurred significant net losses since inception and expect to continue to incur losses, and may never achieve or maintain profitability;
- we may need to obtain substantial additional financing to fund our operations;
- we may not be successful in developing enhancing or adapting to new technologies and methodologies;

- we have very limited experience in commercializing drug candidates;
- we may not be able to obtain sufficient patent protection for our drug candidates;
- we have collaborated with third parties in the development of drug candidates and combination therapies and may seek collaboration opportunities and strategic alliances in the future;
- the epidemic of COVID-19 may have potential impacts on our business, including but not limited to the advancement of clinical trials, approval of regulatory registration, procurement of raw materials.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is our corporate and social responsibility in promoting a sustainable and environmental-friendly environment. We strive to minimize our environmental impact and to build our corporation in a sustainable way.

We are subject to environmental protection and occupational health and safety laws and regulations in China. In 2020, we complied with the relevant environmental and occupational health and safety laws and regulations in China and we did not have any incidents or complaints, which had a material and adverse effect on our business, financial condition or results of operations. The 2020 Environmental, Social and Governance Report of the Company will be published no later than five months after the end of financial year ended December 31, 2020.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. For the year ended December 31, 2020, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

EMPLOYEE AND REMUNERATION POLICIES

As of December 31, 2020, the Group had 334 employees.

The number of employees employed by the Group varies from time to time depending on need. The remuneration package of our employees includes salary and bonus, which are generally determined by their qualifications, industry experience, position and performance. The Company makes contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

The Company also has adopted the Pre-IPO Share Option Plans, the Post-IPO Share Option Scheme and Post-IPO Restricted Share Award Scheme to provide incentives for certain employees. Please refer to the section headed "Pre-IPO Share Option Plans", "Post-IPO Share Option Scheme" and "Post-IPO Restricted Share Award Scheme" in this annual report for further details.

The total remuneration cost incurred by the Group for the year ended December 31, 2020 was RMB114.8 million, as compared to RMB146.8 million for the year ended December 31, 2019.

For the year ended December 31, 2020, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

MAJOR SUPPLIERS

For the year ended December 31, 2020, our major suppliers primarily consisted of machinery and equipment suppliers, as well as raw materials suppliers and third-party service providers for our clinical trials and pre-clinical studies. We have maintained stable business relationships with our major suppliers for approximately four years. For the procurement of machinery and equipment, we generally settle payments pursuant to a payment schedule. For raw material procurement, we engaged Independent Third Party CROs to provide certain services in our pre-clinical studies and clinical trials during the Reporting Period. These services primarily include performing laboratory tests and statistical analyses, conducting data collection and subject monitoring in our clinical trials, and carrying out certain studies based on our study design, which are time and labor intensive.

For the year ended December 31, 2020, purchases from the Group's five largest suppliers amounted to RMB59.4 million (2019: RMB42.5 million), accounting for approximately 25.6% (2019: 35.3%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended December 31, 2020 amounted to RMB18.3 million (2019: RMB10.7 million), accounting for approximately 7.9% (2019: 8.9%) of the Group's total purchase amount for the same year.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest suppliers.

For the year ended December 31, 2020, the Group did not experience any significant disputes with its suppliers.

MAJOR CUSTOMERS

The Group currently has no products for commercial sale and did not generate any revenue from product sales for the year ended December 31, 2020.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that various stakeholders including suppliers, employees, Shareholders and other business associates are key to Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

Relationship with Our Employees

We endeavor to cultivate talented and loyal employees by treating our employees with dignity, respect and fairness. We conduct new employee training, as well as professional and compliance training programs for employees. We enter into employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees usually includes salary, bonus and share option incentives, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

Relationship with Shareholders

We recognize the importance of protecting the interests of the Shareholders and of having effective communication with them. We believe communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, annual reports and results announcements.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out on pages 107 to 108 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 40 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group for the year ended December 31, 2020 are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2020 and details of the Shares issued for the year ended December 31, 2020 are set out in Note 28 to the consolidated financial statements.

DONATION

For the year ended December 31, 2020, the Group made charitable donations of RMB1 million.

DEBENTURE ISSUED

The Group did not issue any debenture for the year ended December 31, 2020.

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Plans, the Post-IPO Share Option Plan and the Post-IPO Restricted Share Award Scheme as set out in this annual report, no equity-linked agreements were entered into by the Group, or existed for the year ended December 31, 2020.

DIVIDENDS

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

PERMITTED INDEMNITY

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

Such permitted indemnity provision has been in force for the year ended December 31, 2020. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

The Company may pay dividends out of the share premium account, retained earnings and any other reserves provided that immediately following the payment of such dividends, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

As of December 31, 2020, our Company did not retain any profits under IFRSs as reserves available for distribution to our equity Shareholders.

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2020 are set out in the consolidated statement of changes in equity on pages 109 to 110 and in Note 39 to the consolidated financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2020 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 26 to the consolidated financial statements.

CONVERTIBLE BONDS

As of the date of this annual report, the Company has not issued any convertible bonds.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

As of the date of this annual report, the Company has not entered into any loan agreement which contains covenants requiring specific performance of the Controlling Shareholders.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date.

Each of the non-executive Director has signed a letter of appointment with the Company for an initial term of three years with effect from the Listing Date.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from November 24, 2019.

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

None of the Directors has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the Note 14 to the consolidated financial statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2020.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has undertaken to us in the Non-Competition Undertaking that, during the period of the Non-competition Undertaking, it/he shall not, and shall procure its/his close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with any business engaged by any member of our Group, or hold interest in any companies or business that compete directly or indirectly with the business currently or from time to time engaged in by our Group. For further details, please refer to the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" of the Prospectus.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus and save for their respective interests in the Group, none of the Directors and the Controlling Shareholders was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended December 31, 2020.

We have received annual written confirmations from the Controlling Shareholders, consisting of Dr. Xu and Rubymab, of the compliance with the provisions of the Non-competition Undertaking by such Controlling Shareholders and their close associates.

The independent non-executive Directors have reviewed the compliance with the Non-competition Undertaking during the year ended December 31, 2020 based on the information and confirmation provided by or obtained from the Controlling Shareholders, and were satisfied that our Controlling Shareholders have duly complied with the Non-competition Undertaking.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed for the year ended December 31, 2020.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As of December 31, 2020, the interests and short positions of the Directors or chief executives of our Company and their associates in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in the Shares of the Company

Name of Directors/ Chief Executive	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest
Dr. XU *(Executive Director and Chief Executive Officer)*	Founder of a discretionary trust	314,000,000[1] (L)	33.59%
	Interest in a controlled corporation		
	Beneficial owner	4,552,950 (L)	0.49%
Ms. LIU Yang *(Executive Director)*	Beneficiary of a trust	314,000,000[1] (L)	33.59%
	Interest of spouse	4,552,950[2] (L)	0.49%

Notes:

(1) These Shares are directly held by Rubymab, which is wholly owned by South Dakota Trust as the trustee of Dr. XU's Family Trust, of which Dr. XU acts as the settlor and protector for the benefits of his family members with South Dakota Trust acting as the trustee.

(2) Ms. LIU Yang is the spouse of Dr. XU, and therefore is deemed to be interested in the Shares held by Dr. XU under the SFO.

(3) The calculations is based on the total number of 934,939,370 Shares in issue as of December 31, 2020.

(L) – Long position.

Long Positions in the Underlying Shares of the Company

Name of Directors/ Chief Executive	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest
Dr. XU	Beneficial owner	16,743,500 (L)	1.79%
(Executive Director and Chief Executive Officer)	Interest of spouse	2,240,000[1] (L)	0.24%
Ms. LIU Yang	Beneficial owner	2,240,000 (L)	0.24%
(Executive Director)	Interest of spouse	16,743,500[1] (L)	1.79%

Notes:

(1) Dr. XU and Ms. LIU Yang are spouses, and therefore are deemed to be interested in the underlying Shares in respect of the share options granted under the Pre-IPO Share Option Plans held by each other under the SFO.

(L) – Long position.

Save as disclosed above, as of December 31, 2020, none of the Directors or chief executives of the Company of their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

As of December 31, 2020, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company or their associates) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholders	Nature of interest	Number of Shares	Approximate percentage of shareholding interest
Rubymab	Beneficial owner	314,000,000[1] (L)	33.59%
South Dakota Trust	Trustee	314,000,000[1] (L)	33.59%
Mr. ZHANG Xitian	Interest in a controlled corporation	85,750,000[2] (L)	9.17%
Sky Diamond	Beneficial owner	85,750,000[2] (L)	9.17%
Mr. XUE Chuanxiao	Interest in a controlled corporation	85,750,000[3] (L)	9.17%
Pearlmed	Beneficial owner	85,750,000[3] (L)	9.17%
PANG Kee Chan Hebert	Interest in a controlled corporation	49,691,190[4] (L)	5.31%
Advantech Capital Partners II Limited	Interest in a controlled corporation	49,691,190[4] (L)	5.31%
Advantech Capital II L.P.	Interest in a controlled corporation	49,691,190[4] (L)	5.31%

Name of Substantial Shareholders	Nature of interest	Number of Shares	Approximate percentage of shareholding interest
Advantech Capital II Master Investment Limited	Interest in a controlled corporation	49,691,190[4] (L)	5.31%
Advantech Capital II Investment Partners Limited	Interest in a controlled corporation	49,424,035[4] (L)	5.29%
Advantech I	Interest in a controlled corporation	49,424,035[4] (L)	5.29%
	Beneficial owner	267,155[4] (L)	0.03%
Advantech II	Beneficial owner	49,424,035[4] (L)	5.29%
GIC Private Limited	Interest in a controlled corporation	49,424,035[4] (L)	5.29%
GIC Special Investments Private Limited	Interest in a controlled corporation	49,424,035[4] (L)	5.29%
GIC (Ventures) Pte. Ltd.	Interest in a controlled corporation	49,424,035[4] (L)	5.29%
Highbury Investment Pte Ltd	Interest in a controlled corporation	49,424,035[4] (L)	5.29%

Notes:

(1) The entire share capital of Rubymab is wholly owned by South Dakota Trust as the trustee of Dr. XU's Family Trust, of which Dr. XU acts as the settlor and protector for the benefits of his family members with South Dakota Trust acting as the trustee.

(2) Sky Diamond is wholly owned by Mr. ZHANG Xitian. Therefore, Mr. ZHANG is deemed to be interested in the Shares in which Sky Diamond is interested under the SFO.

(3) Pearlmed is wholly owned by Mr. XUE Chuanxiao. Therefore, Mr. XUE is deemed to be interested in the Shares in which Pearlmed is interested under the SFO.

(4) Each of Advantech Capital II Investment Partners Limited (as the general partner of Advantech II), Advantech I (as a limited partner holding approximately 66.49% in Advantech II), Highbury Investment Pte Ltd (as a limited partner holding approximately 33.51% in Advantech II), Advantech Capital II Master Investment Limited (as the sole shareholder of Advantech I), GIC (Ventures) Pte. Ltd (as the sole shareholder of Highbury Investment Pte Ltd), GIC Special Investments Private Limited (as the entity that manages investment of Highbury Investment Pte Ltd), GIC Private Limited (as the sole shareholder of GIC Special Investments Private Limited), Advantech Capital II L.P. (as the sole shareholder of Advantech Capital II Master Investment Limited), Advantech Capital Partners II Limited (as the sole shareholder of Advantech Capital II Investment Partners Limited and the general partner of Advantech Capital II L.P.) and Mr. PANG Kee Chan Hebert (as the sole shareholder of Advantech Capital Partners II Limited) is deemed to be interested in the Shares held by Advantech II under the SFO.

Since Advantech I, a Shareholder holding approximately 0.03% of the Shares as of December 31, 2020, is ultimately controlled by Mr. PANG Kee Chan Hebert, each of Advantech Capital Partners II Limited, Advantech Capital II L.P., Advantech Capital II Master Investment Limited, Advantech Capital II Investment Partners Limited and Mr. PANG Kee Chan Hebert is deemed to be interested in all the Shares held by Advantech I and Advantech II under the SFO.

(5) The calculations is based on the total number of 934,939,370 Shares in issue as of December 31, 2020.

(L) – Long position.

Save as disclosed above, as at December 31, 2020, no person, other than the Directors or chief executives of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of its Associated Corporations" above, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

PRE-IPO SHARE OPTION PLANS

The Company has adopted two share options plans, namely the Pre-IPO Share Option Plan I and the Pre-IPO Share Option Plan II. The terms of both plans are not subject to the provisions of Chapter 17 of the Listing Rules.

Further details of the Pre-IPO Share Option Plans are set out in the Prospectus, Company's 2019 annual report and Note 30 to the consolidated financial statements.

A summary of the principal terms of the Pre-IPO Share Option Plans is set out below:

1. Pre-IPO Share Option Plan I (the "**Plan I**")

(a) Purpose

The plan has been established to advance the interests of the Company by providing for the grant to the participants (the "**Plan I Participants**") of the options (the "**Plan I Options**").

(b) Administration

The Administrator of the Plan I (the "**Plan I Administrator**") shall be the Board, except that the Board may delegate its authority under the Plan I to a committee of the Board (or one or more members of the Board), in which case references herein to the Board will refer to such committee (or members of the Board).

(c) Eligible Participant

The Plan I Administrator of the Plan I will select Plan I Participants from among employees and directors of, and consultants and advisors to, the Company and any corporation or other entity that stands in relationship to the Company that would result in the Company consolidating the financial results of such corporation or other entity under the accounting standards and policies adopted by the Company (the "**Affiliates**") to participate in the Plan I.

(d) Maximum Number of Shares Available for Issue under the Pre-IPO Share Option Plan

A maximum of 44,837,690 Shares of our Company with par value of US$0.000002 each may be delivered in satisfaction of the Plan I Options under the Plan I. Shares delivered under the Plan I will be fully paid upon exercise of the Plan I Option. No fractional Shares will be delivered under the Plan I.

As at December 31, 2020, the aggregate number of underlying Shares pursuant to the outstanding options and share awards granted under the Pre-IPO Share Option Plan I is 25,943,310 Shares, representing approximately 2.78% of the total issued Shares. Details of the Pre-IPO Share Option Plan I are set out in Note 30 to the consolidated financial statements.

(e) Determination of Exercise Price

The exercise price of each Plan I Option will be solely determined by the Plan I Administrator provided that the exercise price shall not be lower than the par value of the Shares underlying such Plan I Option. Plan I Options, once granted, may be repriced only in accordance with the applicable requirements of the Plan I.

(f) Consideration

The exercise of a Plan I Option is to be accompanied by payment at the exercise price in cash or check in a currency acceptable by the Plan I Administrator.

(g) Term of the Plan

The Plan I is terminated on the Listing Date. No Plan I Options may be granted after the termination of the Plan I but each Plan I Option outstanding as at such termination shall continue to be administered in accordance with the Plan I and the relevant Plan I grant agreement.

2. Pre-IPO Share Option Plan II (the "**Plan II**")

(a) Purpose

The plan has been established to advance the interests of the Company by providing for the grant to the participants (the "**Plan II Participants**") of the options (the "**Plan II Options**").

(b) Administration

The Administrator of the Plan II (the "**Plan II Administrator**") shall be the Board, except that the Board may delegate its authority under the Plan II to a committee of the Board (or one or more members of the Board), in which case references herein to the Board will refer to such committee (or members of the Board).

(c) Eligible Participants

The Plan II Administrator of the Plan II will select Plan II Participants from among employees and directors of, and consultants and advisors to, the Company and its Affiliates to participate in the Plan II.

(d) Maximum Number of Shares Available for Issue under the Pre-IPO Share Option Plan

A maximum of 28,148,110 ordinary shares of our Company with par value of US$0.000002 each may be delivered in satisfaction of the Plan II Options under the Plan II. Shares delivered under the Plan II will be fully paid upon exercise of the Plan II Option. No fractional Shares will be delivered under the Plan II.

As at December 31, 2020, the aggregate number of underlying Shares pursuant to the outstanding options and share awards granted under the Pre-IPO Share Option Plan II is 6,323,275 Shares, representing approximately 0.68% of the total issued Shares. Details of the Pre-IPO Share Option Plan II are set out in Note 30 to the consolidated financial statements.

(e) Determination of Exercise Price

The exercise price of each Plan II Option will be determined by the Plan II Administrator except that in the certain circumstances, approval from both Directors appointed by PAG Growth, or Advantech II and Advantech I by their affirmative vote at a meeting of the Board or by separate written consent signed by each Series A Director must be obtained. The exercise price of Plan II Options granted under Plan II shall not be lower than the par value of the Shares underlying such Plan II Option. Plan II Options, once granted, may be repriced only in accordance with the applicable requirements of the Plan II.

(f) Consideration

The exercise of a Plan II Option is to be accompanied by payment at the exercise price in cash or check in a currency acceptable by the Plan II Administrator.

(g) Term of the Plan

The Plan II is terminated on the Listing Date. No Plan II Options may be granted after the termination of the Plan II but, each Plan II Option outstanding as at such termination shall continue to be administered in accordance with the Plan II and the relevant Plan II grant agreement.

3. Outstanding Share Options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Plans as of December 31, 2020. For further details on the movement of the options during the Reporting Period, please see Note 30 to the consolidated financial statements.

Name of category of grantee	Date of grant	Option period	Exercise price (US$)	Number of Shares underlying options outstanding as of January 1, 2020	Number of options exercised during the Reporting Period	Number of options cancelled/lapsed during the Reporting Period	Number of Shares underlying options outstanding as of December 31, 2020
Directors							
XU Ting	Between June 30, 2019 to November 8, 2019	10 years from the date of grant	Between 0.0142 to 0.4898	Plan I: 17,061,780 Plan II: 4,234,670	4,552,950	–	Plan I: 12,508,830 Plan II: 4,234,670
LIU Yang	October 10, 2018	10 years from the date of grant	0.0142	Plan I: 2,240,000	–	–	Plan I: 2,240,000
Other Grantees in Aggregate							
	Between October 10, 2018 to November 13, 2019	10 years from the date of grant	Between 0.0142 to 0.4898	Plan I: 25,523,605 Plan II: 8,400,310	Plan I: 5,185,915 Plan II: 1,278,930	Plan I: 9,143,210 Plan II: 5,032,775	Plan I: 11,194,480 Plan II: 2,088,605
Total				57,460,365	11,017,795	14,175,985	32,266,585

Note:

(1) The closing market price per Share immediately before the date on which the options were exercised during the period was HK$17.0 and HK$15.64, respectively.

POST-IPO SHARE OPTION SCHEME

The Post-IPO Share Option Scheme was adopted by the Company on May 25, 2020. A summary of the principal terms of the Post-IPO Share Option Scheme is set out below:

(a) Purpose

The purpose of the Post-IPO Share Option Scheme is to provide incentive or reward to eligible persons ("**Post-IPO Option Scheme Participants**") for their contribution to, and continuing efforts to promote the interests of, the Group, and to incentivize them to remain with the Group, as well as for such other purposes as the Board may approve from time to time.

(b) Eligible Participants

The Post-IPO Option Scheme Participants include: (a) any employee (whether full-time or part-time) of the Company or any of its subsidiaries; (b) any director (including executive, non-executive and independent non-executive directors) of the Group; and (c) any member of the scientific advisory board of the Company. The basis of eligibility of any of the above classes of Post-IPO Option Scheme Participants to the grant of any Options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

(c) Maximum Number of Shares Available for Issue under the Post-IPO Share Option Plan

At the time of adoption of the Post-IPO Share Option Scheme or any new share option scheme, the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme, the new scheme and all schemes existing at such time of the Company must not in aggregate exceed 5% of the total number of Shares in issue as of the date of adoption of the Post-IPO Share Option Scheme or the new scheme (as the case may be), namely, 46,673,268 Shares.

As of the date of this annual report, 46,673,268 Shares are available for issue under the Post-IPO Share Option Scheme, representing approximately 5.0% of the issued Shares of the Company.

(d) Maximum Entitlement of Each Eligible Person

No Option shall be granted to any eligible person if, at the relevant time of grant, the number of Shares issued and to be issued upon exercise of all Options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the relevant eligible person in the 12-month period up to and including the date of such grant would exceed 1.0% of the total number of Shares in issue at such time, within any 12-month period unless approved by the Shareholders of our Company.

(e) Subscription Price

The price at which each Share subject to an option may be subscribed for on the exercise of that option shall be a price solely determined by the Board and notified to a Post-IPO Option Scheme Participant and shall be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (b) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (c) the nominal value of the Shares.

(f) Lapse of Option

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of: (a) the expiry of the option period; (b) the date of employment termination for any reason other than death or becoming permanently disabled; (c) the date of the grantee being determined to be unable to pay or have no reasonable prospect of being able to pay his debts, or having become insolvent, or having made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty; (d) the expiry of the 60-day period after the Board issues a written consent to the grantee's personal representatives after the date of his death or permanent disability; (e) the date on which the grantee (other than an employee of the Group) or his associate has committed any breach of any contract entered into between the grantee or his associate on one part and the Group on the other part or that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; (f) the expiry of the 21-day period after which a general offer is made to all the Shareholders being or being declared unconditional; (g) subject to the compromise or arrangement becoming effective, the expiry of the notice period in the event where a compromise or arrangement between the Company and its Shareholders or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; (h) the date of the commencement of the winding-up of the Company; or (i) the non-fulfilment of any condition to the Post-IPO Share Option Scheme on or before the date stated therein.

(g) Term of the Plan

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on May 25, 2020, being the date on which it is adopted by ordinary resolution of the Shareholders in general meeting, after which period no further Options shall be granted. Subject to the above, in all other respects, in particular, in respect of Options remaining outstanding on the expiry of the 10-year period referred to in this paragraph, the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect.

Further details of the Post-IPO Share Option Scheme are set out in the circular of the Company dated April 22, 2020.

As of December 31, 2020, no option had been granted or agreed to be granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme.

Post-IPO Restricted Share Award Scheme

The Post-IPO Restricted Share Award Scheme was adopted by the Company on March 23, 2021. The terms of Post-IPO Restricted Share Award Scheme are not subject to the provisions of Chapter 17 of the Listing Rules. A summary of the principal terms of the Post-IPO Restricted Share Award Scheme is set out below:

(a) Purpose

The purpose of the Post-IPO Share Option Scheme is to provide selected participants ("**Post-IPO RSA Participants**") with an opportunity to acquire a proprietary interest in the Company, to encourage and retain such individuals to work with the Group, to provide them with additional incentives to achieve performance goals, to attract suitable personnel for further development of the Group, and to motivate the Post-IPO RSA Participants to maximize the value of the Company for the benefits of the Post-IPO RSA Participants and the Company.

(b) Administration

The Scheme shall be subject to the administration of a sub-committee of the Board (the "**Administration Committee**") and a trustee appointed by the Company (the "**Trustee**") for administration of the Post-IPO Restricted Share Award Scheme. The Trustee shall hold the trust fund in accordance with the Post-IPO Restricted Share Award Scheme and the terms of the trust deed.

The Administration Committee may, in its sole and absolute discretion, at any time instruct the Trustee to make purchases on the Stock Exchange. Once purchased, the Trustee shall hold the Shares so purchased in accordance with the Post-IPO Restricted Share Award Scheme and the provisions of the trust deed and, as instructed by the Administration Committee, transfer the relevant vested Award Shares to the nominee account or pay to the Post-IPO RSA Participant in cash the amount of equivalent value of such Award Shares after deducting certain fees and expenses in accordance with Post-IPO Restricted Share Award Scheme.

(c) Eligible Participants

The Post-IPO RSA Participants include any individual being a chief executive, a director (including executive and non-executive director), employee, officer, agent or consultant of the Company or any of its subsidiaries.

*(d) Maximum Number of Shares to be Awarded under the Post-IPO Restricted Share Award Scheme ("**Award Shares**")*

No Shares shall be purchased pursuant to the Post-IPO Restricted Share Award Scheme if as a result of such purchase, the number of shares administered under the Post-IPO Restricted Share Award Scheme shall reach or exceed 1.5% of the issued share capital of the Company at the date of the Board's approval of the Post-IPO Restricted Share Award Scheme, namely, 14,024,090 Shares, or such other limit as determined by the administration committee in its sole and absolute discretion provided always that it is in compliance with the Listing Rules.

As of the date of this annual report, the Company did not grant Award Shares under the Post-IPO Restricted Share Award Scheme.

(e) Maximum Entitlement of Each Post-IPO RSA Participant

The maximum number of Award Shares which may be granted to a Post-IPO RSA Participant at any one time or in aggregate may not exceed 1% of the issued share capital of the Company at the same date.

(f) Vesting of Award Shares

Any Award Share granted to a Post-IPO RSA Participant shall vest in accordance with the vesting conditions as set out in the grant letter. The Administration Committee shall have the sole and absolute discretion in determining whether the Award Shares shall be satisfied by Shares or cash of the equivalent value of such Award Shares at the vesting date. Upon receipt of the vesting notice, the Post-IPO RSA Participant is required to return to the Company a reply slip at least five business days before the vesting date. If the Administration Committee specifies in the vesting notice that actual Award Shares will be transferred to the nominee account upon vesting, the Post-IPO RSA Participant shall complete the payment of the exercise price (if any) within the specified period set out in the vesting notice. If the Post-IPO RSA Participant fails to (i) return the reply slip at the stipulated time above to the Company, or (ii) complete the payment of the exercise price in accordance with the requirements set out in the vesting notice, unless otherwise determined by the Administration Committee, the grant of the Award Shares shall automatically lapse.

Except other circumstances as specified by the Board in its sole and absolute discretion, the Award Shares shall not vest in the event of any failure of Post-IPO RSA Participants to pass the specified performance review or any failure of Post-IPO RSA Participants to remain as eligible participants (other than by reason of death or retirement) prior to the vesting date.

(g) Restrictions

Any grant made under the Post-IPO Restricted Share Award Scheme shall be personal to the Post-IPO RSA Participant to whom it is made and shall not be assignable other than for the purpose of vesting in his/her lawful successor.

The Trustee shall not exercise any voting rights in respect of any Shares held under the trust (including but not limited to the Award Shares, the unaccepted Shares, the unvested Shares, any bonus Shares and scrip Shares).

(h) Term of the Plan

The Post-IPO Restricted Share Award Scheme shall be valid and effective for a period of 10 years commencing on March 23, 2021, being the date on which it is adopted by the Board, and can be terminated or extended by a resolution of the Board.

Further details of the Post-IPO Restricted Share Award Scheme are set out in the announcement of the Company dated March 23, 2021.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time for the year ended December 31, 2020 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO Share Option Plans, Post-IPO Share Option Scheme and Post-IPO Restricted Share Award Scheme.

Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 13 and Note 14, respectively to the consolidated financial statements.

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

For the year ended December 31, 2020, directors were granted discretionary bonuses of a total sum of RMB2.6 million excluding the special bonus set out in Note 13 to the consolidated financial statements. Save as disclosed above, none of the Directors were paid discretionary bonuses for the year ended December 31, 2020.

CONNECTED TRANSACTIONS

Among the related party transactions disclosed in Note 36 to the consolidated financial statements, the following transactions constitute connected transactions for the Company under Rule 14A.23 of the Listing Rules and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules. The Company confirmed that the related party transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules and complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

We have entered into certain connected transactions with Suzhou Alphamab. As of the Latest Practicable Date, Suzhou Alphamab is owned by Dr. Xu, the chairman, executive director, chief executive officer and a controlling shareholder of the Company, as to 48.45%. Pursuant to Chapter 14A of the Listing Rules, Suzhou Alphamab is an associate of Dr. Xu and therefore a connected person of the Company

Procurement of Ancillary Services and Utility under the Property and Equipment Lease Agreement

Our Group entered into a procurement of ancillary services and utility under the property and equipment lease agreement ("**Property and Equipment Lease Agreement**") with Suzhou Alphamab with effect from June 1, 2019. The Property and Equipment Lease Agreement has an initial term commencing from June 1, 2019 till December 31, 2021 and the lease may be renewed on terms as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and other applicable laws and regulations. Pursuant to the Property and Equipment Lease Agreement, Suzhou Alphamab agreed to provide us with ancillary services of facility maintenance, which are carried out by certain supporting staff of Suzhou Alphamab on the leased premises. In addition, we also need to pay the utility (water, electricity etc.) costs to Suzhou Alphamab during the term of the Property and Equipment Lease Agreement.

Suzhou Alphamab has been providing ancillary services to us for biologics manufacturing since 2018. Any change of the current arrangement may cause material disruption to our business operations and incur additional costs. Therefore, our Directors are of the view that such arrangement is in the best interest of our Group and our Shareholders as a whole. Please refer to the section headed "Connected Transaction" in the Prospectus for details.

The annual caps for the transactions under the Property and Equipment Lease Agreement for the years ended December 31, 2020 and 2021 are RMB5,821,200 and RMB5,821,200, respectively. The aggregate transaction amount incurred in accordance with the Property and Equipment Lease Agreement for the year ended December 31, 2020 was RMB2,175,351.

Master Technical Service Agreement

Our Group entered into a master technical service agreement ("**Master Technical Service Agreement**") with Suzhou Alphamab with effect from June 6, 2019, pursuant to which, we will provide biologics manufacturing services to Suzhou Alphamab upon request during the term of the agreement ("**Manufacturing Services**"). The Manufacturing Services include (i) manufacturing of biological drug substances in compliance with GMP and (ii) packaging of sterile drug products. The Master Technical Service Agreement has an initial term commencing from the date of the Master Technical Service Agreement till December 31, 2021 and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and other applicable laws and regulations.

Our principal operating subsidiary Jiangsu Alphamab had been a subsidiary of Suzhou Alphamab prior to the Reorganization and therefore we are very familiar with its needs and requirements. It is complementary and beneficial to Suzhou Alphamab and us to enter into both the Master Technical Service Agreement and Property and Equipment Lease Agreement to avoid any relocation of manufacturing facility or change of current arrangements that may cause disruption to the manufacturing operations of us and Suzhou Alphamab. Under the Master Technical Service Agreement, we are entitled to refuse to provide or delay the provision of the Manufacturing Services to Suzhou Alphamab if we consider that we do not have adequate manufacturing capacity to perform the requested services. Such arrangement enables us to fully utilize our production capacity as well as generate income for our Group. Our Directors are of the view that providing Manufacturing Services to Suzhou Alphamab as contemplated under the Master Technical Services Agreement will be beneficial to our Group. Please refer to the section headed "Connected Transaction" in the Prospectus for details.

The annual caps for the transactions under the Master Technical Service Agreement for the years ended December 31, 2020 and 2021 are RMB19,009,500 and RMB18,559,500, respectively. The aggregate transaction amount incurred in accordance with the Master Technical Service Agreement for the year ended December 31, 2020 was nil.

Technology Development Agreements

Technology Development Agreement for KN019, KN026 and KN035

On March 31, 2020, our Group entered into a technology development agreement for the optimization and transfer of processes for the Company's three drug candidates, namely KN019, KN026 and KN035 (the "**Cooperative Product(s)**"), with Suzhou Alphamab (the "**Technology Development Agreement for KN019, KN026 and KN035**"), The purpose of this transaction is to develop new culture media, optimize cell cultivation and purification process to reduce the antibody production costs of relevant products of Jiangsu Alphamab. Pursuant to the Technology Development Agreement for KN019, KN026 and KN035, Suzhou Alphamab agrees to (i) develop the upstream process of Cooperative Products, (ii) develop and optimize the downstream process of Cooperative Products, and (iii) once the process optimization of any of the Cooperative Products is completed, transfer the optimized process to Jiangsu Alphamab, and to assist the related process transfer, drug approval applications and on-site inspections. The term of the Technology Development Agreement for KN019, KN026 and KN035 commenced on March 31, 2020 and shall expire one year after the completion of process optimization and process transfer of the Cooperative Products. Please refer to the Company's announcement dated March 31, 2020 for further details.

The total service fee for product technology development of KN019, KN026 and KN035 projects amounted to RMB6.3 million (RMB2.1 million for each project). The aggregate transaction amount incurred in accordance with the Technology Development Agreement for KN019, KN026 and KN035 for the year ended December 31, 2020 was RMB4,347,000.

Technology Development Agreement for KN052

On March 31, 2020, our Group entered into a technology development agreement for process scale-up research of KN052 with Suzhou Alphamab (the "**Technology Development Agreement for KN052**", together with the Technology Development Agreement for KN019, KN026 and KN035, the "**Technology Development Agreements**"). The purpose of this transaction is to carry out trial production and finalize production process of KN052 on its own 15L cell culture reactor to confirm whether the process is suitable for larger-scale reactors. According to the Technology Development Agreement for KN052, Suzhou Alphamab agrees to (i) run the cell culture process of KN052 on the 15L cell culture reactor in its laboratory to purify the cytochylema obtained and to obtain the target proteins; (ii) make necessary adjustments to the existing cell culture process of KN052 in order to fit for 250L or larger bioreactors; (iii) optimize the existing purification process of KN052; and (iv) deliver the adjusted process, related research reports and actual obtained target proteins to Jiangsu Alphamab, and to assist the related process, drug approval applications and onsite inspections. The term of the Technology Development Agreement for KN052 commenced on March 31, 2020 and shall expire one year after the completion and delivery of the project. Please refer to the Company's announcement dated March 31, 2020 for further details.

The total service fee for the product technology development of KN052 project amounted to RMB0.2 million. The aggregate transaction amount incurred in accordance with the Technology Development Agreement for KN052 for the year ended December 31, 2020 was RMB200,000.

In line with industry practice, the Company engages contract research organizations and other related suppliers to provide certain services in our pre-clinical research and clinical trials. Jiangsu Alphamab was a subsidiary of Suzhou Alphamab prior to the reorganization as disclosed in the prospectus of the Company and therefore, it is very familiar with the Company's needs and requirements. Suzhou Alphamab has extensive experience and industry-leading capabilities in process optimization services related to the Technology Development Agreements. Considering the quality of relevant technology development services provided by Suzhou Alphamab, its quotation for the transactions is more competitive than the other independent third-party suppliers. The Company believes that this cooperation will help optimize the existing production process of relevant products and reduce the production costs. The Company believes that the implementation of these agreements will have a positive impact on the research and development, manufacturing and commercialization of the Company's relevant products. Our Directors are of the view that Suzhou Alphamab's provision of technology development service as contemplated under the Technology Development Agreements will be beneficial to our Group.

The continuing connected transactions have followed the policies and guidelines when determining the price and terms of the transactions conducted for the year ended December 31, 2020.

The auditor of the Group has reviewed the continuing connected transactions referred to above and confirmed to the Board that the continuing connected transactions: (i) have received the approval of the Board; (ii) were in accordance with the pricing policies of the Group; (iii) were entered into in accordance with the relevant agreement governing the transactions; and (iv) have not exceeded the caps.

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions referred to above have been entered into, and will be carried out, (i) in the ordinary and usual course of business of our Group; (ii) on normal commercial terms or better to us; and (iii) are according to the agreement governing them on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

The Company has designated a team of senior management from business operation, legal, risk control and finance departments and Board office to monitor the continuing connected transactions and ensure that the continuing connected transactions with the abovementioned connected persons are on arm's length basis and that the annual caps are not exceeded. Such team of senior management continuously traces and regularly monitors the progress of the continuing connected transactions and reports to management of the Company. They review the continuing connected transactions with the finance department to ensure that annual caps are not exceeded. They will also communicate with the Audit Committee, management and the Board, monthly or as needed, to report the progress of the continuing connected transactions, and request for approval of new changes of existing transaction terms. The heads of different departments of the Company will be informed on a periodic basis in relation to the terms and pricing policies of the continuing connected transactions as well. The Audit Committee has also assigned the independent internal audit team the task to ensure that the Company's internal control measures in respect of the continuing connected transactions remain effective and complete. With these measures, the independent non-executive Directors could therefore assess and give the confirmations in the preceding paragraph.

Save for disclosed above, for the year ended December 31, 2020, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" above, no contract of significance was entered into between the Company, or one of its subsidiary companies, and any of its Controlling Shareholders or subsidiaries for the year ended December 31, 2020.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the period for the year ended December 31, 2020.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration for the year ended December 31, 2020. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2020.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company's Shares were listed on the Stock Exchange on December 12, 2019. The net proceeds from the Global Offering amounted to approximately HK$2,042.5 million. As of December 31, 2020, approximately HK$80.2 million (equivalent to RMB66.7 million) of the net proceeds of the Global Offering had been utilized as follows:

	Allocation of net proceeds from the Global Offering in the proportion disclosed in the Prospectus		Proceeds from the Global Offering utilized as of December 31, 2020		Amounts not yet utilized as of December 31, 2020
	HK$ million	*Percentage*	*HK$ million*	*Percentage*	*HK$ million*
Key drug development programs					
the R&D and commercialization of KN046					
– the ongoing and planned clinical trials of, and preparation of registration filings for, KN046	817.0	40%	14.5	18%	802.5
– the launch and, subject to regulatory approval, commercialization of KN046	204.3	10%	–	–	204.3
Subtotal	***1,021.3***	***50%***	***14.5***	***18%***	***1,006.8***
the R&D and commercialization of KN026					
– the ongoing and planned clinical trials of, and preparation of registration filings for, KN026	326.8	16%	5.1	6%	321.7
– the launch and, subject to regulatory approval, commercialization of KN026	81.7	4%	–	–	81.7
Subtotal	***408.5***	***20%***	***5.1***	***6%***	***403.4***
the R&D of KN019	102.1	5%	–	–	102.1
Subtotal	***1,531.9***	***75%***	***19.6%***	***24%***	***1,512.3***
The construction of our new manufacturing and R&D facilities in Suzhou	**306.4**	**15%**	**60.6**	**76%**	**245.8**
The early-stage pipeline and our working capital and general corporate purposes	**204.3**	**10%**	**–**	**–**	**204.3**
Total	**2,042.5**	**100%**	**80.2**	**100%**	**1,962.3**

The Company expects that approximately HK$700.0 million to HK$1,000.0 million, accounting for approximately 37.0% to 55.0% of the net proceeds of the global offering, will be utilized by end of 2021 and plans to utilize the balance of net proceeds of the Global Offering by the end of 2022. The expected timeline for utilizing the net proceeds from the Global Offering is based on the best estimation of future market conditions made by the Company and subject to changes in accordance with our actual business operation. Going forward, the net proceeds will be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus and there is no change in the intended use of net proceeds as previously disclosed in the Prospectus.

PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Group have been audited by Deloitte, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the section headed "Management Discussion and Analysis – Business Review – Events after the Reporting Period" and the adoption of the Post-IPO Share Award Scheme on March 23, 2021, no important events affecting the Company occurred since the Reporting Period and up to the date of this annual report.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not hold any material investments during the year ended December 31, 2020. In order to meet the increasing research demands and the international operational needs, the Company is considering to construct and develop a new research and operational center in Shanghai. Currently, the Company has no concrete plan. Save as disclosed in this annual report, we do not have other plans for material investments and capital assets.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from Tuesday, June 8, 2021 to Friday, June 11, 2021, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on Friday, June 11, 2021. In order to be eligible to attend and vote at the AGM, all transfer 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, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, June 7, 2021.

By order of the Board
Dr. XU Ting
Chairman and Chief Executive Officer

Suzhou, PRC, March 23, 2021

TO THE SHAREHOLDERS OF ALPHAMAB ONCOLOGY
康寧傑瑞生物製藥
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Alphamab Oncology (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 106 to 209, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

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

Key audit matter

Recognition and measurement of outsourcing service fees

We identified the cut-off of outsourcing service fees as a key audit matter due to its significance and the estimation involved in recording the outsourcing service fees paid and payable to contract research organizations ("CROs"), contract manufacturing organizations ("CMOs"), clinical research coordinators ("CRCs") and clinical trial sites ("CTSs"), mainly being hospitals (collectively referred to as the "Outsourced Service Providers") in the appropriate financial reporting period.

During the year ended December 31, 2020, the Group incurred research and development ("R&D") expenses of approximately RMB331.2 million, out of which approximately RMB161.3 million or 48.7% were attributable to the outsourcing service fees as set out in Note 33 to the consolidated financial statements. These Outsourced Service Providers provided supports to the Group's various R&D activities in the pharmaceutical and biotechnology industries in the form of R&D or manufacturing services. And these services are typically performed across the financial reporting periods. Accordingly, the recording of outsourcing service fees to the appropriate financial reporting period and the corresponding accruals as at reporting date based on the progress of the R&D projects involves estimation by the management. Outsourcing service fees of approximately RMB51.2 million were accrued as at December 31, 2020 as set out in Note 22 to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures performed on the cut-off of the outsourcing service fees included:

- Obtaining the understanding of key controls in relation to the accrual of the outsourcing service fees;
- For the outsourcing service fees paid and payable to CTSs, testing the accrual of related cost, on a sample basis, by checking to the patient enrolment listing, the progress of outsourcing services provided by CTSs that reported by the representatives of the relevant CRCs, the costs per patient in the agreements and with reference to the completion status of the clinical trial progress;
- For the outsourcing service fees paid and payable to CROs, CMOs and CRCs, test of details, on a sample basis, have been performed by
  - (1) testing the accrual of related cost, by checking their respective contract terms and/or milestones to the relevant agreements and the progress reported by the representatives of the relevant CROs, CMOs and CRCs and
  - (2) Sending confirmation to confirm the progress of the outsourcing services provided, for the year ended December 31, 2020
- Evaluating the adequacy of the outsourcing service fees accrual on selected samples by comparing the subsequent milestone billings received from the Outsourced Service Providers with the accrued outsourcing service fees at the year end.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of agreement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of the directors' 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 23, 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Other income	7	**111,136**	34,429
Other losses	8	**(117,627)**	(321)
Fair value change of convertible redeemable preferred shares		**–**	(542,291)
Research and development expenses	33	**(331,241)**	(166,654)
Administrative expenses		**(78,208)**	(117,736)
Finance costs	9	**(11,826)**	(3,606)
Listing expenses		**–**	(36,561)
Loss before taxation		**(427,766)**	(832,740)
Income taxation	10	**–**	–
Loss for the year	11	**(427,766)**	(832,740)
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign operation		**(506)**	(154)
Total comprehensive expense for the year		**(428,272)**	(832,894)
Loss per share in RMB	15		
– Basic		**(0.46)**	(1.55)
– Diluted		**(0.46)**	(1.55)

Consolidated Statement of Financial Position

As at December 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	16	**361,030**	331,951
Right-of-use assets	17	**31,991**	42,353
Deposits paid for acquisition of property, plant and equipment		**12,797**	4,321
Other receivables and deposits	19	**34,476**	31,490
		440,294	410,115
Current assets			
Inventories	18	**44,321**	25,918
Other receivables, deposits and prepayments	19	**84,795**	36,115
Financial assets at fair value through profit or loss ("FVTPL")	20	**43,530**	11,680
Derivative financial instruments	27	**5,863**	–
Time deposits with original maturity over three months	21	**1,835,398**	502,889
Cash and cash equivalents	21	**185,321**	1,867,866
		2,199,228	2,444,468
Current liabilities			
Trade and other payables	22	**121,939**	145,962
Amount due to a related company	23	**3,765**	787
Lease liabilities – current portion	24	**10,146**	13,081
Bank borrowings – current portion	26	**188,000**	28,750
Contract liabilities – current portion	25	**469**	–
Deferred income – current portion	29	**5,216**	11,950
		329,535	200,530
Net current assets		**1,869,693**	2,243,938
Total assets less current liabilities		**2,309,987**	2,654,053

	NOTES	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Lease liabilities – non-current portion	24	**3,309**	10,095
Contract liabilities – non-current portion	25	**12,244**	11,733
Bank borrowings – non-current portion	26	**21,350**	201,250
Deferred income – non-current portion	29	**–**	5,050
		36,903	228,128
Net assets		**2,273,084**	2,425,925
Capital and reserves			
Share capital	28	**13**	12
Reserves		**2,273,071**	2,425,913
Total equity		**2,273,084**	2,425,925

The consolidated financial statements on pages 106 to 209 were approved and authorized for issue by the Board of Directors on March 23, 2021 and are signed on its behalf by:

XU TING
DIRECTOR

LIU YANG
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserve (note) RMB'000	Translation reserve RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2019	7	–	(119,702)	40	–	(147,373)	(267,028)
Loss for the year	–	–	(1,405)	–	–	(831,335)	(832,740)
Other comprehensive expense for the year	–	–	–	(154)	–	–	(154)
Total comprehensive expense for the year	–	–	(1,405)	(154)	–	(831,335)	(832,894)
Net contribution by Suzhou Alphamab	–	–	399	–	–	–	399
Automatic conversion of Series A Preferred Shares and Series B Preferred Shares into ordinary shares upon the initial public offerings ("IPO") (as detailed in Note 28)	3	1,853,305	–	–	–	–	1,853,308
Issue of ordinary shares in the IPO (Note 28)	2	1,646,186	–	–	–	–	1,646,188
Transaction costs directly attributable to issue of new shares in the IPO	–	(65,071)	–	–	–	–	(65,071)
Cancellation of certain pre-IPO share options	–	–	–	–	–	12,250	12,250
Recognition of equity-settled share-based payment expense (Note 30(a) & (b))	–	–	–	–	78,773	–	78,773
At December 31, 2019	12	3,434,420	(120,708)	(114)	78,773	(966,458)	2,425,925

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserve (note) RMB'000	Translation reserve RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Loss for the year	–	–	–	–	–	(427,766)	(427,766)
Other comprehensive expense for the year	–	–	–	(506)	–	–	(506)
Total comprehensive expense for the year	–	–	–	(506)	–	(427,766)	(428,272)
Issue of ordinary shares from exercising over-allotment options (Note 28)	1	245,220	–	–	–	–	245,221
Transaction costs directly attributable to issue of new shares from exercising over-allotment options	–	(7,554)	–	–	–	–	(7,554)
Exercise of share options	–	40,663	–	–	(35,626)	–	5,037
Recognition of equity-settled share-based Payment expense (Note 30(a) & (b))	–	–	–	–	32,727	–	32,727
At December 31, 2020	13	3,712,749	(120,708)	(620)	75,874	(1,394,224)	2,273,084

Note:

The other reserve comprises:

(i) the accumulated losses derived from the oncology business ("Oncology Business") of Suzhou Alphamab Co., Ltd. (蘇州康寧傑瑞生物科技有限公司) ("Suzhou Alphamab"), a company controlled by Dr. Xu Ting ("Dr. Xu") who is in turn the controlling shareholder of the Company, prior to its transfer to the Company and its subsidiaries (collectively referred to as the "Group") of Oncology Business on April 18, 2018 and during the transition period of this business transfer up to the end of May 2019, as such accumulated losses legally belong to Suzhou Alphamab which is not a member of the Group;

(ii) the net contribution for the Oncology Business by Suzhou Alphamab on the funding used in the Oncology Business, which was provided by Suzhou Alphamab prior to and during the transition period after the transfer of Oncology Business; and

(iii) the net equity impact resulting from a group reorganization of the entities comprising the Group that was completed on 25 September 2018 (the "Reorganization").

Prior to transfer of the Oncology Business, the Oncology Business was operated under Suzhou Alphamab and no separate bank accounts were maintained for the Oncology Business. The treasury and cash disbursement functions of the Oncology Business were centrally administrated by Suzhou Alphamab. During the transition period after the transfer of the Oncology Business to the Group on April 18, 2018, there were still insignificant funds provided by Suzhou Alphamab related to the Oncology Business. The net cash flows generated by the Oncology Business that were kept in the bank accounts of Suzhou Alphamab, are reflected in "Net contribution for the Oncology Business by Suzhou Alphamab" in the consolidated statement of cash flows for the year ended December 31, 2019. Accordingly, the net funds provided by Suzhou Alphamab were presented as movements in the equity.

For the purpose of presenting a complete set of the consolidated financial statements of the Group for year ended December 31, 2019, the following comprises the information of cash inflow/outflow of the Group and the Oncology Business received/paid by Suzhou Alphamab prior to and during the transition period after the transfer of Oncology Business.

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Loss before taxation	**(427,766)**	(832,740)
Adjustments for:		
Depreciation of right-of-use assets	**11,147**	9,945
Depreciation of property, plant and equipment	**18,980**	1,828
Exchange losses, net	**99,923**	106
Fair value change of convertible redeemable preferred shares	**–**	542,291
Gain on derivative financial instruments	**(6,778)**	–
Finance costs	**11,826**	3,606
Interest income	**(64,660)**	(29,352)
Share-based payment expenses	**32,727**	91,023
Government grants income from deferred income	**(26,784)**	–
Operating cash flows before movements in working capital	**(351,385)**	(213,293)
Increase in inventories	**(18,403)**	(18,850)
Increase in other receivables, deposits and prepayments	**(19,758)**	(33,179)
Increase in trade and other payables	**23,919**	27,127
Increase in deferred income	**15,000**	17,000
Increase (decrease) in amount due to a related company	**2,978**	(4,302)
Increase in contract liabilities	**469**	–
NET CASH USED IN OPERATING ACTIVITIES	**(347,180)**	(225,497)

	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES		
Placement of time deposits with original maturity over three months	**(2,373,340)**	(1,137,429)
Purchase of property, plant and equipment	**(90,822)**	(169,708)
Purchase of financial assets at FVTPL	**(87,100)**	(11,680)
Payment for deposits paid for acquisition of property, plant and equipment	**–**	(1,665)
Proceeds from redemption of time deposits with original maturity over three months	**941,341**	647,102
Interest received	**30,073**	19,367
Proceeds from disposal of financial assets at FVTPL	**55,250**	–
Settlement of derivative financial instruments	**915**	–
NET CASH USED IN INVESTING ACTIVITIES	**(1,523,683)**	(654,013)
FINANCING ACTIVITIES		
Proceeds on issue of ordinary shares by the Company from issuing of new shares in the IPO and exercising over-allotment options	**245,221**	1,646,188
Proceeds on issue of convertible redeemable preferred shares	**–**	410,414
New bank borrowings raised	**110,350**	130,000
Payment of transaction costs directly attributable to issue of new shares in the IPO and exercising over-allotment options	**(21,095)**	(51,104)
Repayment of lease liabilities	**(10,506)**	(12,685)
Interest paid	**(11,428)**	(8,884)
Issue costs paid for convertible redeemable preferred shares	**–**	(348)
Repayment of bank borrowings	**(131,000)**	–
Exercising of share options	**5,037**	–
NET CASH FROM FINANCING ACTIVITIES	**186,579**	2,113,581
Net contribution for the Oncology Business by Suzhou Alphamab	**–**	399

	2020 RMB'000	2019 RMB'000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,684,284)**	1,234,470
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1,867,866**	633,712
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,739**	(316)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**185,321**	1,867,866

1. GENERAL

Alphamab Oncology (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on March 28, 2018 under the Companies Law of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since December 12, 2019. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The Group is principally engaged in R&D, manufacturing and commercialization of biologics of oncology. The principal activities of its subsidiaries are set out in Note 40.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the same as the functional currency of the Company.

2. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

As part of the Reorganization, Suzhou Alphamab had transferred the Oncology Business to the Group which was principally completed on April 18, 2018 while the transition period of providing technical support by Suzhou Alphamab was completed by the end of May 2019.

Since Suzhou Alphamab and the Group were under common control by Dr. Xu, the transfer of the Oncology Business has been accounted for as a business combination involving entities under common control using the principles of merger accounting.

2. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended December 31, 2019 present the results, changes in equity and cash flows of the entities comprising the Group and the Oncology Business, on the basis as if the Oncology Business had been operated under the Group throughout the year ended December 31, 2019 or since the respective dates of incorporation which is a shorter period, with consideration of the controlling interests held by Dr. Xu in these entities and the Oncology Business.

To the extent the assets, liabilities, income and expenses that are specifically identified to the Oncology Business, such items are included in the consolidated financial statements throughout the year ended December 31, 2019. Items that do not meet the criteria above are not included in the consolidated financial statements of the Group.

3. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied, the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the consolidated financial statements:

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

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[5]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[2]

1 Effective for annual periods beginning on or after January 1, 2023
2 Effective for annual periods beginning on or after January 1, 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after January 1, 2021
5 Effective for annual periods beginning on or after June 1, 2020

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of the reporting period, as explained in the accounting policies set out below.

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of preparation of consolidated financial statements (Continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4.2 Significant accounting policies

Basis of consolidation

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

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

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

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

Merger accounting for business combination involving businesses under common control

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

The net assets of the combining businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or bargain purchase gain at the time of common control combination.

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS Standards applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Revenue from contracts with customers

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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

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

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

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

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Existence of significant financing component (Continued)

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases (i.e. the rental of warehouse and vehicles) that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

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

The cost of right-of-use asset includes:

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

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

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

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

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

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

Lease modifications

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

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

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

Employee benefits

Retirement benefits costs

Payments to the state-managed retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognizes any related restructuring costs.

Short-term employee benefits

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Share-based payment

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

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

An expense is recognized 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 the modification reduces the fair value of the equity instruments granted, measured immediately before and after the modification, the decrease in fair value will not be recognized. The amount recognized for services received continues to be measured based on the grant date fair value of the instrument originally granted.

Where the modification reduces the number of equity instruments granted to an employee, the reduction is accounted for as a cancellation of that portion of the grant.

Where the modification of vesting conditions is a manner that is not beneficial to the employee, the amount recognized for services received shall not take the modified vesting conditions into account and continues to be measured based on the grant date vesting conditions of the instrument originally granted.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Share-based payment (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to employees (Continued)

When share options are cancelled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Group immediately recognizes the cancellation of share options as an acceleration of vesting as share based payment expenses.

Share-based payment transactions with cash-settled alternatives

Suzhou Alphamab operates a share-based payment plan which provides the employees with a choice of settlement of share-based payment transactions either in cash or by equity upon fulfilment of certain conditions.

For this kind of share-based payment transactions, the Group's entity is considered to have issued a compound financial instrument, which includes a debt component (the employees' right to demand payment in cash) and an equity component (the employees' right to demand settlement in equity instruments rather than in cash).

The Group measures the fair value or the compound financial instrument at the measurement date, taking into account the terms and conditions on which the rights to cash or equity instruments were granted. To apply this, the Group first measures the fair value of the debt component, and then measures the fair value of the equity component, taking into account that the counterparty must forfeit the right to receive cash in order to receive the equity instrument. The fair value of the compound financial instrument is the sum of the fair values of the two components.

The Group accounts separately for the services received in respect of each component of the compound financial instrument. For the debt component, the Group recognizes the services received and a liability to pay for those services in accordance with the requirements applying to cash-settled share-based payment transactions. For the equity component, the Group's entity recognizes the services received and an increase in equity in accordance with the requirements applying to equity-settled share-based payment transactions.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. The fair value of the cash-settled share-based payments is determined without taking into consideration all non-market vesting conditions.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Taxation

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

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

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Taxation (Continued)

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognized at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

Current and deferred tax are recognized in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production or supply purposes are carried at cost less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intend by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such property, plant and equipment are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets commences when the assets are ready for their intended use.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

Impairment on property, plant and equipment and right-of-use assets

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

Impairment on property, plant and equipment and right-of-use assets (Continued)

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

Impairment on property, plant and equipment and right-of-use assets (Continued)

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

Research and development expenditure

Expenditure on research activities, including mainly the outsourcing service fees, research and development staff costs and raw material costs, is recognized as an expense in the period in which it is incurred. The outsourcing service fees included in the R&D expenditure are typically performed across the financial reporting periods. The allocation of outsourcing service fees to the appropriate financial reporting period and accruals as at reporting date based on the progress of the R&D projects involves estimation by the management.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Research and development expenditure (Continued)

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

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

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or financial assets at fair value through other comprehensive income as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortized cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets of the Group that do not meet the criteria for being measured at amortized cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the "other losses" line item.

Impairment of financial assets

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including other receivables, time deposits with original maturity over three months and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

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

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting carrying amount.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortized cost

Financial liabilities including trade and other payables, amount due to a related company and bank borrowings are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgement in applying accounting policies

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

Research and development expenses

Development costs incurred on the Group's drug candidates are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred.

The directors of the Company assessed the progress of each of the R&D projects and determine whether the criteria are met for capitalization. During the years ended December 31, 2020 and 2019, all the related development costs are expensed when incurred.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting periods, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months, are described below.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Accrual of outsourcing service fees

The Group relies on contract research organizations ("CROs"), contract manufacturing organizations ("CMOs"), clinical research coordinators ("CRCs") and clinical trial sites ("CTSs"), mainly being hospitals (collectively referred to as the " Outsourced Service Providers") to conduct, supervise, and monitor the Group's ongoing clinical trials. Determining the amounts of outsourcing service fees incurred up to the end of each reporting period requires the management of the Group to estimate and measure the progress of receiving outsourcing services under the contracts with Outsourced Service Providers using inputs such as number of patient enrolments, time elapsed, milestone achieved and etc.

As at 31 December 2020, the carrying amount of the accrued outsourcing service fees amounted to RMB51,150,000 (2019: RMB15,284,000) has been recognised in the consolidated statement of financial position.

Useful lives of property, plant and equipment

The directors of the Company determine the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is reference to the useful lives of property, plant and equipment of similar nature and functions in the industry. The directors of the Company will increase the depreciation charge where useful lives are expected to be shorter than expected. As at December 31, 2020, the carrying amount of property, plant and equipment was RMB361,030,000 (2019: RMB331,951,000) as disclosed in Note 16.

6. REVENUE AND SEGMENT INFORMATION

Revenue

Co-development agreement with 3D Medicines Corporation ("3D Medicines") in relation to KN035 drug candidate

In February 2016, the Group entered into an agreement with 3D Medicines and pursuant to which, the Group will jointly develop and commercialize KN035 drug candidate with 3D Medicines. Under the agreement, the Group received a non-refundable upfront payment of RMB10 million from 3D Medicines and has an exclusive right to manufacture and supply KN035 to 3D Medicines for further commercialization to ultimate customers. Upon the Group manufacturing the product and transferring the control of goods to 3D Medicines for commercialization, the Group will recognize revenue in respect of the upfront payment received.

In addition, the Group considers the non-refundable upfront payment of RMB10 million from 3D Medicines contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money at a discount rate of 4.35% per annum taking into consideration the credit characteristics of the party receiving financing in the contract, as well as any collateral or security provide by the customer or the entity, including assets transferred in the contract. As this accrual increases the amount of the contract liabilities during the period of development of KN035 drug candidate, it increases the amount of revenue to be recognised when the Group commences the manufacturing of the product and the transfer of control of goods to 3D Medicines for commercialization.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue (Continued)

Unsatisfied performance obligations

The following table shows the aggregate amount of the contract liabilities allocated to performance obligations that are unsatisfied at the end of the reporting period.

	2020	2019
	RMB'000	RMB'000
Co-development and commercialization of KN035 (Note)	**12,244**	11,733
Others	**469**	–
	12,713	11,733

Note: Deferred revenue included in contract liabilities will be recognized over the period of KN035 product life cycle with reference to the budgeted manufacture order from 3D Medicines (i.e. when 3D Medicines receives and consumes the benefits during the commercialization stage).

Segment information

For the purposes of resources allocation and performance assessment, the executive directors of the Company, being the chief operating decision makers, review the consolidated results and financial position when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented.

Geographical information

Substantially all of the Group's non-current assets are substantially located in the People's Republic of China ("PRC"), accordingly, no analysis of geographical segment is presented.

7. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Interest income	**64,660**	29,352
Government grants income (Note)	**44,898**	4,992
Others	**1,578**	85
	111,136	34,429

Note: Government grants income mainly includes: (i) subsidies from the PRC local government in support of oncology drug development and successful IPO of the Company; and (ii) unconditional subsidies from the Australian government which are specifically for supporting the R&D activities carried out in Australia.

Pursuant to the R&D tax incentive program launched by the Australia Taxation Office, Alphamab (Australia) Co. Pty. Ltd. ("Alphamab Australia") enjoys a 43.5% (2019: 43.5%) refund on the R&D expenditures incurred for the year ended December 31, 2020. Upon enjoyment of such incentive, the relevant R&D expenditures will not be qualified as tax losses and will be treated as non-deductible expenses.

8. OTHER LOSSES

	2020 RMB'000	2019 RMB'000
Exchange losses, net	**(122,148)**	(106)
Gain on derivative financial instruments	**6,778**	–
Others	**(2,257)**	(215)
	(117,627)	(321)

9. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest expenses on:		
Bank borrowings	**10,439**	8,228
Contract liabilities	**511**	1,733
Lease liabilities	**876**	855
	11,826	10,816
Less: Interest capitalized in construction in progress ("CIP")	**–**	(7,210)
	11,826	3,606

Borrowing costs capitalized during the years ended December 31, 2019 arose on the specific bank borrowings for the construction of new facilities as disclosed in Note 26. The construction was completed in December 2019 so no further capitalization on interest expenses was incurred onwards.

10. INCOME TAXATION

The Company is exempted from taxation under the laws of the Cayman Islands.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC entities is 25% (2019: 25%). On July 11, 2020, Jiangsu Alphamab Biopharmaceuticals Co., Ltd. (江蘇康寧傑瑞生物製藥有限公司) ("Jiangsu Alphamab") was accredited as a "high-tech enterprise" in Suzhou Free Trade Zone and is entitled to obtain a refund from the local government of Suzhou Free Trade Zone for a three-year period since 2020.

Under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017 of Australia, corporate entities who qualify as a small business entity are eligible for a lower corporate tax rate at 27.5%. Alphamab Australia is qualified as a small business entity and is subject to a corporate tax rate of 27.5%.

10. INCOME TAXATION (Continued)

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for income taxation has been made as the Company and its subsidiaries either had no assessable profit or incurred tax losses in all relevant places of operation for both years.

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

	2020	2019
	RMB'000	RMB'000
Loss before taxation	**(427,766)**	(832,740)
Tax at the PRC EIT rate of 25% (2019: 25%)	**(106,941)**	(208,185)
Tax effect of expenses not deductible for tax purpose	**29,651**	171,212
Tax effect of deductible temporary differences not recognized	**183**	75
Tax effect of tax losses not recognized	**130,915**	64,862
Effect of super deduction for R&D expenses (Note)	**(53,808)**	(27,964)
Income taxation for the year	**–**	–

Note: Pursuant to Caishui 2018 circular No. 99, Jiangsu Alphamab enjoys super deduction of 175% on qualifying R&D expenditures from January 1, 2018 to December 31, 2020.

10. INCOME TAXATION (Continued)

The Group had unused tax losses of RMB1,028,129,000 (2019: RMB504,468,000) available for offset against future profits as at December 31, 2020. Included in unused tax losses as at December 31, 2020 and 2019 is a consideration paid of RMB132,180,000 for the transfer of the Oncology Business which can be offset against future profits. No deferred tax asset has been recognized in respect of the unused tax losses due to the unpredictability of future profit streams. As December 31, 2020 and 2019, the unrecognized tax losses will be carried forward and expire in years as follows:

	2020	2019
	RMB'000	RMB'000
2022	**4,647**	4,647
2023	**240,375**	240,375
2024	**259,446**	259,446
2025	**523,661**	–
	1,028,129	504,468

11. LOSS FOR THE YEAR

	2020 RMB'000	2019 RMB'000
Loss for the year has been arrived at after charging:		
Directors' remuneration (Note 13)	**23,738**	55,405
Other staff costs:		
Salaries and other allowances	**67,511**	41,759
Retirement benefits scheme contributions	**5,722**	6,533
Share-based payment expenses	**17,788**	43,096
Total staff costs	**114,759**	146,793
Auditor's remuneration	**2,690**	2,460
Cost of inventories included in R&D expenses	**61,429**	28,486
Outsourcing service fees included in R&D expenses	**161,258**	77,451
Issue costs paid for Series B Preferred Shares included in administrative expenses	**–**	348
Short-term lease expenses	**344**	226
Depreciation of property, plant and equipment	**18,980**	1,828
Depreciation of right-of-use assets	**11,147**	10,400
Less: capitalization in CIP	**–**	(455)
	11,147	9,945

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company since its incorporation and up to the end of the reporting period, nor has any dividend been proposed since the end of the reporting period.

13. DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the directors and chief executive of the Company (including the emoluments for services as directors of the group entities prior to becoming the directors of the Company) are as follows:

(a) Executive and non-executive directors

Year ended December 31, 2020

	Directors' fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors:					
Dr. Xu (note i)	–	3,649	1,445	39	5,133
Ms. Liu Yang	–	2,039	669	39	2,747
Non-executive directors:					
Mr. Qiu, Yu Min (note ii)	–	–	–	–	–
Mr. Xu, Zhan Kevin (note ii)	–	–	–	–	–
Total	–	5,688	2,114	78	7,880

13. DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

(a) Executive and non-executive directors (Continued)

Year ended December 31, 2019

	Directors' fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors:					
Dr. Xu (note i)	–	3,142	1,965	63	5,170
Ms. Liu Yang	–	1,393	597	63	2,053
Non-executive directors:					
Mr. Qiu, Yu Min (note ii)	–	–	–	–	–
Mr. Xu, Zhan Kevin (note ii)	–	–	–	–	–
Total	–	4,535	2,562	126	7,223

In addition to the emoluments shown above, Dr. Xu and Ms. Liu Yang were granted share options in respect of their service to the Group.

During the year ended December 31, 2020, RMB14,939,000 (2019: RMB48,132,000) was recognised as share-based payment expense in the consolidated statement of profit or loss and other comprehensive income for their granted share options. Details of the share-based payment are set out in note 30.

Notes:

(i) Dr. Xu is the chairman, chief executive and an executive director of the Company.

(ii) No emoluments were paid or payable to Mr. Qin Yu Min and Mr. Xu Zhan Kevin for their services as non-executive directors of the Company for both years.

(iii) None of the directors nor the chief executive of the Company waived or agreed to waive any emoluments during both years.

(iv) During both years, no emoluments were paid by the Group to any of the directors nor the chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

(v) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group. The discretionary bonuses were determined with reference to their duties, responsibilities and performance.

13. DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

(b) Independent non-executive directors

Year ended December 31, 2020

	Directors' fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Independent Non-executive directors:						
Dr. Jiang Hualiang	**300**	**–**	**–**	**–**	**–**	**300**
Mr. Wei Kevin Cheng	**311**	**–**	**–**	**–**	**–**	**311**
Mr. Wu Dong	**308**	**–**	**–**	**–**	**–**	**308**
Total	**919**	**–**	**–**	**–**	**–**	**919**

Year ended December 31, 2019

	Directors' fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Independent Non-executive directors:						
Dr. Jiang Hualiang	16	–	–	–	–	16
Mr. Wei Kevin Cheng	17	–	–	–	–	17
Mr. Wu Dong	17	–	–	–	–	17
Total	50	–	–	–	–	50

Note: Dr. Jiang Hualiang, Mr. Wei Kevin Cheng and Mr. Wu Dong were appointed as independent non-executive directors of the Company on November 24, 2019. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

14. EMPLOYEES' EMOLUMENTS

For the year ended December 31, 2020, the five highest paid individuals of the Group included two (2019: two) executive directors, and their emoluments are set out in Note 13(a) above. Details of the emoluments of the remaining three individuals are as follows:

	2020	2019
	RMB'000	RMB'000
Salaries and other allowances	**5,500**	4,420
Discretionary bonuses	**799**	995
Retirement benefits scheme contributions	**49**	142
Share-based payment expenses	**6,668**	20,075
	13,016	25,632

Their emoluments were within the following bands:

	2020	2019
	No. of employees	No. of employees
HK$2,000,001 to HK$2,500,000	**1**	–
HK$5,000,001 to HK$5,500,000	**–**	1
HK$5,500,001 to HK$6,000,000	**1**	–
HK$6,500,001 to HK$7,000,000	**–**	1
HK$7,000,001 to HK$7,500,000	**1**	–
HK$16,500,001 to HK$17,000,000	**–**	1

No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

15. LOSS PER SHARE

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

	2020 RMB'000	2019 RMB'000
Loss:		
Loss for the year attributable to owners of the Company for the purposes of calculating basic and diluted loss per share	**(427,766)**	(832,740)
Number of shares ('000):		
Weighted average number of shares for the purposes of basic and diluted loss per share	**929,749**	536,531

The computations of basic and diluted loss per share for the years ended December 31, 2019 are based on weighted average number of shares assumed to be in issue after taking into account the retrospective adjustments on the assumption that the Share Subdivision as defined and disclosed in Note 28(b) had been in effect on January 1, 2019.

The calculation of diluted loss per share for the year ended December 31, 2019, has not considered, where appropriate, the convertible redeemable preferred shares issued by the Company, and for the year ended December 31, 2020 and 2019, the share options awarded under the pre-IPO share option scheme as disclosed in Note 30(a) and the exercise of the Company's over-allotment options granted pursuant to the listing of the Company's shares on the Stock Exchange (the "Listing") as their inclusion would be anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture and other equipment RMB'000	CIP RMB'000	Total RMB'000
COST						
As at January 1, 2019	–	–	204	1,243	103,870	105,317
Additions	–	31	204	2,898	225,702	228,835
Transfer	231,581	21,553	–	9,168	(262,302)	–
As at December 31, 2019	231,581	21,584	408	13,309	67,270	334,152
Additions	–	1,433	–	2,259	44,367	48,059
Transfer	6,155	63,937	–	18,123	(88,215)	–
As at December 31, 2020	237,736	86,954	408	33,691	23,422	382,211
DEPRECIATION						
As at January 1, 2019	–	–	135	238	–	373
Provided for the year	913	1	77	837	–	1,828
As at December 31, 2019	913	1	212	1,075	–	2,201
Provided for the year	10,951	3,264	114	4,651	–	18,980
As at December 31, 2020	11,864	3,265	326	5,726	–	21,181
CARRYING VALUES						
As at December 31, 2020	225,872	83,689	82	27,965	23,422	361,030
As at December 31, 2019	230,668	21,583	196	12,234	67,270	331,951

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment other than CIP are depreciated over their estimated useful lives, using straight-line method after taking into account the residual values, at the following rates per annum or over the following period:

Buildings	4.75%
Plant and machinery	9.50%
Leasehold improvements	Over the shorter of the term of the relevant lease or 20%
Furniture and other equipment	19% – 31.67%

Details of the pledged property, plant and equipment are set out in Note 36.

17. RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Property, plant and equipment RMB'000	Total RMB'000
As at January 1, 2019			
Carrying amounts	23,164	4,748	27,912
As at December 31, 2019			
Carrying amounts	22,669	19,684	42,353
As at December 31, 2020			
Carrying amounts	22,175	9,816	31,991
For the year ended December 31, 2019			
Depreciation charge	495	9,905	10,400
For the year ended December 31, 2020			
Depreciation charge	494	10,653	11,147

17. RIGHT-OF-USE ASSETS (Continued)

	2020 RMB'000	2019 RMB'000
Total cash outflow for leases (Note)	**11,736**	13,766
Additions to right-of-use assets	**785**	24,841

Note: The total cash outflows for leases amounted to RMB11,736,000 (2019: RMB13,766,000) for the year ended December 31, 2020, out of which RMB10,066,000 (2019: RMB12,383,000) was paid to Suzhou Alphamab.

The Group leased various property, plant and equipment to operate its R&D activities. The lease terms range from 6 months to 3 years for both years.

The lease agreements did not contain any contingent rent nor any extension or purchase option for the Group as a lessee.

As at December 31, 2019 and 2020, all right-of-use assets are located in the PRC. Included in property, plant and equipment of the right-of-use assets are i.) offices of RMB466,000 (2019: RMB983,000) and ii.) plant and equipment of RMB9,350,000 (2019: RMB18,701,000).

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

In addition, lease liabilities of RMB785,000 (2019: RMB24,841,000) are recognized with related right-of-use assets of RMB785,000 (2019: RMB24,841,000) during the year ended December 31, 2020.

As at December 31, 2020, the carrying amount of right-of-use assets and lease liabilities were RMB9,816,000 (2019: RMB19,684,000) and RMB13,455,000 (2019: RMB23,176,000), respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of pledged land use rights in support of the Group's general banking facilities are set out in Note 36.

18. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials and other consumables	**44,321**	25,918

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 RMB'000	2019 RMB'000
Deposits	**1,302**	467
Interest receivables	**41,853**	10,011
Prepayments	**41,290**	25,570
Other receivables	**1,097**	80
Value-added tax recoverable	**33,729**	31,477
Total trade and other receivables	**119,271**	67,605
Presented as non-current assets	**34,476**	31,490
Presented as current assets	**84,795**	36,115
	119,271	67,605

20. FINANCIAL ASSETS AT FVTPL

As at December 31, 2020, the Group placed with two (2019: two) licensed commercial banks in the PRC for a RMB-denominated structured deposit with maturity within 1 year after the end of the reporting period. The indicative annual interest rate for the structured deposit ranged from 2.40% to 2.95% per annum as at December 31, 2020 (2019: 3%), however, the actual interest to be received is uncertain until maturity and the principal is not protected. Such structured deposits were accounted for as financial assets at FVTPL under IFRS 9.

21. TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/ CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash at banks and on hand	**44,479**	54,101
Time deposits with original maturity less than three months (Note)	**140,842**	1,813,765
Cash and cash equivalents	**185,321**	1,867,866
Time deposits with original maturity over three months (Note)	**1,835,398**	502,889
	2,020,719	2,370,755

Note: The time deposits were placed with licensed commercial banks in the PRC and Hong Kong. The time deposits confer the Group rights of early redemption at amortized cost before the maturity date. The time deposits carry interest at fixed rates ranging from 0.01% to 3.66% per annum as at December 31, 2020 (2019: 0.55% to 3.75% per annum).

Bank balances carry interest at prevailing market interest rates ranging from 0.01% to 0.30% per annum as at December 31, 2020 (2019: 0.05% to 0.35% per annum).

The Group's cash and cash equivalents and time deposits with original maturity over three months that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2020 RMB'000	2019 RMB'000
United States Dollars ("US$")	**1,745,161**	250,253
Hong Kong Dollars ("HKD")	**299**	1,591,507

22. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	**1,512**	6,853
Accrued expenses		
– Outsourcing service fees	**51,150**	15,284
– Other R&D expenses	**4,711**	2,174
– Listing expenses	**–**	16,296
– Accrued issue costs	**–**	13,541
– Staff costs	**15,858**	11,434
– Interest payable	**238**	351
– Others	**5,650**	4,571
	77,607	63,651
Payables for acquisition of property, plant and equipment	**38,831**	73,119
Other payables	**3,989**	2,339
Total	**121,939**	145,962

The average credit period of trade payables ranged from 30 to 60 days.

The following is an aged analysis of trade payables presented based on the invoice dates at the end of reporting period:

	2020 RMB'000	2019 RMB'000
0 – 90 days	**1,512**	6,853

22. TRADE AND OTHER PAYABLES (Continued)

The Group's trade payables that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2020 RMB'000	2019 RMB'000
US$	**727**	78
Great Britain Pound ("GBP")	**287**	–

23. AMOUNT DUE TO A RELATED COMPANY

The balance is trade in nature, unsecured, interest-free and have no fixed repayment terms.

The following is an aged analysis of the amount due to Suzhou Alphamab which is trade in nature.

	2020 RMB'000	2019 RMB'000
Over 90 days	**3,765**	787

24. LEASE LIABILITIES

	2020 RMB'000	2019 RMB'000
Lease liabilities payables		
Within one year	**10,146**	13,081
More than one year, but not exceeding two years	**3,309**	9,717
More than two years, but not exceeding five years	**–**	378
	13,455	23,176
Less:		
Amounts show under current liabilities	**10,146**	13,081
Amounts show under non-current liabilities	**3,309**	10,095

24. LEASE LIABILITIES (Continued)

The lease liabilities were measured at the present value of the lease payments that are not yet paid at a discount rate of 4.99% per annum. As at December 31, 2020, the lease liabilities included an amount due to Suzhou Alphamab, a related company, of RMB13,074,000 (2019: RMB22,319,000).

25. CONTRACT LIABILITIES

	2020	2019
	RMB'000	RMB'000
Amounts received in advance for co-development and commercialization of KN035	**12,244**	11,733
Others	**469**	–
	12,713	11,733
Analyzed for reporting purposes as:		
Current (Note ii)	**469**	–
Non-current (Note i)	**12,244**	11,733

As at 1 January 2019, contract liabilities amounted to RMB10,000,000.

Notes:

(i) The directors of the Company expected the performance obligation in respect of co-development and commercialization of KN035 will not be fully satisfied within twelve months from the end of the reporting period. Therefore, the amounts were classified as non-current liabilities.

(ii) The directors of the Company expected the performance obligation of the related contract will be fully satisfied within twelve months from the end of the reporting period. Therefore, the amounts were classified as current liabilities.

26. BANK BORROWINGS

	2020 RMB'000	2019 RMB'000
Secured bank borrowings – variable-rate (Note)	**141,350**	230,000
Unsecured bank borrowings – variable-rate	**68,000**	–
	209,350	230,000

Notes: The Group's bank borrowings of RMB141,350,000 as at December 31, 2020 (2019: RMB230,000,000) are specific borrowings drawn down in relation to construction of new facilities and plant and machinery as set out in Note 16.

Carrying amounts of secured bank borrowings are repayable based on repayment schedules as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**188,000**	28,750
More than one year, but not exceeding two years	**–**	12,500
More than two years, but not exceeding five years	**21,350**	188,750
	209,350	230,000
Less:		
Amounts shown under current liabilities	**188,000**	28,750
Amounts shown under non-current liabilities	**21,350**	201,250

26. BANK BORROWINGS (Continued)

The effective interest rates per annum on the Group's bank borrowings are as follows:

	2020	2019
Effective interest rate:		
Variable-rate bank borrowings	**3.40–4.10%**	4.99%

Details of pledge of assets in support of the secured bank borrowings are disclosed in Note 36.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 RMB'000	2019 RMB'000
Derivatives (not under hedge accounting)		
Foreign currency forward contracts	**5,863**	–

The Group entered into several foreign exchange forward contracts with banks in order to manage the Group's foreign currency exposure in relation to US$ against RMB and did not elect to adopt hedge accounting for those contracts. The major terms of these contracts as at December 31, 2020 presented in the consolidated financial statements are as follows:

	Average strike rate as at December 31, 2020	Foreign currency as at December 31, 2020 US$'000	Notional value as at December 31, 2020 RMB'000	Fair value assets as at December 31, 2020 RMB'000
Sell US$				
7 to 12 months	**6.7861**	**45,000**	**305,375**	**5,863**

Under the foreign currency forward contracts, the Group will pay to the bank notional amount of US$ and receive from the bank an amount in RMB equal to the product of the relevant notional amount of US$ anytime before the maturity date and the relevant forward rate as specified within the respective contracts.

Details of fair value measurement of foreign currency forward contracts are disclosed in Note 32.

28. SHARE CAPITAL

The share capital as at December 31, 2020 and 2019 represented the issued share capital of the Company.

	Notes	Number of shares	Par value per share	Amount US$'000
Authorized:				
As at January 1, 2019		5,000,000,000	US$0.00001	50
Increase in authorized shares	(a)	20,000,000	US$0.00001	– *
Re-designation as Series A Preferred shares	(a)	(1,000,000,000)	US$0.00001	(10)*
Re-designation as Series B Preferred shares on	(a)	(20,000,000)	US$0.00001	(–)*
Share Subdivision	(b)	16,000,000,000	US$0.000002	N/A
Automatic conversion of preferred shares into ordinary shares upon the Listing	(b)	5,100,000,000	US$0.000002	10
As at December 31, 2019 and December 31, 2020		25,100,000,000	US$0.000002	50
Issued and fully paid:				
As at January 1, 2019		103,126,684	US$0.00001	1
Share Subdivision	(b)	412,506,736	US$0.000002	N/A
Automatic conversion of preferred shares into ordinary shares upon the IPO		201,975,155	US$0.000002	– *
Issue of ordinary shares in the IPO	(c)	179,403,000	US$0.000002	– *
As at December 31, 2019		897,011,575	US$0.000002	2
Exercise of the over-allotment option	(d)	26,910,000	US$0.000002	– *
Exercise of share options	(e)	11,017,795	US$0.000002	– *
As at December 31, 2020		934,939,370	US$0.000002	2

28. SHARE CAPITAL (Continued)

	RMB'000
Shown in the consolidated statement of financial position:	
As at December 31, 2019	12
As at December 31, 2020	13

* less than +/- US$1,000

Notes:

(a) On May 14, 2019, pursuant to a resolution of the shareholders of the Company, it was approved that the authorized share capital of the Company was increased from 5,000,000,000 shares with a par value of US$0.00001 each to 5,020,000,000 shares with a par value of US$0.00001 each, which: (i) 4,000,000,000 shares are designated as ordinary shares, (ii) 1,000,000,000 shares are re-designated as the series A convertible redeemable preferred shares ("Series A Preferred Shares") with a par value of US$0.00001 per share and (iii) 20,000,000 shares are re-designated as the series B convertible redeemable preferred shares ("Series B Preferred Shares") with a par value of US$0.00001 per share.

(b) On November 24, 2019, pursuant to a resolution of the shareholders of the Company, it was approved that a share subdivision pursuant to which each issued and unissued share capital was split into five shares of the corresponding class with par value of US$0.000002 each (the "Share Subdivision"), following which the Company's issued share capital consisted of (i) 515,633,420 issued ordinary shares with par value of US$0.000002 each, (ii) 141,238,725 Series A Preferred Shares with par value of US$0.000002 each and (iii) 60,736,430 Series B Preferred Shares with par value of US$0.000002 each. Each convertible redeemable preferred share will be automatically converted to one ordinary share upon the Listing becoming unconditional and the authorized share capital was increased by 5,100,000,000 on the date of automatic conversion of both Series A Preferred Shares and Series B Preferred Shares.

(c) In connection with the Company's IPO, 179,403,000 ordinary shares of US$0.000002 each were issued at HK$10.20 per share for a total gross cash consideration of HK$1,829,911,000 (equivalent to RMB1,646,188,000) on December 12, 2019.

(d) On January 4, 2020, 26,910,000 ordinary shares of the Company were allotted and issued by the Company at HK$10.20 per share for gross proceeds of approximately HK$274,482,000 (equivalent to RMB245,221,000) upon the exercise of the over-allotment options by the joint global coordinators on behalf of the international underwriters of the Company's global offering.

(e) During the year ended December 31, 2020, share option holders exercised their rights to subscribe for 9,738,865, 170,675 and 1,108,255 ordinary shares in the Company at US$0.01, US$0.25 and US$0.49 per share, respectively.

29. DEFERRED INCOME

	2020 RMB'000	2019 RMB'000
Income related government grants	**5,216**	17,000

Movements of government grants:

	Total RMB'000
At January 1, 2019	–
Government grants received	17,000
At January 1, 2020	17,000
Government grants received	15,000
Credited to profit or loss	(26,784)
At December 31, 2020	5,216

30. SHARE OPTION SCHEMES

(a) Equity-settled pre-IPO share option scheme of the Company:

(i) Pursuant to a written resolution of the shareholders of the Company dated October 16, 2018, a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme I") of the Company was approved and adopted. The Pre-IPO Share Option Scheme I was established to recognize and motivate the contribution of the eligible persons and to provide incentives and help the Group in retaining its existing employees, including any full time or part time employee (including any executive and non-executive director or proposed executive director and non-executive director) of the Group (the "Employees"), and to recruit additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. Under the Pre-IPO Share Option Scheme I, the board of directors of the Company may grant options to the eligible persons to subscribe for shares in the Company.

The granted options under the Pre-IPO Share Option Scheme I have a contractual option term of ten years. Options granted must be taken up within 10 years from the date of grant, upon payment US$0.071 per option at the time of exercise (equivalent to HK$0.554 per option). No consideration is payable on the grant of an option. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options may not be exercised until they vest. Once vested, the vested portion of the options may be exercised in whole or in part, at any time.

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

The following table discloses movements of the Company's share options held by the directors and employees of the Group under the Pre-IPO Share Option Scheme I during the years ended December 31, 2020 and 2019:

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options										
						Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019 and 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Timed-based																
Executive director:																
Ms. Liu Yang	10.10.2018	25%	10.10.2018 – 10.10.2019	10.10.2019 – 10.10.2028	0.071/0.0142	56,000	–	–	–	224,000	280,000	–	–	–	280,000	7.8 years
		25%	10.10.2018 – 10.10.2020	10.10.2020 – 10.10.2028	0.071/0.0142	56,000	–	–	–	224,000	280,000	–	–	–	280,000	7.8 years
		25%	10.10.2018 – 10.10.2021	10.10.2021 – 10.10.2028	0.071/0.0142	56,000	–	–	–	224,000	280,000	–	–	–	280,000	7.8 years
		25%	10.10.2018 – 10.10.2022	10.10.2022 – 10.10.2028	0.071/0.0142	56,000	–	–	–	224,000	280,000	–	–	–	280,000	7.8 years
						224,000	–	–	–	896,000	1,120,000	–	–	–	1,120,000	
Employees:																
Management	10.10.2018	30%	10.10.2018 – 10.10.2019	10.10.2019 – 10.10.2028	0.071/0.0142	67,200	–	–	–	268,800	336,000	–	–	(181,000)	155,000	7.8 years
		30%	10.10.2018 – 10.10.2020	10.10.2020 – 10.10.2028	0.071/0.0142	67,200	–	–	–	268,800	336,000	(336,000)	–	–	–	7.8 years
		20%	10.10.2018 – 10.10.2021	10.10.2021 – 10.10.2028	0.071/0.0142	44,800	–	–	–	179,200	224,000	(224,000)	–	–	–	7.8 years
		20%	10.10.2018 – 10.10.2022	10.10.2022 – 10.10.2028	0.071/0.0142	44,800	–	–	–	179,200	224,000	(224,000)	–	–	–	7.8 years
						224,000	–	–	–	896,000	1,120,000	(784,000)	–	(181,000)	155,000	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

						Number of share options										
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019 and 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Timed-based (Continued)																
Employees:																
Management	10.10.2018	40%	10.10.2018 – 10.10.2019	10.10.2019 – 10.10.2028	0.071/0.0142	8,800	–	–	–	35,200	44,000	–	–	(31,000)	13,000	7.8 years
		30%	10.10.2018 – 10.10.2020	10.10.2020 – 10.10.2028	0.071/0.0142	6,600	–	–	–	26,400	33,000	–	–	–	33,000	7.8 years
		15%	10.10.2018 – 10.10.2021	10.10.2021 – 10.10.2028	0.071/0.0142	3,300	–	–	–	13,200	16,500	–	–	–	16,500	7.8 years
		15%	10.10.2018 – 10.10.2022	10.10.2022 – 10.10.2028	0.071/0.0142	3,300	–	–	–	13,200	16,500	–	–	–	16,500	7.8 years
						22,000	–	–	–	88,000	110,000	–	–	(31,000)	79,000	
Employees:																
Management	10.10.2018	37.5%	10.10.2018 – 10.10.2019	10.10.2019 – 10.10.2028	0.071/0.0142	429,904	–	–	(429,904)	–	–	–	–	–	–	
		21.25%	10.10.2018 – 10.10.2020	10.10.2020 – 10.10.2028	0.071/0.0142	243,612	–	–	(243,612)	–	–	–	–	–	–	
		21.25%	10.10.2018 – 10.10.2021	10.10.2021 – 10.10.2028	0.071/0.0142	243,612	–	–	(243,612)	–	–	–	–	–	–	
		20%	10.10.2018 – 10.10.2022	10.10.2022 – 10.10.2028	0.071/0.0142	229,282	–	–	(229,282)	–	–	–	–	–	–	
						1,146,410	–	–	(1,146,410)	–	–	–	–	–	–	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options										
						Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019 and 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Timed-based (Continued)																
Employees:	10.10.2018	25%	10.10.2018 – 10.10.2019	10.10.2019 – 10.10.2028	0.071/0.0142	233,250	–	(9,500)	(182,500)	165,000	206,250	(15,000)	–	(191,250)	–	7.8 years
Management		25%	10.10.2018 – 10.10.2020	10.10.2020 – 10.10.2028	0.071/0.0142	233,250	–	(9,500)	(182,500)	165,000	206,250	(15,000)	–	(100,750)	90,500	7.8 years
		25%	10.10.2018 – 10.10.2021	10.10.2021 – 10.10.2028	0.071/0.0142	233,250	–	(9,500)	(182,500)	165,000	206,250	(15,000)	–	–	191,250	7.8 years
		25%	10.10.2018 – 10.10.2022	10.10.2022 – 10.10.2028	0.071/0.0142	233,250	–	(9,500)	(182,500)	165,000	206,250	(15,000)	–	–	191,250	7.8 years
						933,000	–	(38,000)	(730,000)	660,000	825,000	(60,000)	–	(292,000)	473,000	
Employees:																
Management	10.10.2018	25%	10.10.2018 – 10.10.2019	10.10.2019 – 10.10.2028	0.071/0.0142	16,250	–	–	(16,250)	–	–	–	–	–	–	
		25%	10.10.2018 – 10.10.2020	10.10.2020 – 10.10.2028	0.071/0.0142	16,250	–	–	(16,250)	–	–	–	–	–	–	
		25%	10.10.2018 – 10.10.2021	10.10.2021 – 10.10.2028	0.071/0.0142	16,250	–	–	(16,250)	–	–	–	–	–	–	
		25%	10.10.2018 – 10.10.2022	10.10.2022 – 10.10.2028	0.071/0.0142	16,250	–	–	(16,250)	–	–	–	–	–	–	
						65,000	–	–	(65,000)	–	–	–	–	–	–	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options: Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019 and 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Timed-based (Continued)																
Executive director:																
Dr. Xu	06.30.2019	25%	06.30.2019 – 10.10.2019	10.10.2019 – 06.30.2029	0.071/0.0142	–	350,295	–	–	1,401,180	1,751,475	–	–	(1,751,475)	–	8.5 years
		25%	06.30.2019 – 10.10.2020	10.10.2020 – 06.30.2029	0.071/0.0142	–	350,294	–	–	1,401,176	1,751,470	–	–	–	1,751,470	8.5 years
		25%	06.30.2019 – 10.10.2021	10.10.2021 – 06.30.2029	0.071/0.0142	–	350,295	–	–	1,401,180	1,751,475	–	–	–	1,751,475	8.5 years
		25%	06.30.2019 – 10.10.2022	10.10.2022 – 06.30.2029	0.071/0.0142	–	350,294	–	–	1,401,176	1,751,470	–	–	–	1,751,470	8.5 years
						–	1,401,178	–	–	5,604,712	7,005,890	–	–	(1,751,475)	5,254,415	
Employees: Management	06.30.2019	25%	06.30.2019 – 10.10.2019	10.10.2019 – 06.30.2029	0.071/0.0142	–	371,403	–	–	1,485,612	1,857,015	–	–	(1,482,015)	375,000	8.5 years
		25%	06.30.2019 – 10.10.2020	10.10.2020 – 06.30.2029	0.071/0.0142	–	371,402	–	–	1,485,608	1,857,010	–	–	(80,835)	1,776,175	8.5 years
		25%	06.30.2019 – 10.10.2021	10.10.2021 – 06.30.2029	0.071/0.0142	–	371,402	–	–	1,485,608	1,857,010	(1,401,175)	–	–	455,835	8.5 years
		25%	06.30.2019 – 10.10.2022	10.10.2022 – 06.30.2029	0.071/0.0142	–	371,402	–	–	1,485,608	1,857,010	(1,401,175)	–	–	455,835	8.5 years
						–	1,485,609	–	–	5,942,436	7,428,045	(2,802,350)	–	(1,562,850)	3,062,845	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options										
						Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019 and 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Timed-based (Continued)																
Employees:																
Management	06.30.2019	25%	06.30.2019 – 10.10.2020	10.10.2020 – 06.30.2029	0.071/0.0142	–	25,644	–	–	102,576	128,220	–	(71,605)	(56,615)	–	8.5 years
		25%	06.30.2019 – 10.10.2021	10.10.2021 – 06.30.2029	0.071/0.0142	–	25,644	–	–	102,576	128,220	–	(71,605)	–	56,615	8.5 years
		25%	06.30.2019 – 10.10.2022	10.10.2022 – 06.30.2029	0.071/0.0142	–	25,644	–	–	102,576	128,220	–	(71,605)	–	56,615	8.5 years
		25%	06.30.2019 – 10.10.2023	10.10.2023 – 06.30.2029	0.071/0.0142	–	25,642	–	–	102,568	128,210	–	(71,595)	–	56,615	8.5 years
						–	102,574	–	–	410,296	512,870	–	(286,410)	(56,615)	169,845	
Employees:																
Management	06.30.2019	25%	06.30.2019 – 10.10.2019	10.10.2019 – 06.30.2029	0.071/0.0142	–	70,059	–	–	280,236	350,295	(350,295)	–	–	–	8.5 years
		32%	06.30.2019 – 10.10.2020	10.10.2020 – 06.30.2029	0.071/0.0142	–	89,676	–	–	358,704	448,380	(448,380)	–	–	–	8.5 years
		32%	06.30.2019 – 10.10.2021	10.10.2021 – 06.30.2029	0.071/0.0142	–	89,676	–	–	358,704	448,380	(448,380)	–	–	–	8.5 years
		11%	06.30.2019 – 10.10.2022	10.10.2022 – 06.30.2029	0.071/0.0142	–	30,825	–	–	123,300	154,125	(154,125)	–	–	–	8.5 years
						–	280,236	–	–	1,120,944	1,401,180	(1,401,180)	–	–	–	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options										
						Outstanding at 01.01.2019	Granted during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019 and 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020		
								Forfeited during the year	Cancelled during the year							
Timed-based (Continued)																
Employees:																
Management	11.08.2019	25%	11.08.2019 – 11.08.2020	11.08.2020 – 11.08.2029	0.071/0.0142	–	31,500	–	–	126,000	157,500	–	–	–	157,500	8.9 years
		25%	11.08.2019 – 11.08.2021	11.08.2021 – 11.08.2029	0.071/0.0142	–	31,500	–	–	126,000	157,500	–	–	–	157,500	8.9 years
		25%	11.08.2019 – 11.08.2022	11.08.2022 – 11.08.2029	0.071/0.0142	–	31,500	–	–	126,000	157,500	–	–	–	157,500	8.9 years
		25%	11.08.2019 – 11.08.2023	11.08.2023 – 11.08.2029	0.071/0.0142	–	31,500	–	–	126,000	157,500	–	–	–	157,500	8.9 years
						–	126,000	–	–	504,000	630,000	–	–	–	630,000	
Employees:																
Others	11.08.2019	25%	11.08.2019 – 11.08.2020	11.08.2020 – 11.08.2029	0.071/0.0142	–	9,500	–	–	38,000	47,500	(25,000)	–	–	22,500	8.9 years
		25%	11.08.2019 – 11.08.2021	11.08.2021 – 11.08.2029	0.071/0.0142	–	9,500	–	–	38,000	47,500	(25,000)	–	–	22,500	8.9 years
		25%	11.08.2019 – 11.08.2022	11.08.2022 – 11.08.2029	0.071/0.0142	–	9,500	–	–	38,000	47,500	(25,000)	–	–	22,500	8.9 years
		25%	11.08.2019 – 11.08.2023	11.08.2023 – 11.08.2029	0.071/0.0142	–	9,500	–	–	38,000	47,500	(25,000)	–	–	22,500	8.9 years
						–	38,000	–	–	152,000	190,000	(100,000)	–	–	90,000	
Time-based sub-total						2,614,410	3,433,597	(38,000)	(1,941,410)	16,274,388	20,342,985	(5,147,530)	(286,410)	(3,874,940)	11,034,105	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019 and 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Milestone-based (note)																
Employees:																
Management	10.10.2018	100%	10.10.2018 – 05.01.2020	05.01.2020 – 10.10.2028	0.071/-	286,602	–	–	(286,602)	–	–	–	–	–	–	
Employees:																
Others	10.10.2018	100%	10.10.2018 – 12.12.2019	12.12.2019 – 10.10.2028	0.071/-	32,000	–	–	(32,000)	–	–	–	–	–	–	
Employees:																
Others (Note)	10.10.2018	25%	10.10.2018 – 12.12.2019	12.12.2019 – 10.10.2028	0.071/0.0142	110,750	–	(22,750)	–	352,000	440,000	(81,875)	–	(356,250)	1,875	7.8 years
		25%	10.10.2018 – 09.30.2021	09.30.2021 – 10.10.2028	0.071/0.0142	110,750	–	(22,750)	–	352,000	440,000	(150,625)	–	–	289,375	7.8 years
		25%	10.10.2018 – 12.31.2022	12.31.2022 – 10.10.2028	0.071/0.0142	110,750	–	(22,750)	–	352,000	440,000	(150,625)	–	–	289,375	7.8 years
		15%	10.10.2018 – 06.30.2023	06.30.2023 – 10.10.2028	0.071/0.0142	66,450	–	(13,650)	–	211,200	264,000	(90,375)	–	–	173,625	7.8 years
		10%	10.10.2018 – 06.30.2025	06.30.2025 – 10.10.2028	0.071/0.0142	44,300	–	(9,100)	–	140,800	176,000	(60,250)	–	–	115,750	7.8 years
						443,000	–	(91,000)	–	1,408,000	1,760,000	(533,750)	–	(356,250)	870,000	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

						Number of share options										
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019 and 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Milestone-based (note) (Continued)																
Executive director:																
Ms. Liu Yang	10.10.2018	100%	10.10.2018 – 12.12.2019	12.12.2019 – 10.10.2028	0.071/0.0142	224,000	–	–	–	896,000	1,120,000	–	–	–	1,120,000	7.8 years
Employees:																
Management	10.10.2018	100%	10.10.2018 – 12.12.2019	12.12.2019 – 10.10.2028	0.071/-	292,000	–	–	(292,000)	–	–	–	–	–	–	
Employees:																
Management	10.10.2018	25%	10.10.2018 – 12.12.2019	12.12.2019 – 10.10.2028	0.071/0.0142	168,500	–	(19,000)	–	598,000	747,500	–	–	(434,500)	313,000	7.8 years
		25%	10.10.2018 – 09.30.2021	09.30.2021 – 10.10.2028	0.071/0.0142	168,500	–	(19,000)	–	598,000	747,500	(280,000)	–	–	467,500	7.8 years
		25%	10.10.2018 – 12.31.2022	12.31.2022 – 10.10.2028	0.071/0.0142	168,500	–	(19,000)	–	598,000	747,500	(280,000)	–	–	467,500	7.8 years
		15%	10.10.2018 – 06.30.2023	06.30.2023 – 10.10.2028	0.071/0.0142	101,100	–	(11,400)	–	358,800	448,500	(168,000)	–	–	280,500	7.8 years
		10%	10.10.2018 – 06.30.2025	06.30.2025 – 10.10.2028	0.071/0.0142	67,400	–	(7,600)	–	239,200	299,000	(112,000)	–	–	187,000	7.8 years
						674,000	–	(76,000)	–	2,392,000	2,990,000	(840,000)	–	(434,500)	1,715,500	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019 and 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Milestone-based (note) (Continued)																
Executive director:																
Dr. Xu	06.30.2019	25%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	0.071/0.0142	–	350,295	–	–	1,401,180	1,751,475	–	–	(1,751,475)	–	8.5 years
		25%	06.30.2019 – 09.30.2021	09.30.2021 – 06.30.2029	0.071/0.0142	–	350,294	–	–	1,401,176	1,751,470	–	–	–	1,751,470	8.5 years
		25%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	0.071/0.0142	–	350,295	–	–	1,401,180	1,751,475	–	–	–	1,751,475	8.5 years
		15%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	0.071/0.0142	–	210,177	–	–	840,708	1,050,885	–	–	–	1,050,885	8.5 years
		10%	06.30.2019 – 06.30.2025	06.30.2025 – 06.30.2029	0.071/0.0142	–	140,117	–	–	560,468	700,585	–	–	–	700,585	8.5 years
						–	1,401,178	–	–	5,604,712	7,005,890	–	–	(1,751,475)	5,254,415	
Employees:																
Management	06.30.2019	50%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	0.071/0.0142	–	296,403	–	–	1,185,612	1,482,015	–	–	(1,482,015)	–	8.5 years
		50%	06.30.2019 – 10.31.2021	10.31.2021 – 06.30.2029	0.071/0.0142	–	296,401	–	–	1,185,604	1,482,005	–	–	–	1,482,005	8.5 years
						–	592,804	–	–	2,371,216	2,964,020	–	–	(1,482,015)	1,482,005	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options: Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019 and 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Milestone-based (note) (Continued)																
Employees:																
Management	06.30.2019	20%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	0.071/0.0142	–	100,885	–	–	403,540	504,425	–	–	(504,425)	–	8.5 years
		50%	06.30.2019 – 10.01.2021	10.01.2021 – 06.30.2029	0.071/0.0142	–	252,212	–	–	1,008,848	1,261,060	(1,261,060)	–	–	–	8.5 years
		15%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	0.071/0.0142	–	75,664	–	–	302,656	378,320	(378,320)	–	–	–	8.5 years
		15%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	0.071/0.0142	–	75,663	–	–	302,652	378,315	(378,315)	–	–	–	8.5 years
						–	504,424	–	–	2,017,696	2,522,120	(2,017,695)	–	(504,425)	–	
Employees:																
Management	06.30.2019	40%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	0.071/0.0142	–	120,000	–	–	480,000	600,000	–	–	–	600,000	8.5 years
		15%	06.30.2019 – 09.30.2021	09.30.2021 – 06.30.2029	0.071/0.0142	–	45,000	–	–	180,000	225,000	–	–	–	225,000	8.5 years
		15%	06.30.2019 – 12.12.2021	12.12.2021 – 06.30.2029	0.071/0.0142	–	45,000	–	–	180,000	225,000	–	–	–	225,000	8.5 years
		15%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	0.071/0.0142	–	45,000	–	–	180,000	225,000	–	–	–	225,000	8.5 years
		15%	06.30.2019 – 12.12.2023	10.31.2023 – 06.30.2029	0.071/0.0142	–	45,000	–	–	180,000	225,000	–	–	–	225,000	8.5 years
						–	300,000	–	–	1,200,000	1,500,000	–	–	–	1,500,000	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019 and 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Milestone-based (note) (Continued)																
Employees:																
Management	06.30.2019	5%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	0.071/0.0142	–	1,479	–	–	5,916	7,395	–	–	(7,395)	–	8.5 years
		40%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	0.071/0.0142	–	11,835	–	–	47,340	59,175	–	–	–	59,175	8.5 years
		35%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	0.071/0.0142	–	10,356	–	–	41,424	51,780	–	–	–	51,780	8.5 years
		20%	06.30.2019 – 06.30.2025	06.30.2025 – 06.30.2029	0.071/0.0142	–	5,918	–	–	23,672	29,590	–	–	–	29,590	8.5 years
						–	29,588	–	–	118,352	147,940	–	–	(7,395)	140,545	
Employees:																
Management	06.30.2019	15%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	0.071/0.0142	–	10,948	–	–	43,792	54,740	–	–	(54,740)	–	8.5 years
		15%	06.30.2019 – 09.30.2021	09.30.2021 – 06.30.2029	0.071/0.0142	–	10,948	–	–	43,792	54,740	–	(42,960)	–	11,780	8.5 years
		35%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	0.071/0.0142	–	25,545	–	–	102,180	127,725	–	(100,245)	–	27,480	8.5 years
		25%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	0.071/0.0142	–	18,246	–	–	72,984	91,230	–	(71,605)	–	19,625	8.5 years
		10%	06.30.2019 – 06.30.2025	06.30.2025 – 06.30.2029	0.071/0.0142	–	7,299	–	–	29,196	36,495	–	(28,640)	–	7,855	8.5 years
						–	72,986	–	–	291,944	364,930	–	(243,450)	(54,740)	66,740	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options: Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019 and 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Milestone-based (note) (Continued)																
Employees:																
Others	06.30.2019	15%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	0.071/0.0142	–	12,675	(2,550)	–	40,500	50,625	–	–	(50,625)	–	8.5 years
		15%	06.30.2019 – 09.30.2021	09.30.2021 – 06.30.2029	0.071/0.0142	–	12,675	(2,550)	–	40,500	50,625	(13,125)	–	–	37,500	8.5 years
		35%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	0.071/0.0142	–	29,575	(5,950)	–	94,500	118,125	(30,625)	–	–	87,500	8.5 years
		25%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	0.071/0.0142	–	21,125	(4,250)	–	67,500	84,375	(21,875)	–	–	62,500	8.5 years
		10%	06.30.2019 – 06.30.2025	06.30.2025 – 06.30.2029	0.071/0.0142	–	8,450	(1,700)	–	27,000	33,750	(8,750)	–	–	25,000	8.5 years
						–	84,500	(17,000)	–	270,000	337,500	(74,375)	–	(50,625)	212,500	
Employees:																
Others	06.30.2019	25%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	0.071/0.0142	–	36,000	–	–	144,000	180,000	–	–	(172,500)	7,500	8.5 years
		25%	06.30.2019 – 09.30.2021	09.30.2021 – 06.30.2029	0.071/0.0142	–	36,000	–	–	144,000	180,000	–	–	–	180,000	8.5 years
		25%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	0.071/0.0142	–	36,000	–	–	144,000	180,000	–	–	–	180,000	8.5 years
		15%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	0.071/0.0142	–	21,600	–	–	86,400	108,000	–	–	–	108,000	8.5 years
		10%	06.30.2019 – 06.30.2025	06.30.2025 – 06.30.2029	0.071/0.0142	–	14,400	–	–	57,600	72,000	–	–	–	72,000	8.5 years
						–	144,000	–	–	576,000	720,000	–	–	(172,500)	547,500	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options										
						Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019 and 01.01.2020	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Milestone-based (note) (Continued)																
Executive director:																
Dr. Xu	11.08.2019	100%	11.08.2019 -12.12.2019	12.12.2019 – 11.08.2029	0.071/0.0142	–	610,000	–	–	2,440,000	3,050,000	–	–	(1,050,000)	2,000,000	8.9 years
Milestone-based sub-total						1,951,602	3,739,480	(184,000)	(610,602)	19,585,920	24,482,400	(3,465,820)	(243,450)	(5,863,925)	14,909,205	
Total						4,566,012	7,173,077	(222,000)	(2,552,012)	35,860,308	44,825,385	(8,613,350)	(529,860)	(9,738,865)	25,943,310	
Exercisable at the end of the year						–					14,811,950				8,976,520	
Weighted average exercise price per share (US$)						0.071	0.071	0.071	0.071	0.0142	0.0142	0.0142	0.0142	0.0142	0.0142	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

Note: Milestone-based pre-IPO share options are granted conditionally upon the achievement of a specified performance target including but not limited to, completion of the Listing, marketing authorization of various drug candidates or achievement of sales targets by a specific time and the expected vesting periods are estimated by the directors of the Company based on the most likely outcome of the performance conditions.

On March 29, 2019, the board of directors of the Company passed a resolution to change certain performance targets and the estimated dates of the most likely outcome of performance conditions in relation to certain milestone-based share options granted under the Pre-IPO Share Option Scheme I which were not beneficial to the employees. Thus, the amount to be recognized for services received from the employee continues to be measured based on the original vesting conditions.

Fair values of the Pre-IPO Share Option Scheme I

These fair values were calculated using the binomial model. The inputs into the model were as follows:

	Date of grant		
	10.10.2018	06.30.2019	11.08.2019
Ordinary share price as at date of grant	US$2.195	US$2.437	US$5.379
Exercise price	US$0.071	US$0.071	US$0.071
Expected volatility	38.8%	32.2%	32.1%
Expected life	10 years	10 years	10 years
Risk-free rate	3.17%	2.05%	1.95%
Expected dividend yield	0%	0%	0%
Total grant date fair value	US$9,719,000	US$14,572,000	US$4,109,000

The expected volatility measured at the standard deviation was based on the historical data of the daily share price movement of comparable companies. The fair value of an option varies with different variables of certain subjective assumptions.

The Group recognised total expense of approximately RMB22,037,000 for the year ended December 31, 2020 (2019: RMB86,496,000) in relation to the share options granted by the Company under the Pre-IPO Share Option Scheme I.

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) Pursuant to a written resolution of the shareholders of the Company dated March 29, 2019, another pre-IPO share option scheme (the "Pre-IPO Share Option Scheme II") of the Company was approved and adopted on 9 April 2019. The Pre-IPO Share Option Scheme II was established to recognize and motivate the contribution of the eligible persons and to provide incentives and help the Group in retaining its Employees, and to recruit additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. Under the Pre-IPO Share Option Scheme II, the board of directors of the Company may grant options to the eligible persons to subscribe for shares in the Company.

The granted options had a contractual option term of ten years. Options granted must be taken up within ten years from the date of grant, upon payment of either US$1.225 or US$2.449 per option (equivalent to HK$9.555 or HK$19.102 per option). No consideration was payable on the grant of an option. The Group had no legal or constructive obligations to repurchase or settle the options in cash. The options might not be exercised until they vest. Once vested, the vested portion of the options might be exercised in whole or in part, at any time.

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

The following table discloses movements of the Company's share options held by the directors and employees of the Group under the Pre-IPO Share Option Scheme II during the year:

						Number of share options										
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Time-based																
Executive director:																
Dr. Xu	06.30.2019	25%	06.30.2019 – 06.30.2020	06.30.2020 – 06.30.2029	2.449/0.4898	–	105,867	–	–	423,468	529,335	–	–	–	529,335	8.5 years
		25%	06.30.2019 – 06.30.2021	06.30.2021 – 06.30.2029	2.449/0.4898	–	105,867	–	–	423,468	529,335	–	–	–	529,335	8.5 years
		25%	06.30.2019 – 06.30.2022	06.30.2022 – 06.30.2029	2.449/0.4898	–	105,867	–	–	423,468	529,335	–	–	–	529,335	8.5 years
		25%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	2.449/0.4898	–	105,866	–	–	423,464	529,330	–	–	–	529,330	8.5 years
						–	423,467	–	–	1,693,868	2,117,335	–	–	–	2,117,335	
Employees:																
Management	06.30.2019	25%	06.30.2019 – 06.30.2020	06.30.2020 – 06.30.2029	2.449/0.4898	–	84,694	–	–	338,776	423,470	–	–	(423,470)	–	8.5 years
		25%	06.30.2019 – 06.30.2021	06.30.2021 – 06.30.2029	2.449/0.4898	–	84,694	–	–	338,776	423,470	(423,470)	–	–	–	8.5 years
		25%	06.30.2019 – 06.30.2022	06.30.2022 – 06.30.2029	2.449/0.4898	–	84,693	–	–	338,772	423,465	(423,465)	–	–	–	8.5 years
		25%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	2.449/0.4898	–	84,693	–	–	338,772	423,465	(423,465)	–	–	–	8.5 years
						–	338,774	–	–	1,355,096	1,693,870	(1,270,400)	–	(423,470)	–	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

							Number of share options									
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Time-based (Continued)																
Employees:																
Management	06.30.2019	25%	06.30.2019 – 06.30.2020	06.30.2020 – 06.30.2029	2.449/0.4898	–	21,173	–	–	84,692	105,865	–	–	(105,865)	–	8.5 years
		32%	06.30.2019 – 06.30.2021	06.30.2021 – 06.30.2029	2.449/0.4898	–	27,102	–	–	108,408	135,510	(135,510)	–	–	–	8.5 years
		32%	06.30.2019 – 06.30.2022	06.30.2022 – 06.30.2029	2.449/0.4898	–	27,102	–	–	108,408	135,510	(135,510)	–	–	–	8.5 years
		11%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	2.449/0.4898	–	9,316	–	–	37,264	46,580	(46,580)	–	–	–	8.5 years
						–	84,693	–	–	338,772	423,465	(317,600)	–	(105,865)	–	
Employees:																
Management	06.30.2019	25%	06.30.2019 – 06.30.2020	06.30.2020 – 06.30.2029	2.449/0.4898	–	55,477	–	–	221,908	277,385	(221,905)	–	(55,480)	–	8.5 years
		25%	06.30.2019 – 06.30.2021	06.30.2021 – 06.30.2029	2.449/0.4898	–	55,477	–	–	221,908	277,385	(221,910)	–	–	55,475	8.5 years
		25%	06.30.2019 – 06.30.2022	06.30.2022 – 06.30.2029	2.449/0.4898	–	55,477	–	–	221,908	277,385	(221,910)	–	–	55,475	8.5 years
		25%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	2.449/0.4898	–	55,478	–	–	221,912	277,390	(221,910)	–	–	55,480	8.5 years
						–	221,909	–	–	887,636	1,109,545	(887,635)	–	(55,480)	166,430	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

						Number of share options										
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Time-based (Continued)																
Employees:																
Management	11.08.2019	25%	11.08.2019 – 11.08.2020	11.08.2020 – 11.08.2029	1.225 – 2.449/ 0.2245 – 0.4898	–	48,993	–	–	195,972	244,965	–	(135,860)	(46,605)	62,500	8.9 years
		25%	11.08.2019 – 11.08.2021	11.08.2021 – 11.08.2029	1.225 – 2.449/ 0.2245 – 0.4898	–	48,993	–	–	195,972	244,965	–	(135,860)	–	109,105	8.9 years
		25%	11.08.2019 – 11.08.2022	11.08.2022 – 11.08.2029	1.225 – 2.449/ 0.2245 – 0.4898	–	48,993	–	–	195,972	244,965	–	(135,860)	–	109,105	8.9 years
		25%	11.08.2019 – 11.08.2023	11.08.2023 – 11.08.2029	1.225 – 2.449/ 0.2245 – 0.4898	–	48,993	–	–	195,972	244,965	–	(135,865)	–	109,100	8.9 years
						–	195,972	–	–	783,888	979,860	–	(543,445)	(46,605)	389,810	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options										
						Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Time-based (Continued)																
Employees:																
Management	11.13.2019	25%	11.13.2019 – 11.08.2020	11.08.2020 – 11.08.2029	1.225/0.2245	–	13,500	–	–	54,000	67,500	–	–	–	67,500	8.9 years
		25%	11.13.2019 – 11.08.2021	11.08.2021 – 11.08.2029	1.225/0.2245	–	13,500	–	–	54,000	67,500	–	–	–	67,500	8.9 years
		25%	11.13.2019 – 11.08.2022	11.08.2022 – 11.08.2029	1.225/0.2245	–	13,500	–	–	54,000	67,500	–	–	–	67,500	8.9 years
		25%	11.13.2019 – 11.08.2023	11.08.2023 – 11.08.2029	1.225/0.2245	–	13,500	–	–	54,000	67,500	–	–	–	67,500	8.9 years
						–	54,000	–	–	216,000	270,000	–	–	–	270,000	
Employees:																
Others	11.08.2019	25%	11.08.2019 – 11.08.2020	11.08.2020 – 11.08.2029	2.449/0.4898	–	5,750	–	–	23,000	28,750	–	–	–	28,750	8.9 years
		25%	11.08.2019 – 11.08.2021	11.08.2021 – 11.08.2029	2.449/0.4898	–	5,750	–	–	23,000	28,750	–	–	–	28,750	8.9 years
		25%	11.08.2019 – 11.08.2022	11.08.2022 – 11.08.2029	2.449/0.4898	–	5,750	–	–	23,000	28,750	–	–	–	28,750	8.9 years
		25%	11.08.2019 – 11.08.2023	11.08.2023 – 11.08.2029	2.449/0.4898	–	5,750	–	–	23,000	28,750	–	–	–	28,750	8.9 years
						–	23,000	–	–	92,000	115,000	–	–	–	115,000	
Time-based sub-total						–	1,341,815	–	–	5,367,260	6,709,075	(2,475,635)	(543,445)	(631,420)	3,058,575	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

						Number of share options										
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Milestone-based (note)																
Executive director																
Dr. Xu.	06.30.2019	25%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	2.449/0.4898	–	105,867	–	–	423,468	529,335	–	–	–	529,335	8.5 years
		25%	06.30.2019 – 09.30.2021	09.30.2021 – 06.30.2029	2.449/0.4898	–	105,867	–	–	423,468	529,335	–	–	–	529,335	8.5 years
		25%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	2.449/0.4898	–	105,867	–	–	423,468	529,335	–	–	–	529,335	8.5 years
		15%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	2.449/0.4898	–	95,279	–	–	381,116	476,395	–	–	–	476,395	8.5 years
		10%	06.30.2019 – 06.30.2025	06.30.2025 – 06.30.2029	2.449/0.4898	–	10,587	–	–	42,348	52,935	–	–	–	52,935	8.5 years
						–	423,467	–	–	1,693,868	2,117,335	–	–	–	2,117,335	
Employees:																
Management	06.30.2019	50%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	2.449/0.4898	–	84,694	–	–	338,776	423,470	–	–	(423,470)	–	8.5 years
		50%	06.30.2019 – 09.30.2021	09.30.2021 – 06.30.2029	2.449/0.4898	–	84,693	–	–	338,772	423,465	–	–	–	423,465	8.5 years
						–	169,387	–	–	677,548	846,935	–	–	(423,470)	423,465	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

						Number of share options										
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Milestone-based (note) (Continued)																
Employees:																
Management	06.30.2019	20%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	2.449/0.4898	–	30,490	–	–	121,960	152,450	–	–	(152,450)	–	8.5 years
		50%	06.30.2019 – 10.01.2021	10.01.2021 – 06.30.2029	2.449/0.4898	–	76,224	–	–	304,896	381,120	(381,120)	–	–	–	8.5 years
		15%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	2.449/0.4898	–	22,867	–	–	91,468	114,335	(114,335)	–	–	–	8.5 years
		15%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	2.449/0.4898	–	22,867	–	–	91,468	114,335	(114,335)	–	–	–	8.5 years
						–	152,448	–	–	609,792	762,240	(609,790)	–	(152,450)	–	
Employees:																
Management	06.30.2019	5%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	1.225/0.2450	–	11,095	–	–	44,380	55,475	(44,380)	–	(11,095)	–	8.5 years
		40%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	1.225/0.2450	–	88,763	–	–	355,052	443,815	(355,055)	–	–	88,760	8.5 years
		35%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	1.225/0.2450	–	77,668	–	–	310,672	388,340	(310,675)	–	–	77,665	8.5 years
		20%	06.30.2019 – 06.30.2025	06.30.2025 – 06.30.2029	1.225/0.2450	–	44,382	–	–	177,528	221,910	(177,525)	–	–	44,385	8.5 years
						–	221,908	–	–	887,632	1,109,540	(887,635)	–	(11,095)	210,810	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

					Exercise price per share Before/after Share Subdivision US$/US$	Number of share options										
	Date of grant	Vesting proportion	Vesting period	Exercisable period		Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Milestone-based (note) (Continued)																
Employees:																
Others	06.30.2019	10%	06.30.2019 – 12.12.2019	12.12.2019 – 06.30.2029	1.225/0.2450	–	5,000	–	–	20,000	25,000	–	–	(16,000)	9,000	8.5 years
		15%	06.30.2019 – 09.30.2021	09.30.2021 – 06.30.2029	1.225/0.2450	–	7,500	–	–	30,000	37,500	–	–	–	37,500	8.5 years
		35%	06.30.2019 – 12.31.2022	12.31.2022 – 06.30.2029	1.225/0.2450	–	17,500	–	–	70,000	87,500	–	–	–	87,500	8.5 years
		30%	06.30.2019 – 06.30.2023	06.30.2023 – 06.30.2029	1.225/0.2450	–	15,000	–	–	60,000	75,000	–	–	–	75,000	8.5 years
		10%	06.30.2019 – 06.30.2025	06.30.2025 – 06.30.2029	1.225/0.2450	–	5,000	–	–	20,000	25,000	–	–	–	25,000	8.5 years
						–	50,000	–	–	200,000	250,000	–	–	(16,000)	234,000	
Employees:																
Management	11.08.2019	5%	11.08.2019 – 12.12.2019	12.12.2019 – 11.08.2029	1.225/0.2450	–	7,299	–	–	29,196	36,495	–	–	(36,495)	–	8.9 years
		20%	11.08.2019 – 09.30.2021	09.30.2021 – 11.08.2029	1.225/0.2450	–	29,194	–	–	116,776	145,970	–	(108,690)	–	37,280	8.9 years
		25%	11.08.2019 – 12.31.2021	12.31.2021 – 11.08.2029	1.225/0.2450	–	36,493	–	–	145,972	182,465	–	(135,860)	–	46,605	8.9 years
		25%	11.08.2019 – 12.31.2022	12.31.2022 – 11.08.2029	1.225/0.2450	–	36,493	–	–	145,972	182,465	–	(135,860)	–	46,605	8.9 years
		15%	11.08.2019 – 06.30.2023	06.30.2023 – 11.08.2029	1.225/0.2450	–	21,896	–	–	87,584	109,480	–	(81,520)	–	27,960	8.9 years
		10%	11.08.2019 – 06.30.2025	06.30.2025 – 11.08.2029	1.225/0.2450	–	14,596	–	–	58,384	72,980	–	(54,340)	–	18,640	8.9 years
						–	145,971	–	–	583,884	729,855	–	(516,270)	(36,495)	177,090	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

					Exercise price per share Before/after Share Subdivision US$/US$	Number of share options										
	Date of grant	Vesting proportion	Vesting period	Exercisable period		Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Milestone-based (note) (Continued)																
Employees:																
Others	11.08.2019	10%	11.08.2019 – 12.12.2019	12.12.2019 – 11.08.2029	1.225/0.2450	–	1,000	–	–	4,000	5,000	–	–	(5,000)	–	8.9 years
		15%	11.08.2019 – 09.30.2021	09.30.2021 – 11.08.2029	1.225/0.2450	–	1,500	–	–	6,000	7,500	–	–	–	7,500	8.9 years
		35%	11.08.2019 – 12.31.2022	12.31.2022 – 11.08.2029	1.225/0.2450	–	3,500	–	–	14,000	17,500	–	–	–	17,500	8.9 years
		30%	11.08.2019 – 06.30.2023	06.30.2023 – 11.08.2029	1.225/0.2450	–	3,000	–	–	12,000	15,000	–	–	–	15,000	8.9 years
		10%	11.08.2019 – 06.30.2025	06.30.2025 – 11.08.2029	1.225/0.2450	–	1,000	–	–	4,000	5,000	–	–	–	5,000	8.9 years
						–	10,000	–	–	40,000	50,000	–	–	(5,000)	45,000	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

					Exercise price per share Before/after Share Subdivision US$/US$	Number of share options										
	Date of grant	Vesting proportion	Vesting period	Exercisable period		Outstanding at 01.01.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 11.24.2019 (Note 28)	Outstanding at 12.31.2019	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding at 12.31.2020	Remaining contractual life at 12.31.2020
Milestone-based (note) (Continued)																
Employees:																
Others	11.08.2019	5%	11.08.2019 – 12.12.2019	12.12.2019 – 11.08.2029	2.449/0.4898	–	600	–	–	2,400	3,000	–	–	(3,000)	–	8.9 years
		15%	11.08.2019 – 09.30.2021	09.30.2021 – 11.08.2029	2.449/0.4898	–	1,800	–	–	7,200	9,000	–	–	–	9,000	8.9 years
		35%	11.08.2019 – 12.31.2022	12.31.2022 – 11.08.2029	2.449/0.4898	–	4,200	–	–	16,800	21,000	–	–	–	21,000	8.9 years
		35%	11.08.2019 – 06.30.2023	06.30.2023 – 11.08.2029	2.449/0.4898	–	4,200	–	–	16,800	21,000	–	–	–	21,000	8.9 years
		10%	11.08.2019 – 06.30.2025	06.30.2025 – 11.08.2029	2.449/0.4898	–	1,200	–	–	4,800	6,000	–	–	–	6,000	8.9 years
						–	12,000	–	–	48,000	60,000	–	–	(3,000)	57,000	
Milestone-based sub-total						–	1,185,181	–	–	4,740,724	5,925,905	(1,497,425)	(516,270)	(647,510)	3,264,700	
Total						–	2,526,996	–	–	10,107,984	12,634,980	(3,973,060)	(1,059,715)	(1,278,930)	6,323,275	
Exercisable at the end of the year						–					1,227,720				1,226,420	
Weighted average exercise price per share (US$)						N/A	2.130	N/A	–	0.4260	0.4260	0.4351	0.3705	0.4767	0.4527	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

Note: Milestone-based pre-IPO share options are granted conditionally upon the achievement of a specified performance target including but not limited to, completion of the Listing, marketing authorization of various drug candidates, achievement of sales targets, or increase in the Company's market capitalization after the Listing by a specific time and the expected vesting periods are estimated by the directors of the Company based on the most likely outcome of the performance conditions.

Fair value of the Pre-IPO Share Option Scheme II

These fair values were calculated using the binomial model. The inputs into the model were as follows:

	Date of grant	
	06.30.2019	11.08.2019 & 11.13.2019
Ordinary share price as at date of grant	US$2.437	US$5.379
Exercise price	US$1.225 or US$2.449	US$1.225 or US$2.449
Expected volatility	32.2%	32.1%
Expected life	10 years	10 years
Risk-free rate	2.05%	1.95%
Expected dividend yield	0%	0%
Total grant date fair value	US$2,212,000	US$1,816,000

The expected volatility measured at the standard deviation was based on the historical data of the daily share price movement of comparable companies. The fair value of an option varied with different variables of certain subjective assumptions.

The Group recognised total expense of approximately RMB10,595,000 for the year ended December 31, 2020 (2019: RMB4,527,000) in relation to the share options granted by the Company under the Pre-IPO Share Option Scheme II.

30. SHARE OPTION SCHEMES (Continued)

(b) Share option scheme with cash-settled alternatives of Suzhou Alphamab

Since May 2014, Suzhou Alphamab had issued 5 batches of share options under the share incentive plan adopted by Suzhou Alphamab ("SZ ESOP Plan") as an incentive to employees and management of Suzhou Alphamab. Under the SZ ESOP Plan, the grantees could choose to settle in cash based on a calculation methodology as stated in the plan or in equity when Suzhou Alphamab completed the listing of its shares. Such SZ ESOP Plan was accounted for as a compound financial instrument, which includes a debt component (i.e. the counterparty's right to demand payment in cash) and an equity component (i.e. the counterparty's right to demand settlement in equity instruments rather than in cash).

During the year ended December 31, 2020, the Group recognized share-based payment expenses of RMB95,000 (2019: RMB205,000) that are allocated to the Oncology Business under the SZ ESOP Plan.

31. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes amount due to a related company, lease liabilities and bank borrowings as disclosed in Notes 23, 24 and 26, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, accumulated losses and various reserves.

The directors of the Company regularly review the capital structure from time to time. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts and redemption of existing debts.

32. FINANCIAL INSTRUMENTS

32a. Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets mandatorily measured at FVTPL	**43,530**	11,680
Amortized cost	**2,063,669**	2,380,846
Derivative financial instruments	**5,863**	–
Financial liabilities		
Amortized cost	**256,189**	342,156

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit and counterparty risk and liquidity risk. The Group's financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance by actively managing debt level and cash flow in order to maintain a strong financial position and minimising refinancing and liquidity risks by attaining healthy debt repayment capacity, appropriate maturity profile and availability of banking facilities. The Group adheres to a policy of financial prudence and did not use any derivative financial instruments during both years.

32b. Financial risk management objectives and policies

The Group's major financial instruments include other receivables, financial assets at FVTPL, derivative financial instruments, cash and cash equivalents, time deposits with original maturity over three months, trade and other payables, amount due to a related company, bank borrowings and lease liabilities.

Details of the financial instruments are disclosed in respective notes. The directors of the Company manage and monitor the below risks exposures to ensure appropriate measures are implemented on a timely and effective manner.

32. FINANCIAL INSTRUMENTS (Continued)

32b. Financial risk management objectives and policies (Continued)

Market risk

Currency risk

Certain bank deposits and trade and other payables are denominated in currencies other than the functional currency of the relevant group entities, which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the year are as follows:

	Assets		Liabilities	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
US$	**1,745,161**	250,253	**(727)**	(78)
HKD	**299**	1,591,507	**–**	–
GBP	**–**	–	**(287)**	–
	1,745,460	1,841,760	**(1,014)**	(78)

Sensitivity analysis

The Group is exposed to the fluctuation of foreign exchange rate of US$ and HKD. The following table details the Group's sensitivity to a 10% increase and decrease in US$ and HKD against RMB. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the year for a 10% change in US$ and HKD. A positive number below indicates a decrease in loss for the year where US$/HKD strengthens 10% against RMB. For a 10% weakening of US$/HKD against RMB, there would be an equal and opposite impact on the loss for the year.

	HKD		US$	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Impact on loss for the year	**30**	159,151	**174,443**	25,017

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the relevant year.

32. FINANCIAL INSTRUMENTS (Continued)

32b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Forward foreign exchange contracts

In addition, the Group has elected not to adopt hedge accounting for foreign exchange forward contracts as set out in Note 27 during the year ended December 31, 2020. As at December 31, 2020, the fair value change of those instruments are amounted to RMB5,863,000 (2019: Nil).

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to time deposits with original maturity over three months/less than three months and lease liabilities as disclosed in Notes 21 and 24. The Group is also exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents and variable-rate bank borrowings as disclosed in Notes 21 and 26, respectively. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and benchmark borrowing rate arising from its borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk for bank balances/deposits and borrowings, the analysis is prepared assuming the amount of bank balances/deposits and borrowings outstanding at the end of the year were outstanding for the whole year. A 50 basis point increase or decrease representing management's assessment of the reasonably possible change in interest rate is used.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended December 31, 2020, would increase/decrease by RMB824,000 (2019: RMB880,000).

Other price risk

The Group is exposed to other price risk for its financial assets at FVTPL.

No sensitivity analysis is presented as the exposure is considered to be insignificant.

32. FINANCIAL INSTRUMENTS (Continued)

32b. Financial risk management objectives and policies (Continued)

Credit and counterparty risk

Credit and counterparty risk refers to the risk that a counterparty will default on its contractual obligations resulting financial losses to the Group.

In order to minimize the credit risk, the directors of the Company review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Watch list	Debtor frequently usually repays after due dates but settle the amounts in full	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

32. FINANCIAL INSTRUMENTS (Continued)

32b. Financial risk management objectives and policies (Continued)

Credit and counterparty risk (Continued)

Other receivables

The Group assessed the ECL for its other receivables individually based on internal credit rating which, in the opinion of the directors of the Company, have no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. No 12m ECL was made for other receivables with gross carrying amounts of RMB42,950,000 (2019: RMB10,091,000) as at December 31, 2020, as the amounts involved are not material and the estimated loss rates were less than 5%.

The Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

Cash and cash equivalents and time deposits with original maturity over three months

A significant portion of the Group's bank balances/deposits are placed with a few state-owned banks in the PRC and international banks in Hong Kong with gross carrying amounts of RMB2,020,719,000 (2019: RMB2,370,755,000) as at December 31, 2020. The credit risks on bank balances/deposits are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than the credit risks mentioned above, the Group does not have any other significant concentration of credit risk.

No 12m ECL has been provided during the years ended December 31, 2019 and 2020 as the estimated loss rates were considered to be insignificant.

Liquidity risk

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the year.

32. FINANCIAL INSTRUMENTS (Continued)

32b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk table

	Weighted average interest rate %	On demand or less than 1 month RMB'000	1 to 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
December 31, 2020							
Trade and other payables	N/A	43,074	–	–	–	43,074	43,074
Amount due to a related company	N/A	3,765	–	–	–	3,765	3,765
Bank borrowings – variable rate (Note)	3.85	672	1,343	199,790	24,475	226,280	209,350
		47,511	1,343	199,790	24,475	273,119	256,189
Lease liabilities	4.99	940	1,720	7,739	3,419	13,818	13,455
December 31, 2019							
Trade and other payables	N/A	111,369	–	–	–	111,369	111,369
Amount due to a related company	N/A	787	–	–	–	787	787
Bank borrowings – variable rate (Note)	4.99	956	1,913	8,608	256,842	268,319	230,000
		113,112	1,913	8,608	256,842	380,475	342,156
Lease liabilities	4.99	2,607	2,583	8,271	10,905	24,366	23,176

Note: The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the year.

32. FINANCIAL INSTRUMENTS (Continued)

32c. Fair values measurements of financial instruments

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the year. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key inputs
	2020 RMB'000	2019 RMB'000		
Financial assets				
Structure deposits	**43,530**	11,680	Level 2	Redemption value quoted by banks with reference to the expected return of the underlying assets
Forward foreign currency contracts	**5,863**	–	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

(ii) Fair value of financial assets that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets recorded at amortized cost in the consolidated financial statements approximate their fair values.

33. RESEARCH AND DEVELOPMENT EXPENSES

	2020 RMB'000	2019 RMB'000
Outsourcing service fees	**161,258**	77,451
Staff costs	**65,706**	43,040
Raw material costs	**61,429**	28,486
Office rental costs, utilities, and depreciation and amortization	**31,408**	12,279
Others	**11,440**	5,398
	331,241	166,654

34. CAPITAL COMMITMENTS

	2020 RMB'000	2019 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**21,813**	15,757

35. RETIREMENT BENEFITS PLAN

The employees employed by Jiangsu Alphamab are members of the state-managed retirement benefits schemes operated by the PRC government. Jiangsu Alphamab is required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

The total cost charged to profit or loss of RMB5,800,000 (2019: RMB6,659,000) represents contributions paid or payable to the above schemes by the Group for the years ended December 31, 2020.

At December 31, 2020, there were no forfeited contributions which arose upon employees leaving the schemes prior to their interests in the Group's contribution becoming fully vested and which are available to reduce the contributions payable by the Group in future years (2019: Nil).

36. PLEDGE OF ASSETS

At the end of the reporting period, the carrying amounts of the assets pledged by the Group to banks in order to secure the bank borrowings and general banking facilities granted by banks to the Group are as follows:

	2020	2019
	RMB'000	RMB'000
Land use rights included in right-of-use assets	**22,175**	22,669
Buildings	**225,872**	230,668
Plant and machinery	**38,129**	21,159
CIP	**7,966**	24,870

37. RELATED PARTY DISCLOSURES

(i) Transactions

During the reporting period, the Group entered into the following transactions with its related company:

Related parties	**Relationship**	**Nature of transactions**	**2020**	**2019**
			RMB'000	RMB'000
Suzhou Alphamab	Related company	Utilities expenses (Note)	**2,175**	1,638
		Interest expenses – lease liabilities	**820**	770
		Purchase of raw materials	**751**	–
		Technical service income	**–**	85
		Antibody development expense	**859**	–
		Process development expense	**4,547**	–

Note: The related party transaction constitutes continuing connected transaction for the Company within the meaning of the Listing Rules, the details of which are disclosed in the section headed "Connected Transactions" in this annual report.

37. RELATED PARTY DISCLOSURES (Continued)

(ii) Balances

Details of the balance with related company are set out in the consolidated statement of financial position and in Notes 23 and 24.

(iii) Compensation of key management personnel

Year ended December 31, 2020

The remuneration of the Group's key management personnel is determined with regard to the performance of the individuals and market trends. For year ended December 31, 2020, the total remuneration of key management personnel, including directors and key executives, amounted to RMB41,266,000. Out of these amounts, RMB19,274,000 represented their short-term benefits and RMB226,000 represented their post-employment benefits for the year ended December 31, 2020, and the remaining balance for the year ended December 31, 2020 represented the share-based payment expense of RMB21,766,000 recognized for the year ended December 31, 2020, as detailed in Note 30(a).

Year ended December 31, 2019

The remuneration of the Group's key management personnel is determined with regard to the performance of the individuals and market trends. For year ended December 31, 2019, the total remuneration of key management personnel, including directors and key executives, amounted to RMB93,158,000. Out of these amounts, RMB18,265,000 represented their short-term benefits and RMB444,000 represented their post-employment benefits for the year ended December 31, 2019, and the remaining balance for the year ended December 31, 2019 represented the share-based payment expense of RMB74,449,000 recognized for the year ended December 31, 2019, as detailed in Note 30(a).

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings RMB'000	Convertible redeemable preferred shares RMB'000	Lease liabilities RMB'000	Accrued interest expense (Note 22) RMB'000	Accrued issue costs RMB'000	Total RMB'000
At January 1, 2019	100,000	900,603	11,020	152	1,213	1,012,988
Financing cash flows	130,000	410,066	(13,540)	(8,029)	(51,104)	467,393
Non-cash changes						
Fair value changes of financial liabilities measured at FVTPL	–	542,291	–	–	–	542,291
New leases entered/lease modified	–	–	24,841	–	–	24,841
Issue costs accrued	–	348	–	–	63,432	63,780
Interest expenses recognized (Note 9)	–	–	855	8,228	–	9,083
Automatic conversion of Series A Preferred Shares and Series B Preferred Shares into ordinary shares upon the IPO	–	(1,853,308)	–	–	–	(1,853,308)
At December 31, 2019	230,000	–	23,176	351	13,541	267,068
Financing cash flows	(20,650)	–	(11,382)	(10,552)	(21,095)	(63,679)
Non-cash changes						
New leases entered/lease modified	–	–	785	–	–	785
Issue costs accrued	–	–	–	–	7,554	7,554
Interest expenses recognized (Note 9)	–	–	876	10,439	–	11,315
At December 31, 2020	209,350	–	13,455	238	–	223,043

39. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2020 RMB'000	2019 RMB'000
Non-current assets		
Equipment	**6**	10
Right-of-use assets	**284**	–
Investments in subsidiaries	**1,228,505**	990,198
Amounts due from subsidiaries	**81,259**	34,199
	1,310,054	1,024,407
Current assets		
Other receivables, deposits and prepayments	**40,640**	8,976
Time deposits with original maturity over three months	**1,646,803**	236,807
Cash and cash equivalents	**7,344**	1,592,004
	1,694,787	1,837,787
Current liabilities		
Other payables	**3,305**	32,270
Lease liabilities – current portion	**242**	–
Net current assets	**1,691,240**	1,805,517
Total assets less current liabilities	**3,001,294**	2,829,924
Non-current liability		
Lease liabilities – non-current portion	**60**	–
Net assets	**3,001,234**	2,829,924
Capital and reserves		
Share capital	**13**	12
Reserves	**3,001,221**	2,829,912
Total equity attributable to owners of the Company	**3,001,234**	2,829,924

39. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

The movements of the reserves of the Company are as follows:

	Share premium RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at December 31, 2018	–	–	(52,881)	(52,881)
Loss and total comprehensive expense for the year	–	–	(642,650)	(642,650)
Automatic conversion of Series A Preferred Shares and Series B Preferred Shares into ordinary shares upon the initial public IPO	1,853,305	–	–	1,853,305
Issue of ordinary shares in the IPO	1,646,186	–	–	1,646,186
Transaction costs directly attributable to issue of new shares in the IPO	(65,071)	–	–	(65,071)
Cancellation of certain pre-IPO share options	–	–	12,250	12,250
Recognition of equity-settled shares-based payment	–	78,773	–	78,773
As at December 31, 2019	3,434,420	78,773	(683,281)	2,829,912
Loss and total comprehensive expense for the year	–	–	(104,026)	(104,026)
Issue of ordinary shares from exercising over-allotment options	245,220	–	–	245,220
Transaction costs directly attributable to issue of new shares from exercising over-allotment options	(7,554)	–	–	(7,554)
Exercise of share options	40,663	(35,626)	–	5,037
Recognition of equity-settled shares-based payment	–	32,632	–	32,632
As at December 31, 2020	3,712,749	75,779	(787,307)	3,001,221

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

The Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ operation and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Company		Principal activities
			2020	2019	
Directly held:					
Alphamab Oncology (BVI) Ltd.	The BVI/ April 19, 2018	Issued capital of HK$1 and paid-in capital of HK$1	**100%**	100%	Investment holding
Indirectly held:					
Alphamab Oncology (HK) Limited	Hong Kong/ May 11, 2018	Issued capital of HK$1 and paid-in capital of HK$1	**100%**	100%	Investment holding
Jiangsu Alphamab[#]	The PRC/ July 14, 2015	Registered and paid-in capital of US$170,666,888	**100%**	100%	R&D, manufacturing and commercialization of Biologics of oncology
Alphamab Australia	Australia/ November 20, 2016	Registered capital of AUD100 and paid-in capital of AUD100	**100%**	100%	R&D of drugs

[#] Jiangsu Alphamab is a wholly foreign owned enterprise established in the PRC.

Financial Summary

	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Results				
Loss before taxation	(64,826)	(202,633)	(832,740)	**(427,766)**
Income taxation	–	–	–	**–**
Loss for the year	(64,826)	(202,633)	(832,740)	**(427,766)**
Loss for the year attributable to:				
Owners of the Company	(33,061)	(149,843)	(832,740)	**(427,766)**
Non-controlling interests	(31,765)	(52,790)	–	**–**
	(64,826)	(202,633)	(832,740)	**(427,766)**
Assets and liabilities				
Total assets	46,577	826,893	2,854,583	**2,639,522**
Total liabilities	(20,266)	(1,093,921)	(428,658)	**(366,438)**
Total equity (deficit)	26,311	(267,028)	2,425,925	**2,273,084**
Equity (equity deficiency) attributable to owners of the Company	13,419	(267,028)	2,425,925	**2,273,084**
Non-controlling interests	12,892	–	–	**–**
	26,311	(267,028)	2,425,925	**2,273,084**

Note: The Shares of the Company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on December 12, 2019.