Immunotech Biopharm Ltd
永泰生物製藥有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 6978

2020
ANNUAL REPORT

Content

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr TAN Zheng *(Chairman)*
Dr WANG Yu *(CEO)*
Mr JUNG Hyun Chul

Non-executive Directors

Mr SI Xiaobing
Mr LU Yuan
Mr LI Yuezhong

Independent non-executive Directors

Professor WANG Yingdian
Mr NG Chi Kit
Ms PENG Sujiu

JOINT COMPANY SECRETARY

Ms YIN Mengyang
Ms LEUNG Shui Bing

AUTHORISED REPRESENTATIVES

Mr TAN Zheng
Ms LEUNG Shui Bing

AUDIT COMMITTEE

Mr NG Chi Kit *(Chairman)*
Ms PENG Sujiu
Professor WANG Yingdian

REMUNERATION COMMITTEE

Professor WANG Yingdian *(Chairman)*
Ms PENG Sujiu
Mr NG Chi Kit

NOMINATION COMMITTEE

Mr TAN Zheng *(Chairman)*
Ms PENG Sujiu
Professor WANG Yingdian

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISER

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LEGAL ADVISER

As to Hong Kong law
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As to PRC law
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Beijing
China

Corporate Information

PRINCIPAL BANKS

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Beijing, the PRC

Bank of Communications Hong Kong Branch
16/F, Lee Garden Five
18 Hysan Avenue
Causeway Bay
Hong Kong

China CITIC Bank Beijing Jintai International Branch
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Chaoyang District
Beijing, the PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Guosheng Technology Park
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Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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REGISTERED OFFICE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
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Wanchai
Hong Kong

STOCK CODE

6978

COMPANY'S WEBSITE

www.eaal.net

DATE OF LISTING

10 July 2020

Corporate Profile

OVERVIEW

We are a leading cellular immunotherapy biopharmaceutical company in China focusing on the research, development, and commercialisation of T cell immunotherapy for over 14 years. EAL® – our Core Product Candidate – is a multi-target cellular immunotherapy product with more than a decade of track record of clinical application, and has shown efficacy in the treatment of various types of cancer. Our EAL®-related research began in 2006, and we have improved upon our cell culture system and methods, and developed our proprietary, patented technology platform for the production of EAL® cells.

We have selected the prevention of postsurgical recurrence of liver cancer as the clinical indication for the clinical trial of EAL®. We plan to submit the application for the commercialisation of EAL® in the PRC market after achieving statistically significant result for its clinical trials.

Our product pipeline features major classes of cellular immunotherapy products, including both non-genetically-modified and genetically-modified products, as well as both multi-target and single-target products. Other than EAL®, our main product candidates include the CAR-T cell series and the TCR-T cell series.

Composed of experienced cancer immunologists, our core technology team is equipped with industry foresight and sensitivity. Our R&D organisational structure encompasses early research, pre-clinical studies, clinical studies, and commercialised production and management, allowing for rapid implementation of our product R&D efforts.

We have also established technology platforms necessary for the R&D of cellular immunotherapy products and in place an organisational and management platform for clinical trials.

Business and Financial Highlights

BUSINESS HIGHLIGHTS

Clinical trials

EAL® – post-surgical recurrence of liver cancer as indication

EAL® is undergoing Phase II clinical trial with the post-surgical recurrence of liver cancer selected as the clinical indication. As at the date of this report, the Company has completed the enrollment of 272 targeted patients required for the Phase II clinical trial. Based on the current progress of the Phase II clinical trial, the Company's management is confident that it will finish the interim data analysis as early as the second quarter of 2021 and submit pre-NDA meeting application for the product to the NMPA.

CAR-T-19 Injection

CAR-T-19 Injection, T cells that are genetically modified to express anti-CD19 chimeric antigen receptors and one of the Group's pipeline products, has received an approval of the IND for clinical trials from the CDE.

Following the IND approval, the Company has commenced Phase I clinical trial process for the CAR-T-19 Injection and presented the Phase I clinical trial protocol and proposed timetable in a kick-off conference meeting, which took place in Beijing on 25 February 2021. The Company expects to enrol the first patient for the Phase I clinical trial in May 2021, complete the targeted patient enrollment in the first quarter of 2022 and publish the preliminary analysis and results in 2022.

6B11-OCIK Injection

6B11-OCIK Injection is expected to resume in as early as the third quarter of 2021, based on the discussions with the CDE in March 2021. The Company plans to complete the enrollment of all targeted patients required for the Phase I clinical trial as early as the second half of 2022.

Others

Investment Fund

The Company entered into the Subscription Agreement with Tasly Bioscience on 31 December 2020 in relation to the subscription of the Investment Fund. The Company's total capital contribution to the Investment Fund as a limited partner is HK$156.8 million. The Investment Fund would engage in investments in the healthcare sector, which will bring investment returns and revenue to the Company.

Exclusive License Agreement With T-Cure

The Company entered into the License Agreement with T-Cure as confirmed by NIH on 11 January 2021. With the grant of a retroviral-vectored TCR-based immunotherapy for renal cell carcinoma in HLA A-11 restricted human patients, the Company will gain advantage in treatment of renal cell carcinoma indication in the PRC.

Business and Financial Highlights

Industry Fund

On 24 February 2021, the Company, through Beijing Yongtai, entered into establishment of the Industry Fund with, Shaoxing Binhai Investment Fund, to set up of research and development and production centre of EAL® for Eastern China and focus on investments in the upstream and downstream industrial chain of cellular immunotherapy.

EAL® – Gastric Cancer as Indication

The Company is currently conducting a pre-clinical study of EAL® for gastric cancer as indicator. The pharmacodynamics study has been completed and the pharmacology and toxicology studies are in progress. The Company expects to submit the clinical study application to the CDE in 2021 after completing the pre-clinical study.

FINANCIAL HIGHLIGHTS

Other income increased by approximately RMB3.1 million or approximately 107.9% from approximately RMB2.9 million for the year ended 31 December 2019 to approximately RMB6.0 million for the year ended 31 December 2020.

Other gains and losses, net decreased by approximately RMB46.8 million or approximately 740.5% from gains of approximately gain of RMB6.3 million for the year ended 31 December 2019 to losses of approximately loss of RMB40.5 million for year ended 31 December 2020.

Research and development expenses increased by approximately RMB216.7 million or approximately 349.6% from approximately RMB62.0 million for the year ended 31 December 2019 to approximately RMB278.6 million for the year ended 31 December 2020.

Loss before tax increased by approximately RMB330.0 million or approximately 302.7% from approximately RMB109.1 million for the year ended 31 December 2019 to approximately RMB439.1 million for the year ended 31 December 2020.

Loss and total comprehensive expenses for the year increased by approximately RMB330.0 million or approximately 302.7% from approximately RMB109.1 million for the year ended 31 December 2019 to approximately RMB439.1 million for the year ended 31 December 2020.

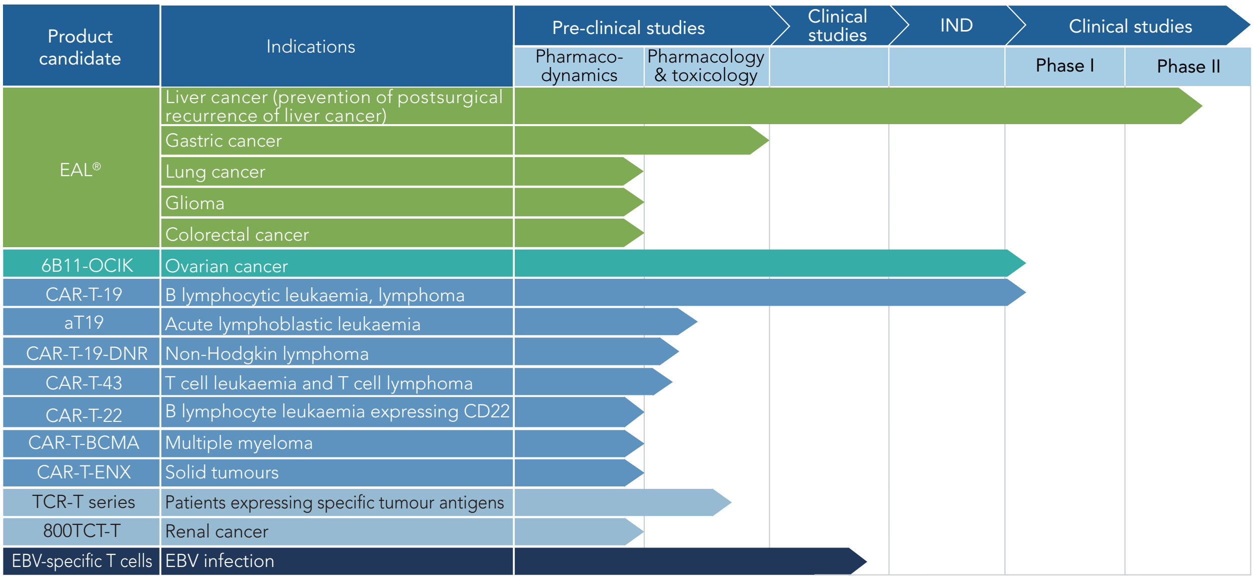
MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

BUSINESS REVIEW

R&D of our product candidates

The following chart summarises our product candidates and their R&D status as at the date of this report:



EAL®

EAL® is a multi-target cellular immunotherapy product with more than a decade of track record of clinical application in the treatment of cancer. It is a preparation of activated and expanded T cells originally taken from a patient's autologous peripheral blood and cultured using our patented methods. The main active component of the product is $CD8^+$ cytotoxic T cells, whose surface marker is the CD3 molecule.

EAL® is undergoing Phase II clinical trial with the postsurgical recurrence of liver cancer selected as the clinical indication. Based on our communications with the CDE, we may apply for marketing approval for EAL® indicated for the prevention of postsurgical recurrence of liver cancer using the interim results of the ongoing clinical trial or the final results at the end of the clinical trial if such results are statistically significant. We may further communicate with the CDE to facilitate the assessment after obtaining clinical trial results that support the efficacy of EAL®.

The outbreak of COVID-19 resulted in a suspension of the enrolment of subjects and the administration of EAL® for enrolled patients for the Phase II clinical trial for EAL® since late January 2020 although our follow-up with patients via phone calls have not been affected. Since March 2020, we had started to resume the enrolment of patients and the administration of EAL® for enrolled patients for Phase II clinical trial for EAL®. According to the clinical trial protocol, the maximum duration between two infusions of EAL® administered to patients is eight weeks. As a result, due to the suspension of the clinical trial, data from no more than 35 patients may be excluded, the calculation of which is based

Management Discussion and Analysis

on the minimum duration of suspension of eight weeks and lower than 12 times of infusions. The 35 patients will remain under our observation during the clinical trial for before we can ascertain whether the suspension has resulted in any statistically significant impact on their clinical trials. We do not expect the maximum number of 35 patients to further increase because the other patients we have do not experience any suspension for more than eight weeks or they have already at least 12 times of infusions, and therefore, comply with the clinical trial protocol. From September 2020, approximately 20 to 30 patients per month were enrolled in the Phase II clinical trial for EAL®, which have returned back to the level before the pandemic.

As at the date of this report, the Company has completed the enrollment of 272 targeted patients required for the Phase II clinical trial. Based on the current progress of the Phase II clinical trial, the Company's management is confident that it will finish the interim data analysis as early as the second quarter of 2021 and submit pre-NDA meeting application for the product to the NMPA. Save as disclosed in this report, we do not expect the outbreak of COVID-19 to have any other material impact on the clinical trial for EAL®.

CAR-T cell product pipeline

The CAR-T-19 series forms the core of our CAR-T cell product pipeline. Our CAR-T-19 injection product candidate has shown efficacy in a clinical study, and our IND application for the product candidate with B-cell acute lymphoblastic leukaemia (B-ALL) as the clinical indication was accepted for processing by the CDE in August 2019.

In December 2020, we received an approval of the IND for clinical trials of CAR-T-19 injection from the CDE. Following the IND approval, the Company has commenced Phase I clinical trial process for the CAR-T-19 Injection and presented the Phase I clinical trial protocol and proposed timetable in a kick-off conference meeting, which took place in Beijing on 25 February 2021. The Company expects to enrol the first patient for the Phase I clinical trial in May 2021, complete the targeted patient enrollment in the first quarter of 2022 and publish the preliminary analysis and results in 2022.

Based on the technology of the CAR-T-19 injection, our CAR-T-19-DNR injection and aT19 injection product candidates have the ultimate goal of overcoming CAR-T cells' pain points in terms of the lack of persistence, the lack of efficacy in the treatment of solid tumours, and in the prevention of tumour recurrence. If verified, the technology underlying these two product candidates may be used in the genetic modification of other CAR-T and TCR-T cell products targeting solid tumours.

TCR-T cell product pipeline

TCR-T cell therapy is an immunotherapy based on the reinfusion of tumour antigen-specific T cells. We use our established single-cell sequencing-based technology platform to obtain different HLA-restricted T cell receptor (TCR) coding sequences for specific antigens. Subsequently, the TCR genes are inserted into our self-constructed lentiviral vector for transduction into T cells, and then the killing effect on tumour cells is confirmed by an in vitro and in vivo model. In this way, we hope to finally prepare a gene database for TCRs where different antigenic specificities presented by common HLA can be recognised.

Management Discussion and Analysis

With a view to overcoming the immunosuppressive mechanisms of tumours, we have constructed expression vectors that co-express TCR and CXCR3, IL-12, or TGF–ß DNR, and we plan to use transplanted tumour models to investigate their effects on the therapeutic effect of TCR-T cells, thereby laying the foundation for the development of the next generation of TCR-T cell products for the treatment of solid tumours.

We have a number of TCR-T cell product candidates under pre-clinical studies, with the relevant target antigens including the cancer-testis antigen or cancer-placental antigen such as NY-ESO-1, and antigens derived from viruses such as EBV and HPV.

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: We cannot guarantee that our Core Product Candidate and other product candidate will ultimately be successfully developed and marketed.

The Group's facilities

We have a total area of approximately 13,640 square metres for a R&D and manufacturing centre in Beijing, which includes a quality inspection building and clean laboratory. Such facilities are capable of supporting our pre-clinical and clinical R&D of cellular immunotherapy product candidates, as well as the early production needs upon marketing approval for our product candidates. All these facilities have been issued clean facility (area) inspection reports by the Beijing Institute for Drug Control. Our Guosheng Laboratory in Beijing has the capacity to handle approximately 40,000 samples per year, and can satisfy the needs from the clinical trials for our product pipeline for two to three years, as well as the early production needs from the commercialisation of EAL®. In addition, we have established a research centre in Korea primarily focusing on the development of new technologies relevant to our business.

In order to expedite our clinical trials and prepare for future commercialisation roadmap, we are planning to establish R&D and production centres in cities that cover densely-populated areas in China in view of the six-hour transportation radius for EAL®; namely:

- Northern China region: in April 2020, we won a bid for a parcel of land situated at Lot N5M4, Beijing Economic and Technological Development Zone, Beijing for the purpose of establishing its Beijing production centre. As at the date of this report, we have selected the general contractor and expect to commence construction by April 2021. The expected investment for the Beijing production centre would amount to approximately RMB1.2 billion, which is expected to be financed by a bank loan. After completion, it is expected to reach an annual production capacity of over 200,000 batches of cells, covering the domestic Northern and Northeast markets in China.

- Eastern China region: in February 2021, we entered into a cooperation framework agreement with the Shaoxing Binhai New Area Management Committee* (紹興濱海新區管理委員會) with a view to, among others, establishing the proposed research and development and production centre of EAL® for the Eastern China region, the proposed joint establishment of academician workstations with universities and research institutions in the PRC, the proposed land development regarding the project and the proposed establishment of the Industry Fund, targeted at investments in the upstream and downstream industrial chain of, among other things, cellular immunotherapy. At present, the total capital commitment for the project is approximately RMB1.0 billion, of which our total capital commitment is RMB50 million. The first phase is expected to complete within 24 months after obtaining the relevant land title certificate.

Management Discussion and Analysis

- Southern and Western China regions: we are conducting site evaluation for EAL® commercialisation purposes in the Pearl River Delta region and Sichuan-Chongqing region and expects to finalise its plan as early as the second quarter of 2021.

Quality assurance

We have formulated our quality management documentation in accordance with GMP, covering production process procedures, product quality standards, equipment and facilities operation procedures, inspection procedures, sample retention and sampling management procedures, personnel training, environmental monitoring, verification and confirmation, deviation inspection, and quality risk control management procedures. We have standardized the selection, purchase, inspection, release, production process, inspection process, product storage, and transportation of the materials used in the products to ensure full compliance with relevant laws and regulations and GMP requirements. Under our quality management procedures, final products can be released only after quality inspection in order to ensure that the products meet the relevant standards and intended use.

In particular, the production of EAL® has achieved standardisation, and we have developed comprehensive standards in relation to the production process in order to ensure that the product is of consistent quality.

To ensure that our final products meet quality standards, all quality issues during the production process are documented, escalated to, and reviewed by senior management. We also conduct a formal risk assessment and justification in accordance with the standards and procedures under our quality management system and policies.

The head of our quality department reports directly to our CEO. There are three sub-teams within the quality department responsible for quality assurance, quality control, and R&D quality management respectively. As at 31 December 2020, we had 63 staff members in our quality department.

Future and outlook

Expedite the clinical trial and prepare for commercialisation of EAL®

We plan to further increase investment into expanding the geographical regions in which to conduct the ongoing Phase II clinical trial for EAL®, with a view of expediting patient enrolment and data collection, and at the same time preparing for future commercialisation.

Cellular immunotherapy products are subject to diminishing cell activity once taken out of the laboratory. As at the date of this report, we have confirmed the sites in Beijing and Shaoxing to construct production centres. We are planning to establish R&D and production centres in cities that densely-populated areas in China in view of the six-hour transportation radius for EAL®. After establishing our presence in Beijing, Shaoxing and Shenzhen, we plan to build production centres in other major cities such as Chengdu, Wuhan, Xi'an and Shenyang. As at the date of this report, we had started identifying suitable sites in Guangzhou and Shenzhen and a few other major cities.

Management Discussion and Analysis

The first patient for the Phase II clinical trial for EAL® was enrolled in September 2018, and all the 272 targeted patients required for the Phase II clinical trial had been enrolled as at the date of this report. Based on the current progress of the Phase II clinical trial, the Company's management is confident that it will finish the interim data analysis as early as the second quarter of 2021 and submit pre-NDA meeting application for the product to the NMPA.

Expedite the research into the expansion of indications for EAL®

We intend to initiate clinical research on the expansion of indications for EAL®. Several clinical studies have shown the efficacy of EAL® in the treatment of various types of tumours other than liver cancer. After obtaining the marketing approval for EAL®, we plan to expand its clinical indications to diseases such as lung cancer, gastric cancer, and acute myeloid leukaemia. As at the date of this report, the pharmacodynamics study has been completed and the pharmacology and toxicology studies are in progress. The Company expects to submit the clinical study application to the CDE in 2021 after completing the pre-clinical study.

According to the clinical application data of Guoqing Zhang et al from Chinese PLA General Hospital (中國人民解放軍總醫院), in respect of 84 patients with stage IIIc-IV gastric cancer consisting of 42 patients who received more than six EAL® infusions and 42 patients with concurrent control, the overall survival (OS) of the EAL®-treated group was 27.0 months, while that of the control group was 13.9 months. In another study by Zhang et al on small cell lung cancer, there were 32 patients consisting of 16 for the EAL®-treated group and 16 for the control group. The patients in the EAL®-treated group were each treated with more than six EAL® infusions, and the OS in the EAL®-treated group was numerically longer than that in the control group.

Advance the pre-clinical studies for pipeline products, and accelerate their entry into clinical trials

We plan to continue to invest into our CAR-T and TCR-T cell product pipelines. In particular, pharmacodynamic studies have been completed in respect of our NY-ESO-1 TCR-T, CAR-T-19-DNR, and aT19 product candidates and they are targeted to enter clinical trials by the end of 2021.

In the area of overcoming the immunosuppressive mechanisms of tumours, we intend to continue our research into multiple genetic modification methods aiming at affecting the signal pathway for T cells, with a view of increasing the T cells' efficacy in killing tumour cells. We expect that CAR-T-19-DNR, which targets immunosuppressive molecule TGF-ß, will be our first product candidate to enter into clinical study. We plan to validate the product candidate's primary safety and efficacy a researcher-initiated clinical study programme and the programme has been granted the ethical approval by the China Ethics Committee of Registering Clinical Trials.

Targeting at prevention of recurrence after cellular immunotherapy, we are conducting R&D on therapeutic strategies adopting different immune mechanisms and different immune cells, to achieve effective induction of tumour antigen-specific immunological memory cells and long-term remission of tumours. Our first product candidate in this category is the aT19 injection.

Enhance our technology platform and strengthen our product pipeline

As always, we will be committed to continuing our studies on cellular immunotherapy products appropriate for different tumour types and stages with improved efficacy compared to currently-available products.

In the area of solid tumours caused by oncogenic viruses such as nasopharyngeal cancer (EBV) and cervical cancer (HPV), we are conducting research into TCR-T cell products targeting at solid tumour cells expressing virus antigens.

Management Discussion and Analysis

In the area of neoantigens formed from tumour mutations in solid tumours, we intend to identify antigen-specific TCRs suitable for different individuals, with a view of ultimately constructing a gene database for TCRs targeting of tumour neoantigens in an effort to conduct research into molecule-specific TCR-T cell products for the treatment of solid tumours.

Develop viral vector production and early-stage R&D services business

The viral vector production system we have established meets the pharmaceutical production quality standards under GMP requirements. The viral vectors that we have produced meet the requirements for biological products and can be produced in scale. At present, domestic CAR-T cells companies often order viral vectors from abroad.

Due to their high degrees of individualisation and their nature as biological active products, cellular immunotherapy products are subject to research and development carried out through a systematic technology platform covering cell preparation, cell quality control, cell potency studies, cell safety studies, etc. In the absence of such platform, the productisation of the cells would be difficult. Through the research on a variety of products, including non-genetically modified and genetically-modified cellular immunotherapy products, we have established a systematic technology platform for the research and development of cellular immunotherapy products, and we can provide customised services according to the needs of customers.

Expand strategic collaboration and explore acquisition opportunities on the basis of organic growth

As an open and forward-looking immune cell technology R&D company, we intend to expand strategic collaboration and explore acquisition opportunities on the basis of our organic growth, in order to quickly expand our product pipeline covering the treatment of both solid and non-solid tumours. With a view of further enhancing our product pipeline, we intend to continue looking for new potential cellular immunotherapy products by expanding strategic cooperation and identifying potential acquisition targets possessing products with clear professional prospects.

EVENTS AFTER THE REPORTING PERIOD

Exclusive license agreement with T-Cure

On 11 January 2021, we entered into the License Agreement with T-Cure, pursuant to which T-Cure agreed to grant an exclusive license to us to use the know-hows, patent rights and processes that are controlled or owned by T-Cure necessary or useful to develop, manufacture or commercialise of the Licensed Products for the development, manufacturing and commercialisation of Licensed Products in the Territory in the field of retroviral-based T-cell receptor based immunotherapy for renal cell carcinoma, and in consideration of which, the Company agreed to pay the upfront payment of US$2 million, the milestone payment of US$10 million and royalties based on the net annual sales of Licensed Products, in accordance with the terms of the License Agreement.

Details of the License Agreement are set out in the announcement of the Company dated 12 January 2021.

Management Discussion and Analysis

Establishment of and investment in the Industry Fund

On 24 February 2021, we, through Beijing Yongtai, entered into a cooperation framework agreement (the "**Cooperation Framework Agreement**") with the Shaoxing Binhai New Area Management Committee* (紹興濱海新區管理委員會), a governmental management committee of Shaoxing City, Zhejiang Province, with a view to promote the development of biomedical industry in Shaoxing Binhai New Area* (紹興濱海新區) by the introduction of Beijing Yongtai to participate in the Huadong Cellular Immunotherapy Industrial Park* (華東細胞產業園) project, including, among other things, the proposed set up of research and development and production centre of EAL® for the Huadong region, the proposed joint establishment of academician workstations with universities and research institutions in the PRC, the proposed land development regarding the project and the proposed establishment of a specialised industry fund, targeted at investments in the upstream and downstream industrial chain of, among other things, cellular immunotherapy.

Upon the entering into of the Cooperation Framework Agreement, Beijing Yongtai, as the limited partner to the Industry Fund, Tianjin Jinxin Health Technology Co., Ltd.* (天津金新健康科技有限公司), as the general partner to the Industry Fund, and among other limited partners of the Industry Fund, entered into a limited partnership agreement on 21 February 2021 to, among other things, invest in the upstream and downstream industrial chain of cellular immunotherapy, stem cell research, gene therapy and precision medicine. Beijing Yongtai's total capital commitment in the Industry Fund as a limited partner to the Industry Fund is RMB50 million.

Details of the establishment of and investment in the Industry Fund are set out in the announcement of the Company dated 24 February 2021.

Resumption of the Phase I clinical trial of 6B11-OCIK Injection

We expect to resume Phase I clinical trial of 6B11-OCIK Injection in as early as the third quarter of 2021, based on recent discussions with the CDE. We plan to complete the enrollment of all targeted subjects required for the Phase I clinical trial as early as the second half of 2022.

Completion of 272 targeted patients for Phase II clinical trial of EAL® with the post-surgical recurrence of liver cancer selected as the clinical indication

As at the date of this report, we have completed the enrollment of 272 targeted patients required for the Phase II clinical trial with the post-surgical recurrence of liver cancer selected as the clinical indication. Based on the current progress of the Phase II clinical trial, the Company's management is confident that it will finish the interim data analysis as early as the second quarter of 2021 and submit pre-NDA meeting application for the product to the NMPA.

Construction agreement in relation to the construction of the new biological drug R&D and industrialisation base in Beijing, PRC

On 26 March 2021, we entered into a construction agreement (the "**Construction Agreement**") with China Construction Third Engineering Bureau Group Co. Ltd (中建三局集團有限公司) ("**CCTEB**") in relation to the construction of the R&D and industrialisation base (the "**R&D and Industrialisation Base**") in Beijing, PRC. The total contract sum payable to CCTEB under the Construction Agreement is RMB664,999,999.33. To cater for and for the purposes of preparing the commercialisation of our core product candidate and other product candidates, the construction of the R&D and Industrialisation Base will allow us to carry out the necessary R&D work, testing and quality assurance produces.

Details of the Construction Agreement are set out in the announcement of the Company dated 29 March 2021.

Management Discussion and Analysis

FINANCIAL REVIEW

Year Ended 31 December 2020 Compared to Year Ended 31 December 2019

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Other income	**6,005**	2,888
Other gains and losses, net	**(40,454)**	6,316
Fair value (loss) gain of convertible redeemable preference shares	**(16,984)**	3,825
Business development expenses	**–**	(569)
Administrative expenses	**(68,625)**	(27,760)
Research and development expenses	**(278,626)**	(61,975)
Finance costs	**(2,389)**	(2,070)
Listing expenses	**(37,583)**	(22,283)
Other expenses	**(473)**	(7,426)
Loss before tax	**(439,129)**	(109,054)
Income tax expense	**–**	–
Loss and total comprehensive expenses for the year	**(439,129)**	(109,054)
Loss and total comprehensive expenses for the year attributable to:		
Owners of the Company	**(439,047)**	(108,801)
Non-controlling interests	**(82)**	(253)
Loss per share		
– Basic	**(0.99)**	(0.29)
– Diluted	**(0.99)**	(0.29)

Other income

Other income of the Group increased by approximately 107.9% from approximately RMB2.9 million as at 31 December 2019 to approximately RMB6.0 million as at 31 December 2020, which was primarily due to the increase in interest income on bank deposits during the Reporting Period.

Management Discussion and Analysis

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Income received from provision of cell cryopreservation services	**710**	710
Interest income on bank deposits	**3,581**	325
Interest income from lease deposits	**70**	63
Interest income from loans	**–**	52
Government grants	**1,605**	1,726
Others	**39**	12
Total	**6,005**	2,888

Cell cryopreservation is the process whereby cells are preserved by cooling to very low temperatures.

Other gains and losses, net

Other gains and losses, net of the Group decreased by approximately 740.5% from gains of approximately RMB6.3 million for the year ended 31 December 2019 to losses of approximately RMB40.5 million for the year ended 31 December 2020, which was primarily because of the foreign exchange loss denominated in Hong Kong dollars as a result of the depreciation of Hong Kong dollars against RMB held by the Group during the Reporting Period.

Our other gains and losses, net for the Reporting Period only consisted of exchange gains and losses.

Fair value (loss) gain of convertible redeemable preference shares

Our recognised fair value loss of convertible redeemable preference shares decreased by approximately 544.0% from approximately RMB3.8 million for the year ended 31 December 2019 to approximately RMB17.0 million for the year ended 31 December 2020, which was primarily due to the dilutive effect of the Listing.

Business development expenses

We did not incur any business development expenses for the year ended 31 December 2020 (compared to approximately RMB0.6 million for the year ended 31 December 2019), which was primarily due to larger scale of Phase II clinical trial for EAL® based on which we classified all the business development expenses relevant to such clinical trial to our research and development expenses.

Administrative expense

Administrative expense of the Group increased by approximately 147.2% from approximately RMB27.8 million for the year ended 31 December 2019 to approximately RMB68.6 million for the year ended 31 December 2020, which was primarily due to the increase in staff costs as a result of the increase in salaries and allowance of employees and the impact of share options offered to the Directors and employees of the Group.

The Group's administrative expenses primarily include staff costs, professional fees including fees paid to contractors and recruiters, depreciation expenses of our right-of-use assets for our leases, vehicles and office equipment, travel and hospitality fees and others.

Management Discussion and Analysis

Research and development expenses

Research and development expenses of the Group increased by approximately 349.6% from approximately RMB62.0 million for the year ended 31 December 2019 to approximately RMB278.6 million for the year ended 31 December 2020, which was primarily due to the impact of share options offered to the R&D staff and the increase in headcount of R&D staffs.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Raw material costs	**14,162**	9,159
Staff costs	**157,796**	18,757
Contracting costs	**85,803**	20,022
Depreciation and amortisation	**11,470**	8,860
Others	**9,395**	5,177
Total	**278,626**	61,975

Finance costs

Finance costs of the Group increased by approximately 15.4% from approximately RMB2.1 million for the year ended 31 December 2019 to approximately RMB2.4 million for the year ended 31 December 2020, which was primarily due to the increase in interest expenses on lease liability recognised pursuant to IFRS 16.

Listing expenses

Listing expenses of the Group increased by approximately 68.7% from approximately RMB22.3 million for the year ended 31 December 2019 to approximately RMB37.6 million for the year ended 31 December 2020 in line with the progress of the Listing and it is expected that no such expenses will be incurred in the future.

Management Discussion and Analysis

Other expenses

Other expenses of the Group decreased by approximately 94.0% from approximately RMB7.4 million for the year ended 31 December 2019 to approximately RMB0.5 million for the year ended 31 December 2020, which was primarily due to that we paid to third parties in services in relation to the issue of our Convertible Preference Shares in the amount of approximately RMB7.0 million during the year ended 31 December 2019.

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Costs for provision of cell cryopreservation services	**290**	325
Issue costs for convertible redeemable preference shares	**–**	7,018
Others	**183**	83
Total	**473**	7,426

The costs for provision of cell cryopreservation services consist of (i) amortised costs in respect of the one-off initial set-up costs; and (ii) ongoing expenses which we recognize in the period during which they were incurred.

Loss before tax

For the above reasons, the loss before tax of the Group increased by approximately 302.7% from approximately RMB109.1 million for the year ended 31 December 2019 to approximately RMB439.1 million for the year ended 31 December 2020.

Income tax expenses

For the year ended 31 December 2020, we are not subject to any income tax in the Cayman Islands. No Hong Kong profit tax was provided for as there was no estimated assessable profit of our Hong Kong subsidiary, which was subject to Hong Kong profit tax during the Reporting Period. Our subsidiaries located in the PRC, were generally subject to the statutory enterprise income tax at a rate of 25% on the assessable profits according to the PRC Enterprise Income Tax Law. Our PRC subsidiaries, Beijing Yongtai was accredited as a High And New Technology Enterprise for a three-year period commencing from 31 October 2018. Accordingly, Beijing Yongtai enjoyed a lower tax rate of 15% during the three years ended 31 December 2018, 2019 and 2020.

Liquidity and capital resources

Our bank balances and cash increased by approximately RMB563.2 million from approximately RMB282.2 million at 31 December 2019 to approximately RMB845.4 million at 31 December 2020, which was primarily due to the net proceeds received from the Listing. As at 31 December 2020, we did not have any bank borrowings nor loans.

Management Discussion and Analysis

INDEBTEDNESS

Lease liabilities

As at 31 December 2020, our lease liabilities were approximately RMB51.1 million. The lease liabilities were secured by rental deposits and unguaranteed.

Convertible Preference Shares

On 3 June 2019, we entered into the Preference Share Subscription Agreement, pursuant to which, Poly Platinum subscribed for 5,000 Convertible Preference Shares for a consideration of HK$200 million. As at 31 December 2019, the carrying amounts of the Convertible Preference Shares were approximately RMB172.1 million and as at 31 December 2020, the carrying amounts of the Convertible Preference Shares were nil, which included the initial proceeds received on issuance of the Convertible Preference Shares and their subsequent fair value changes. The Convertible Preference Shares were secured by Shares of the Company held by each of Tan Zheng Ltd and Tan Xiao Yang Ltd and guaranteed by each of Tan Xiaoyang, Mr Tan Zheng, Zhang Junzheng, Ma Xiaoou, Song Aiping, Ke Shaobin, Wang Shuhui, Li Yunhui, Tan Yueyue and Wang Yuning.

On 23 August 2019, a written resolution of the Shareholders of the Company was passed, pursuant to which each preference share of the Company of US$1.00 each was sub-divided into 1,000 shares of US$0.001 each. Following the subdivision of share capital of the Company, the number of the preference shares was increased from 5,000 of US$1.00 each into 5,000,000 of US$0.001 each.

Upon completion of the IPO on 10 July 2020, the preferred shares were automatically converted into 5,000,000 ordinary Shares of the Company.

Contingent liabilities, charge of assets and guarantees

Save as disclosed above, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, loans, borrowings, lease liabilities, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities as at 31 December 2020.

CAPITAL STRUCTURE

The Shares of the Company were listed on the Main Board of the Stock Exchange on 10 July 2020, and 100,000,000 Shares of the Company were issued at the offer price of HK$11.00 per share by way of Global Offering.

Management Discussion and Analysis

Subsequently, the Company announced that the Over-allotment option described in the Prospectus was partially exercised by the Joint Representatives, on behalf of the International Underwriters, on 31 July 2020, in respect of an aggregate of 14,584,000 Shares representing approximately 14.58% of the total number of the Shares initially available under the Global Offering before any exercise of the Over-allotment option to facilitate the return to Tan Zheng Ltd of the borrowed Shares under the Stock Borrowing Agreement which were used to cover over-allocations in the International Offering. There was no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary shares. As at 31 December 2020, the total issued share capital of the Company was US$514,584 divided into 514,584,000 Shares.

The capital structure of the Group was 6.7% debt and 93.3% equity as at 31 December 2020, compared with 59.1% debt and 40.9% equity as at 31 December 2019.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Bid for Lot N5M4, Beijing Economic and Technological Development Zone, Beijing

In April 2020, we won a bid for a parcel of land situated at Lot N5M4, Beijing Economic and Technological Development Zone, Beijing for the purpose of establishing its Beijing production centre. As at the date of this report, we have selected the general contractor and expects to commence construction by April 2021. The expected investment for the Beijing production centre would amount to approximately RMB1.2 billion, which is expected to be financed by a bank loan. After completion, it is expected to reach an annual production capacity of over 200,000 batches of cells, covering the domestic Northern and Northeast markets in China.

Subscription of the Investment Fund

On 31 December 2020, we entered into the Subscription Agreement with Tasly Bioscience, in relation to the subscription of Investment Fund. The Company's total capital contribution to the Investment Fund as a limited partner is HK$156.8 million.

Upon the entering into of the Subscription Agreement, Tasly Bioscience, as the general partner to the Investment Fund, and Tasly Bioscience, as attorney of the limited partners of the Investment Fund including the Company, entered into a limited partnership agreement on 31 December 2020 to govern their relationship and provide for, among others, the manner of operation and management of the Investment Fund.

As at 31 December 2020, fair value of the Company's portion in the Investment Fund amounted to approximately RMB131,969,000, which represented approximately 10.9% of the total assets of the Company. As at 31 December 2020, the Investment Fund has not made any investment to any projects.

Details of the subscription to the Investment Fund are set out in the announcement of the Company dated 31 December 2020.

Save as disclosed and as at the date of this report, there were no significant investments held by the Group or future plans regarding significant investment or capital assets. For the year ended 31 December 2020, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Management Discussion and Analysis

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, we had a total of 241 employees in the PRC and nine employees in Korea.

The following table sets forth the number of our employees for each function as at 31 December 2020:

Function	Number of Employees
General management and administration	34
Research and development	
– Senior management	10
– Product and technology R&D	61
– Production, purification, equipment and safety	59
– Quality	63
– Clinical support and business development	23
Total	250

We have designed an evaluation system to assess the performance of our employees periodically. Such system forms the basis of our determinations of whether an employee should receive a salary raise, bonus, or promotion. We believe the salaries and bonuses our employees receive are competitive with market rates.

We place strong emphasis on providing training to our employees in order to enhance their technical and product knowledge. We design and offer different training programmes for our employees in various positions.

We make contributions to the social insurance and housing provident fund for all our employees in the PRC.

FOREIGN EXCHANGE

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which our Group conducts business may affect our financial condition and results of operation. The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars. The conversion of foreign currencies into RMB, including Hong Kong dollars, has been based on rates set by the People's Bank of China. The Group seeks to limit our exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. During the Reporting Period, the Group did not enter into any currency hedging transactions.

Management Discussion and Analysis

SELECTED FINANCIAL RATIO

The following table sets out certain selected financial ratios as at the balance sheet dates indicated:

	Year ended 31 December	
	2020	2019
Current ratio	**27.95**	1.49
Quick ratio	**27.83**	1.47

Notes:

(1) Current ratio equals current assets divided by current liabilities as at the end of the period.

(2) Quick ratio equals (a) current assets less inventories divided by (b) current liabilities as at the end of the period.

Our current ratio increased from 1.49 as at 31 December 2019 to 27.95 as at 31 December 2020 and our quick ratio increased from 1.47 as at 31 December 2019 to 27.83 as at 31 December 2020 because of the net proceeds received from the Listing and the Convertible Preference Shares were converted into ordinary Shares of the Company.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr Tan Zheng (譚錚), aged 43, was first appointed as a Director in April 2018, and was re-designated as an executive Director and the Chairman in August 2019. He is mainly responsible for overall strategic planning and business direction of our Group. Mr Tan is currently pursuing an executive master in business administration from United Business Institutes China. Through working with various pharmaceutical companies, Mr Tan has accumulated over 20 years of experience in leading commercialisation efforts or marketing and sales within the PRC Pharmaceutical industry. From June 1998 to June 2004, he worked at Shaanxi Buchang Pharmaceutical Co., Ltd. (陝西步長製藥有限公司), a PRC company listed on the Shanghai Stock Exchange, principally engaged in the development and manufacturing of medical drugs, where his last position was an office supervisor at their Tianjin office. From June 2004 to January 2013, Mr Tan served as an office supervisor at the Beijing office of Shaanxi Kanghui Pharmaceutical Co., Ltd (陝西康惠控股有限公司), principally engaged in the research, development and production of pharmaceuticals products. Between January 2013 and August 2015, Mr Tan worked at Wuhan Heer Medical Technology Development Co., Ltd.* (武漢呵爾醫療科技發展有限公司), a PRC company engaged in, among other things, the development and manufacture of cancer screening and analysis systems, first as an office supervisor at the Beijing office and subsequently as a deputy general manager, where he was responsible for sales, supervision and management of daily matters. Mr Tan has been a director of JY Research, the offshore intermediate holding company of our PRC subsidiaries; Hamiyang, the holding company of JY Research; and the chairman of AK Ruihe, an indirect wholly-owned subsidiary of our Company, since their respective incorporation. He became the director of Beijing Yongtai, one of our major PRC subsidiaries, in September 2015.

Dr Wang Yu (王歈), aged 53, is an executive Director and the CEO and co-CTO of our Group. As an executive Director, she works with other members of our Board to oversee our overall operations, set our corporate policies, and develop our business. Also, as our CEO, Dr Wang is responsible for (i) formulating our R&D plans and strategies, including the overall visions and directions for our R&D of EAL® and R&D of CAR-T and TCR-T; and (ii) managing our day-to-day operation. As our co-CTO, Dr Wang is responsible for (i) supervising the clinical R&D activities in respect of liver cancer indication for EAL®; (ii) managing the R&D efforts to expand the clinical indications for EAL®; and (iii) together with Dr Kim, our other co-CTO, and Dr Zhang, our chief scientist, leading our R&D team in exploring and developing CAR-T and TCR-T related therapies and product candidates. Dr Wang received a bachelor's degree of science in pharmaceutical chemistry and a master's degree of science in physiology from Beijing Medical University (now known as Peking University Health Science Centre (北京大學醫學部)) in the PRC in July 1989 and November 1992, respectively. Dr Wang obtained a Ph.D. in immunology from Peking University (北京大學), the PRC, in July 2002. Dr Wang has over 25 years of experience in medical research. After graduating from the Beijing Medical University in 1992, Dr Wang worked as a researcher with a number of research institutions in China and abroad, including Beijing Medical University, Georgetown University, Peking University Health Science Centre, and Beijing Cancer Hospital (北京腫瘤醫院) affiliated with Peking University. She joined Beijing Yongtai in November 2006 as its director, CEO and CTO. From December 2003 to November 2006, she was also a deputy director of the Cancer Biological Therapy and Diagnosis Centre in Beijing Cancer Hospital (北京腫瘤醫院). From September 2014 to December 2018, Dr Wang

Directors and Senior Management

served as a deputy director of Laboratory of Oncology, Chinese PLA General Hospital (中國人民解放軍總醫院), which is a key laboratory of the Ministry of Education, PRC, where she directed the R&D of the laboratory. During the same period, Dr Wang continued to provide direction and input to our research effort as our technology adviser and was subsequently appointed as our CEO and co-CTO in December 2018. Dr Wang is also a council member of the Beijing Society for Immunology (北京免疫學會) of the PRC from December 2011 to December 2015, a council member of China Medicinal Biotechnology Association (中國醫藥生物技術協會) from May 2013 to May 2017, the deputy director of oncology committee of the Chinese Research Hospital Association (中國研究型醫院學會) of the PRC since November 2015, and the deputy director of tumour Immunotherapy committee of the Beijing Breast Disease Society (北京乳腺病防治學會) of the PRC since December 2015. Dr Wang was a member of the editorial board of Progress in Microbiology and Immunology (微生物學免疫學進展) from January 2011 to December 2013, a member of the editorial board Chinese Journal of Microbiology and Immunology (中華微生物學和免疫學雜誌) since December 2013 and a member of the editorial board of Chinese Journal of Biologicals (中國生物製品學雜誌) from August 2013 to August 2018.

Mr Jung Hyun Chul (鄭鉉哲), aged 58, is as an executive Director and the chief strategy officer of our Group. He is mainly responsible for the overall resources allocation, commercialisation planning and providing support to our R&D team. As our chief strategy officer, Mr Jung is responsible for (i) strategising and facilitating our overall resource allocation; (ii) advising on our business development and commercialisation plans and strategies, especially for our R&D of EAL®; and (iii) providing support, including introducing oversea suppliers, to our R&D team. Mr Jung received a bachelor's degree in operational management and a master's degree in business administration from Yonsei University, Korea in February 1985 and February 1987, respectively. Prior to joining our Group, from November 1988 to July 1989, Mr Jung served at S-oil Corporation (stock code: 010950), a company listed on Korea Stock Exchange, principally engaged in producing petroleum, petrochemical, and lubricant products. Between November 1991 and April 1995, he served at Korea Industry Securities Co., Ltd* (韓國產業證券有限公司), a company principally engaged in securities trading and investments, where he was responsible for analysing chemical industry and producing reports on it. Mr Jung joined Beijing Yongtai, one of our major PRC subsidiaries, in November 2006 as its director and since then, has been focusing on the business development and strategic aspects of our business. Mr Jung served as the chief executive director and director at Pharos Vaccine, a company based in Korea whose principal business is R&D of cell therapy products in Korea from April 2011 until his resignation in March 2019 with a view to focusing more on our business as our chief strategy officer and executive Director. He is also the founder, director and general manager of Beijing Sainuotai, a company incorporated in the PRC that provides consultation services on lymphocyte biosynthesis technology.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr Si Xiaobing (司小兵), aged 40, was appointed as a non-executive Director in August 2019. Mr Si received a bachelor of science degree in acupuncture and massage therapy from Shanxi University of Chinese Medicine (山西中醫藥大學), the PRC in July 2003 and a master of science degree in acupuncture and massage therapy from Gansu University of Chinese Medicine (甘肅中醫藥大學), the PRC in July 2007. Mr Si has taken up managerial roles in various enterprises prior to joining our Group. Mr Si joined our Group in March 2018 as a manager assistant. Prior to joining our Group, from February 2009 to January 2012, Mr Si was an engineer at Tianjin Boai NKY Internationals Ltd (天津博愛新開源國際貿易有限公司), where he was responsible for the R&D of new pharmaceutical products. From February 2012 to January 2013, he was a manager assistant at Beijing Zhong Sheng Bang New Materials Research Institute Co., Ltd* (北京中盛邦新材料研究院有限公司), a company primarily engaged in materials technology research. From January 2014 to November 2016, Mr Si was a project manager at Peking University V-Ming (Shanghai) Investment Holdings Co., Ltd (北大未名(上海)投資控股有限公司), a PRC company principally engaged in properties investment and equity funds. From April 2017 to March 2018, he was a manager of the marketing department at Beijing Huanuo Aomei Gene Biotechnology Co., Ltd* (北京華諾奧美基因生物科技有限公司), a PRC service provider in the life science and clinical medicine industries.

Mr Lu Yuan (陸遠), aged 31, was appointed as our non-executive Director in August 2019. Mr Lu graduated with an associate degree in electromechanics from Shenyang Aerospace University (瀋陽航空航天大學) the PRC, by way of distant learning, in July 2011. From March 2008 to March 2018, he was a supervisor at Beijing Jiamo Economic and Cultural Development Co., Ltd* (北京佳矩經濟文化發展有限責任公司), a PRC company principally engaged in organising cultural exchange activities and events in the PRC, where he was responsible for the management of the marketing department of the company. From May 2019 to August 2019, Mr Lu was a supervisor at China MoH Ltd* (摩氫科技有限公司), a company engaged in providing clean electricity in the PRC, where he was responsible for supervising the management of the company.

Mr Li Yuezhong (李月中), aged 51, was appointed as a non-executive Director in August 2019. In June 1993, Mr Li obtained a bachelor's degree in finance from Hunan University of Finance and Economics* (湖南財經學院), (currently known as Hunan University (湖南大學)) in the PRC. In December 2005, he received a master's degree in finance from University of Hong Kong. Mr Li has over 15 years of experience in funds management. From May 2000 to July 2005, Mr Li was an executive director at UB China Business Management Co. Ltd. (友聯中國業務管理有限公司), a subsidiary of Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)") (a company listed on Hong Kong Stock Exchange, stock code: 1398), engaging in the management of the impaired loan portfolio of ICBC (Asia) in the PRC. From July 2005 to May 2009, he was an assistant general manager at China Merchants China Investment Management Limited (招商局中國投資管理有限公司), a fund management company incorporated in Hong Kong, where he was responsible for supervising project investment and management. From June 2009 to February 2019, he was a joint managing director at CCB International Asset Management Limited (建銀國際資產管理有限公司), an asset management company established in Hong Kong. Since February 2019, he has been a joint general manager of Greater Bay Area Development Fund Management Limited (大灣區發展基金管理有限公司), a Hong Kong company that provides fund investment financing services to professional investors, where he is responsible (along with other managers and responsible officers) for managing Greater Bay Area Development Fund Management Limited's role as the investment manager of Greater Bay Area Homeland Development Fund LP. Since June 2019, Mr Li has been a director of Poly Platinum, one of our Pre-IPO Investors. For further information in relation to Poly Platinum and its Pre-IPO investment, see "History, Reorganisation and Corporate Structure — 6. Pre-IPO Investments". Mr Li is also a responsible officer for Type 1, 4 and 9 regulated activities for Greater Bay Area Development Fund Management Limited (大灣區發展基金管理有限公司) under the SFO.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Wang Yingdian (王英典), aged 59, was appointed as an Independent Non-executive Director in June 2020 and taking effect from 29 June 2020. He is mainly responsible for providing independent opinion and judgment to our Board. Professor Wang obtained a bachelor's degree in biology and a master's degree in physiology of plants in Northeast Normal University (東北師範大學) in the PRC in July 1983 and July 1988, respectively. In March 1997, he received a Ph.D. in crop production from Iwate University in Japan. Professor Wang has over 15 years of experience in academia with a research focus on plant biology. Professor Wang has been a distinguished professor of College of Life Sciences at Beijing Normal University (北京師範大學) since September 2002 and was an independent non-executive director of Beijing Beilu Pharmaceuticals Company (北京北陸藥業股份有限公司) (stock code: 300016), a China-based company listed on Shanghai Stock Exchange, principally engaged in the research, development, production and distribution of pharmaceutical product, from June 2014 to December 2015.

Mr Ng Chi Kit (吳智傑), aged 47, was appointed as an Independent Non-executive Director in June 2020 and taking effect from 29 June 2020. He is mainly responsible for providing independent opinion and judgment to our Board. Mr Ng obtained a bachelor of arts in accountancy in Hong Kong Polytechnic University in November 1997. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2003 and a fellow member of the Association Chartered Certified Accountants since June 2006. Mr Ng has over 20 years of experience in accounting and audit. He worked at Nelson Wheeler from August 1997 to February 2000. He joined Nelson Wheeler as an audit intermediate and was promoted to audit semi-senior in August 1998. From March 2000 to November 2009, He worked at the assurance and advisory business services department in Ernst & Young where he initially served as a staff accountant, and was promoted to senior accountant in October 2001. He was later promoted to senior manager in October 2006. Mr Ng has been serving as an independent non-executive director and a member of the audit committee of Chaowei Power Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 951) and principally engaged in the manufacture and sale of lead-acid motive batteries, lithium-ion batteries and other related products, since December 2010. He has been the chief financial officer and company secretary of Suchuang Gas Corporation Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1430) and principally engaged in the distribution and sale of piped natural gas, provision of natural gas transaction and construction and installation of gas pipelines in the PRC, since December 2013. He has been an independent non-executive director and a member of the audit committee of Great Wall Motor Company Limited, a company listed on Main Board of the Hong Kong Stock Exchange (stock code: 2333) and principally engaged in the manufacture and sale of pick-up trucks and sport-utility vehicles in China, since May 2017.

Ms Peng Sujiu (彭素玖), aged 42, was appointed as an Independent Non-executive Director in June 2020 and taking effect from 29 June 2020. She is mainly responsible for providing independent opinion and judgement to our Board. Ms Peng obtained a bachelor's degree in accounting from University of South China (南華大學) in the PRC in June 2002. She obtained a medium level accountant certificate from the Shanghai Human Resources and Social Security Bureau in the PRC in August 2010. She then became a registered member of the Chinese Institute of Certified Public Accountants in February 2019. Ms Peng has over 5 years of experience in finance and accounting industry. From July 2002 to December 2005, she was a cashier at the Shanghai headquarter of Shanghai Shanxing Economic &Trading Co., Ltd (上海山興經貿有限公司), a company that sells steel coils, cold rolled plates, hot rolled plates and

Directors and Senior Management

other related products. From April 2012 to December 2013, she was a financial manager at Shanghai Pinrui Medical Equipment Co., Ltd* (上海品瑞醫療器械設備有限公司), a PRC company principally engaged in manufacturing and developing high-tech dental equipment, where she was responsible for financial management of the company. From January 2014 to April 2016, she served as a financial manager for Shanghai JL&C Furniture Co., Ltd* (上海捷隆傢俱有限責任公司), a company engaged in household furniture manufacturing, where she was responsible for budget control and approval. Since July 2016, she has been working as a financial director of Shanghai Jianchu Medical Instrument Co., Ltd. * (上海建儲醫療器械有限公司), a company engaged in the sale of medical reagents and medical instruments, where she was responsible for overseeing the accounting and financial reporting functions of the company.

SENIOR MANAGEMENT

Mr Yang Ning (楊寧), aged 39, is the chief financial officer of our Group and he is responsible for overseeing the corporate finance, financial reporting, compliance and company secretarial matters of our Group. Mr Yang was awarded dual bachelor's degrees in art and economics from Peking University (北京大學) in the PRC in July 2003. He also obtained a master's degree of commerce from The University of Queensland, Australia in December 2005. He has been a member of CPA Australia since March 2010 and a member of the Chinese Institute of Certified Public Accountants since June 2016. Mr Yang has over 10 years of experience in accounting and finance. Mr Yang worked as an auditor at Ernst & Young Hua Ming LLP from December 2006 to December 2010, where his last position was a senior auditor. From December 2010 to April 2017, he worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch, where his last position was senior manager at the audit and assurance department. From February 2016 to February 2017, he was assigned by Deloitte Touche Tohmatsu to act as an advisory assistant at China Securities Regulatory Commission, where he was responsible for the analysis and review of annual reports, improving the information disclosure regime, and providing professional support for the regulation of the accounting profession. From April 2017 to March 2019, Mr Yang was a director and the secretary of the board of directors of Puritek Co. Ltd* (博瑞德環境集團股份有限公司), a PRC company specialising in technology research and development in the field of sewage treatment and environment protection.

Mr Zhang Jian (張鍵), aged 50, is the senior vice president of our Group, and he is responsible for managing the clinical trials, medical services, daily management and sales network. Mr Zhang has more than 20 years of experience in the pharmaceutical industry. From 1995 to 1998, he was a Sales Manager at the Tianjian Office of Shaanxi Buchang Pharmaceutical Co., Ltd. (陝西步長製藥有限公司), a PRC pharmaceutical company that develops and produces medical drugs. From 1998 to 2005, he worked at Jinfang Pharmaceutical Company (西安高科陝西金方藥業公司), a PRC pharmaceutical company that engages in research, development and sales of drugs, his last position was a regional marketing general manager of the Northern China region. From 2005 to January 2016, he worked as a general manager at Xi'an Xingye Pharmaceutical Co., Ltd* (西安興業醫藥有限公司), a company primarily engaged in wholesale of drugs. From August 2013 to January 2016, Mr Zhang was a general manager for Xi'an Shangwo Medical Technology Co. Ltd* (西安尚沃醫療科技有限公司) a company engaged in, among other things, sales and technology research of medical device, while he was working at Xi'an Xingye Pharmaceutical Co., Ltd* (西安興業醫藥有限公司), a PRC pharmaceutical company that engages in the sale of Chinese medicines, antibiotics and biochemicals. From February 2016 to February 2018, he worked as a general manager at Wuhan Heer Medical Technology Development Co., Ltd.* (武漢呵爾醫療科技發展有限公司), a PRC company engaged in the development and manufacture of cancer screening and analysis systems.

Directors and Senior Management

Mr Lee Hyun-soo (李賢秀), aged 58, is the co-CTO of our Group and he is responsible for (i) leading our Korea research team; and (ii) together with Dr Wang and Dr Zhang, our chief scientist, leading our R&D team in exploring and developing CAR-T and TCR-T related therapies and product candidates. Dr Lee received a Bachelor of Science and Master of Science in microbiology at Seoul National University in February 1985 and February 1987, respectively. He later received a Ph.D in molecular biotechnology at Korea Advanced Institute of Science and Technology in October 2004. Dr Lee has extensive research and development experience in microbiology and biotechnology. From January 1987 to April 2005, Dr Lee served as a senior researcher at Research Institute of Pharmaceuticals, CJ Group, a conglomerate in Korea. From June 2005 to April 2021, he served as the director of research institute in a number of biotechnology companies in Korea. Since March 2016, he has been serving as a non-executive director of Aprogen Inc, a biopharmaceutical company in Korea.

Mr Zhang Yu (張毓), aged 57, is the chief scientist of our Group and he is responsible for leading the China R&D team. In July 1984, Dr Zhang obtained a bachelor degree from the medical faculty of the Fourth Military Medical University (第四軍醫大學) (now known as Air Force Medical University (空軍軍醫大學)), the PRC. He also obtained a master's degree in immunology from The Second Military Medical University (第二軍醫大學), the PRC in July 1987 and a Ph.D. in medical biophysics from University of Toronto, Canada in October 1997. Dr Zhang has around 15 years of experience in the medical field, specialising in lymphocyte development and tumour immunity studies. During his scientific research career, Dr Zhang has authored a number of scientific publications in journals including Frontiers in Immunology, The Journal of Immunology, Oncogene, and Scientific Reports. From October 2004 to September 2009, he worked at the immunology department of Peking University Health Science Center (北京大學醫學部) as a professor. He became the head of immunology department of Peking University Health Science Center in September 2009 and then became the assistant dean of the School of Basic Medical Sciences of Peking University (北京大學基礎醫學院) in May 2013.

Directors and Senior Management

JOINT COMPANY SECRETARY

Ms Yin Mengyang (尹夢洋), aged 25, was appointed as one of the joint company secretaries of our Company on 23 August 2019. Ms Yin passed the Certificate of Accounting Profession awarded by Beijing Municipal Finance Bureau in June 2015. Ms Yin joined our Group in February 2018 and has been our chairman assistant since then. She is responsible for the company secretarial and administrative matters of our Group. Prior to joining our Group, Ms Yin worked at Beijing Aohua Xiangming Pharmaceutical Technology Co. Ltd* (北京傲華翔明醫藥科技有限公司), a company principally engaged in technology development and transfer and the sale of chemical product, from August 2016 to January 2018, where her last position was a general manager assistant. Ms Yin obtained a bachelor of business administration degree from the Institute of Disaster Prevention, Hebei, the PRC in June 2017.

Ms Leung Shui Bing (梁瑞冰), aged 45, is a joint company secretary of our Company. Ms Leung is a manager of the listing services department of TMF Hong Kong Limited (a global corporate services provider). She has over 15 years of experience in the company secretarial field. Ms Leung obtained a bachelor's degree in business and management studies (Accounting and Finance) from University of Bradford, the United Kingdom in July 2008, and a master's degree in corporate governance from Open University of Hong Kong in August 2017. She was admitted as an associate member of the Hong Kong Institute of Chartered Secretaries in December 2017. Ms Leung is currently the joint company secretary of Shanghai Kindly Medical Instruments Co., Ltd. (stock code: 1501), a leading Chinese cradio vascular interventional device manufacturer, and IntelliCentrics Global Holdings Ltd. (stock code: 6819), a company which operates credentialing platform for compliance and security purposes in the healthcare industry both of the companies are listed on the Hong Kong Stock Exchange. Ms Leung is not an employee of our Company but will coordinate with Ms Yin, the other joint company secretary, in discharging her duties as one of the joint company secretaries of our Company.

Report of Directors

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

DIRECTORS

The Directors who held office during the Reporting Period and up to the date of this report are:

Executive Directors:

Mr Tan Zheng *(Chairman)*
Dr Wang Yu *(CEO)*
Mr Jung Hyun Chul

Non-executive Directors:

Mr Si Xiaobing
Mr Lu Yuan
Mr Li Yuezhong

Independent Non-executive Directors:

Professor Wang Yingdian
Mr Ng Chi Kit
Ms Peng Sujiu

Biographical details of the current Directors are set out in the section headed "Directors and Senior Management" on pages 23 to 29 of this report.

PRINCIPAL ACTIVITIES

The Group is a leading cellular immunotherapy biopharmaceutical company in China focusing on the research, development, and commercialisation of T cell immunotherapy for over 14 years. Since its establishment in 2006, it has focused on R&D and clinical applications of cellular immunotherapy drugs for cancers and other major diseases, by applying advanced theories in immunology, cell biology, and genetics.

BUSINESS REVIEW

A fair review of the business of the Group including an analysis of the Group's financial performance and financial position during the Reporting period and an indication of likely future developments in the Group's business and the material factors underlying its financial performance and financial position as required by section 388(2) to the Companies Ordinance (Chapter 622 of The Laws of Hong Kong) are set out in the section headed "Management Discussion and Analysis" in this report. These discussions form part of this report. Events affecting the Company that have occurred since the end of the Reporting Period is set out in the section headed "Events After the Reporting Period" in this report.

Relationship with Employees and Suppliers

The Group understands the importance of maintaining a good relationship with its employees and suppliers to meet its immediate and long-term business goals. During the Reporting Period, there was no material and significant dispute between the Group and its employees and suppliers.

Report of Directors

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks relating to our business and industry

– We may not be able to identify, discover, or in-license new product candidates, and investors may lose all of their investment in us as a result

– We may not achieve successful and timely development and regulatory approval of our product candidates, all of which are in pre-clinical or clinical development

– We incurred net losses and did not generate any revenue from the sale of our product candidates during the Reporting Period, and there is no assurance that we will become and remain profitable in the future

– Even if approved, our product candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payors, and others in the medical community necessary for commercial success

– An outbreak of diseases or epidemic may cause material disruptions to our business operations

– We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalise on product candidates or indications that may be more profitable or for which there is a greater likelihood of success

– If we are unable to establish sales and marketing capabilities, we may not be successful in commercialising our product candidates

– Delays in completing and receiving regulatory approvals for our manufacturing facilities, or damage to, destruction of, or interruption of production at such facilities, could delay our development plans or commercialisation efforts

– Our future success depends on our ability to retain key executives and to attract, retain, and motivate qualified personnel

– The prior clinical application of EAL® does not guarantee its success in obtaining regulatory approval or achieving market acceptance

– We had net operating cash outflow during the Reporting Period and we expect to require additional financing to fund our operations, including our R&D and commercialisation efforts

– Raising additional capital may cause dilution to our shareholders, restrict our operations, or require us to relinquish rights to our technologies or product candidates

– Our product candidates may cause undesirable side effects

– The research, development, and commercialisation of pharmaceutical products are heavily regulated

Report of Directors

– Any of our future approved product candidates will be subject to ongoing or additional regulatory obligations and continued regulatory review

– We face substantial competition, which may result in others discovering, developing, or commercialising competing products before or more successfully than we do

– We rely on third parties to conduct our pre-clinical studies and clinical trials and we must work effectively with collaborators to develop our product candidates

– We have entered into collaborations and may form or seek collaborations or strategic alliances or enter into licensing arrangements in the future, and we may not realise the benefits of such alliances

– There may be delays or interruptions in the provision of equipment supplies critical for our clinical trials

– Product liability claims or lawsuits could cause us to incur substantial liabilities

– We partially rely on government grants to finance our R&D activities, and may be liable to repay government grants if we terminate the R&D of a product candidate

Risks relating to intellectual property rights

– We may fail to obtain and maintain patent protection for our product candidates through intellectual property rights

– Our patents could be found invalid or unenforceable if challenged in court

– We may not be able to enforce our intellectual property rights or prevent unfair competition by third parties

– We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming, and unsuccessful

– If we are sued for infringing, misappropriating, or otherwise violating intellectual property rights of third parties or engaging in unfair competition, such litigation could be costly and time-consuming and could prevent or delay us from developing or commercialising our product candidates

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

– Intellectual property rights do not necessarily protect us from all potential threats to our competitive advantages

– If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed

– We may not be successful in obtaining necessary rights for our development pipeline through acquisitions and in-licences

Report of Directors

Risks relating to our operations

– We are subject to the risks of doing business globally

– We may experience difficulties in managing our growth

– Our non-compliance with certain laws and regulations regarding certain employee social welfare schemes in the PRC could lead to the imposition of fines and penalties

– If we engage in acquisitions or strategic partnerships, this may increase our capital requirements, dilute our shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks

– If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses

– If we fail to comply with environmental, health, and safety laws and regulations, we could become subject to fines or penalties or incur substantial costs

– Our computer systems may fail or suffer security breaches

– We may not have adequate insurance coverage

– Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your investment

– Our financial results for the year ending 31 December 2020 may be affected by fair value changes in the convertible redeemable preference shares we issued

– We recognised gains from changes in fair value of financial assets at fair value through profit or loss which may not recur in the future

Risks relating to doing business in China

– The pharmaceutical industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialisation of our product candidates

– Changes in PRC economic, political, and social conditions, as well as government policies may have an adverse effect on us

– Government control of currency conversion may limit our ability to use capital effectively and could negatively affect our financial condition, operations, and our ability to pay dividends, increase competition from foreign competitors, and affect the value of our net assets, earnings, and dividends in foreign currency terms

– The legal system of the PRC is not fully developed, and there are inherent uncertainties which may affect the protection afforded to our business and our Shareholders

Report of Directors

- It may be difficult to effect service of process or to enforce foreign judgments in the PRC as most of our assets are located in the PRC

- We may be deemed to be a PRC tax resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income

- Gains on the sale of Shares and dividends on the Shares may be subject to PRC income taxes

- The Chinese tax authorities have strengthened their scrutiny over transfers of equity interests in a PRC resident enterprise by a non-resident enterprise, which may negatively affect our business and our ability to conduct mergers, acquisitions or other investments

- We rely on dividends paid by our subsidiaries for our cash needs, and limitations under the PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilise such funds

- Our business benefits from certain financial incentives and discretionary policies granted by local governments

Risks relating to the contractual arrangements

Please refer to "Risks relating to the Contractual Arrangements" in this report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. For further details, please refer to the section headed "Environmental, Social and Governance Report" of this report.

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. During the Reporting Period, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the Reporting Period.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set in the "Directors and Senior Management" on pages 23 to 29 of this report.

Report of Directors

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last three financial years, as extracted from the audited consolidated financial statements, is set out on pages 69 to 70 of this report. This summary does not form part of the audited consolidated financial statements.

DIRECTOR'S 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 date of their service contracts or until the third annual general meeting of the Company since the Listing Date (whichever is sooner).

The non-executive Director has signed a letter of appointment with the Company for an initial term of three years with effect from the date of his letter of appointment or until the third annual general meeting of the Company since the Listing Date (whichever is sooner).

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 the date of the Prospectus until the third annual general meeting of the Company the Listing Date (whichever is sooner).

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

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract or a letter of appointment with the Company and/or any of its subsidiaries, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals of the Group are set out in Notes 12 and 13 to the consolidated financial statements in this report.

EMOLUMENT POLICY

In compliance with Rule 3.25 of the Listing Rules and the CG 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.

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, as compensation for loss of office. Details of the Directors' remuneration, senior management and the five highest paid individuals of the Group are set out in Notes 12, 13 and 35f to the consolidated financial statements in this report.

The Group has adopted the Share Option Schemes to motivate and reward its Directors and eligible employees. For further details, please refer to the section headed "Report of Directors — Share Option Schemes" of this report.

Report of Directors

FUNDING AND TREASURY POLICY

The Group adopts a stable, conservative approach in its finance and treasury policy, aiming to maintain an optimal financial position, the most economic finance costs, and minimal financial risks. Cash and cash equivalents are normally placed at financial institutions that the Group considers the credit risk to be low. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its business operations as well as its research and development, future investments and expansion plans.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No Controlling Shareholders or their subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

DIRECTORS' MATERIAL INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

None of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the Reporting Period.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

None of the Directors had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group in the Reporting Period.

In other to eliminate any potential competition with us, Dr Wang Yu and Mr. Jung Hyun Chul entered into a deed of non-competition on 9 April 2019 and 6 June 2020, respectively and pursuant to which each of them is required to devote all of his or her working time and attention to the business of our Group. Therefore, such arrangement will not affect the proper discharge and performance of their function and duties towards our Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares from the Listing Date to the year ended 31 December 2020.

Report of Directors

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

As at the date of this report, the interests and short positions of the Directors of and chief executives of the Company in the ordinary Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are set out as follows:

(i) Interest in Shares and underlying Shares

Name of Director	Capacity/Nature of Interest	Number of Shares held[1]	Approximate percentage of shareholding in the Company
Mr Tan Zheng[2]	Beneficial interest	5,000,000 (L)	0.97%
	Interest in controlled corporation	180,480,000 (L)	35.07%
Mr Jung Hyun Chul[3]	Interest in controlled corporation	134,948,571 (L)	26.22%
Dr Wang Yu[4]	Beneficial interest	23,450,000 (L)	4.56%

Notes:

(1) The letter L denotes "long position" (as defined under Part XV of the SFO) of the relevant person/entity in such Shares.

(2) Mr Tan Zheng was interested as a grantee of options subscribe for up to 5,000,000 Shares under the Pre-IPO Share Option Scheme (as defined below).

Pursuant to the Proxy Arrangement, the Passive Minority Shareholders have irrevocably entrusted their voting rights at any general meeting of the Company to Tan Zheng Ltd, such that it may exercise such voting rights with absolute discretion and hence it is deemed to be interested in the Shares held by the Passive Minority Shareholder. Among the 185,480,000 Shares held by Tan Zheng Ltd, 155,794,286 Shares were entrusted by the Passive Minority Shareholders pursuant to the Proxy Arrangement. Tan Zheng Ltd is a company wholly-owned by Mr Tan Zheng. Accordingly, Mr Tan Zheng is deemed to be interested in the 180,480,000 Shares held/deemed to be interested in by Tan Zheng Ltd.

(3) These Shares are held by Evodevo Ltd, a company wholly-owned by Mr Jung Hyun Chul. Accordingly, Mr Jung Hyun Chul is deemed to be interested in the Shares held by Evodevo Ltd.

(4) Dr Wang Yu was interested as a grantee of options subscribe for up to 23,450,000 Shares under the Pre-IPO Share Option Scheme (as defined below).

Report of Directors

(ii) Interest in associated corporations

Name of Director	Nature of Interest	Name of other member of the Group	Registered capital	Percentage of interest in the associated corporation
Mr Tan Zheng	Beneficial interest	Yongtai Ruike	RMB30,000,000	60.00%
Dr Wang Yu	Beneficial interest	Yongtai Ruike	RMB20,000,000	40.00%

Save as disclosed above, as at the date of this report, none of the Directors or chief executives of the Company had any interests or short positions in the Shares or underlying Shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at the date of this report, to the knowledge of the Directors, the following persons (other than the Director or chief executive of the Company) had an interest or a short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register of the Company maintained under Section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares held[1]	Approximate percentage of shareholding
Tan Zheng Ltd[2]	Beneficial interest	24,685,714 (L)	4.80%
	Interest of a party to an agreement	155,794,286 (L)	30.28%
Evodevo Ltd	Beneficial interest	134,948,571 (L)	26.22%
Zhang Beini[3]	Interested in controlled corporation	30,666,667 (L)	5.96%
Bei Ni Ltd[3]	Beneficial interest	30,666,667 (L)	5.96%
Greater Bay Area Homeland Development Fund (GP) Limited[4]	Interested in controlled corporation	33,138,619 (L)	6.44%

Report of Directors

Name of Shareholder	Nature of Interest	Number of Shares held[1]	Approximate percentage of shareholding
Greater Bay Area Homeland Development Fund LP[4]	Interested in controlled corporation	33,138,619 (L)	6.44%
Poly Platinum[4]	Beneficial interest	33,138,619 (L)	6.44%
Tan Xiaoyang[5]	Other/Interest of spouse	59,794,286 (L)	11.62%
Tan Xiao Yang Ltd[5]	Other	46,080,000 (L)	8.95%
Tan Yueyue[5]	Interested in controlled corporation/Interest of spouse	59,794,286 (L)	11.62%
Zhang Junzheng[6]	Other/Interest of spouse	55,405,714 (L)	10.77%
Zhang Jun Zheng Ltd[6]	Other	41,691,428 (L)	8.10%
Wang Minhui[6]	Interested in controlled corporation/Interest of spouse	55,405,714 (L)	10.77%

Notes:

(1) The letter L denotes "long position" (as defined under Part XV of the SFO) of the relevant person/entity in such Shares.

(2) Pursuant to a proxy agreement dated 29 August 2019 (the "Proxy Agreement"), the passive minority shareholders interested in 155,794,286 Shares in aggregate have irrevocably entrusted their voting rights at any general meeting of the Company to Tan Zheng Ltd, such that it may exercise such voting rights with absolute discretion and hence it is deemed to be interested in the Shares held by the passive minority shareholders.

(3) Bei Ni Ltd is a company wholly-owned by Ms Zhang Beini. Accordingly, Ms Zhang is deemed to be interested in the Shares held by Bei Ni Ltd.

(4) Poly Platinum is a wholly-controlled subsidiary of Greater Bay Area Homeland Development Fund LP (大灣區共同家園發展基金有限合夥) ("Greater Bay Area Fund"). According to Poly Platinum, the general partner of Greater Bay Area Fund is Greater Bay Area Homeland Development Fund (GP) Limited. Accordingly, each of Greater Bay Area Homeland Development Fund (GP) Limited and Greater Bay Area Fund is deemed to be interested in the Shares held by Poly Platinum.

(5) These 59,794,286 Shares comprises 46,080,000 Shares held by Tan Xiao Yang Ltd and 13,714,286 Shares held by a company controlled by Ms Tan Yueyue. Tan Xiao Yang Ltd is a company wholly-owned by Mr Tan Xiaoyang, who is deemed to be interested in Shares held by Tan Xiao Yang Ltd. Ms Tan Yueyue is the spouse of Mr Tan Xiayang.

Mr Tan Xiao Yang and Tan Xiao Yang Ltd are the passive minority shareholders which entrusted their voting rights in the Company in Tan Zheng Ltd pursuant to the Proxy Agreement.

(6) These 55,405,714 Shares comprises 41,691,428 Shares held by Zhang Jun Zheng Ltd and 13,714,286 Shares held by a company controlled by Ms Wang Minhui. Zhang Jun Zheng Ltd is a company wholly-owned by Mr Zhang Junzheng, who is deemed to be interested in the Shares held by Zhang Jun Zheng Ltd. Ms Wang Minhui is the spouse of Mr Zhang Junzheng.

Mr Zhang Junzheng and Zhang Jun Zheng Ltd are the passive minority shareholders which entrusted their voting rights in the Company in Tan Zheng Ltd pursuant to the Proxy Agreement.

Report of Directors

Save as disclosed above, as at the date of this report, the Directors have not been aware of any person (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register maintained under Section 336 of the SFO.

SHARE OPTION SCHEMES

In order to reward the participants defined thereunder for their contribution to the Group's success and to provide them with incentives to further contribute to the Group, the Company adopted the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") and a share option scheme (the "**Post-IPO Share Option Scheme**") on 6 June 2020.

Pre-IPO Share Option Scheme

Purpose

The purpose of the Pre-IPO Share Option Scheme is to encourage certain key employees to contribute to the Group for the long-term benefits of the Company and its Shareholders and provide the Group with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to its key employees.

Who May Join

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at their absolute discretion, invite any employee, officer, director, contractor, advisor or consultant of the Group who is notified by the Board that he or she is eligible to the option under the Pre-IPO Share Option Scheme by reason of his or her contribution to the Group, to the extent that an offer of an award to or a receipt of such award by him or her is permitted under the applicable laws, rules of any applicable stock exchange (including without limitation the Listing Rules) and regulations or accounting or tax rules and regulations, to take up options to subscribe for Shares.

The eligibility of any of these participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Pre-IPO Share Option Scheme.

Maximum Number of Shares

The total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 37,500,000 Shares.

Report of Directors

Time of Acceptance and Exercise of Option

An offer shall be accepted when we receive the duly signed offer letter together with a non-refundable payment RMB1.00 (or such other sum in any currency as the Board may determine).

An option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 7 years from the date of grant of the option subject to the provisions for early termination under the Pre-IPO Share Option Scheme. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Pre-IPO Share Option Scheme for the holding of an option before it can be exercised.

Subscription Price for Shares and Consideration for the Option

The exercise price for any option granted under the Pre-IPO Share Option Scheme shall be HK$5.5 per Share.

Period of the Pre-IPO Share Option Scheme

The share options granted will vest in multiple tranches in same or different proportions as determined by our Directors. All share options under the Pre-IPO Share Option Scheme will be expired after 7 years since the grant date.

Option Granted

The summary of the share options granted under the Pre-IPO Share Option Scheme that were still outstanding as at 31 December 2020 is as follows:

Name of the grantee	No. of share options outstanding as at 1 January 2020	No. of share options granted during the Reporting Period	No. of share options exercised during the Reporting Period	No. of share options cancelled during the Reporting Period	No. of share options lapsed during the Reporting Period	No. of share options outstanding as at 31 December 2020
Tan Zheng *Chairman and executive Director*	5,000,000	–	–	–	–	5,000,000
Wang Yu *Executive Director, CEO and co-CTO*	23,450,000	–	–	–	–	23,450,000
Employees (in aggregate)	9,050,000	–	–	–	(250,000)	8,800,000
Total	**37,500,000**	**–**	**–**	**–**	**(250,000)**	**37,250,000**

Report of Directors

Details regarding the number of options, date of grant, vesting period, exercise period and exercise price of the share options granted under the Pre-IPO Share Option Scheme that were still outstanding as at 31 December 2020 are set out below:

Name of the grantee	Date of grant	Vesting Period	Exercise Period	Exercise Price per share[2]	No. of outstanding option as at 31 December 2020
Tan Zheng *Chairman and executive Director*	31 December 2019	Two equal tranches on 31 December 2020 and 2021, respectively	31 December 2019 to 30 December 2026	HK$5.5	5,000,000
Wang Yu *Executive Director, CEO and co-CTO*	31 December 2019	Two equal tranches on 31 December 2020 and 2021, respectively	31 December 2019 to 30 December 2026	HK$5.5	23,450,000
Employees (in aggregate)	31 December 2019	Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, Respectively/ Two equal tranches on 31 December 2020 and 2021, Respectively[1]	31 December 2019 to 30 December 2026	HK$5.5	8,800,000
Total					**37,250,000**

Notes:

1. For details of the vesting periods of share options granted to each of the employees, please refer to Appendix IV to the Prospectus.

2. Closing price of the shares is not applicable as the shares of the Company were not listed at the date of grant.

As at the date of this report, the total number of share available for issue under the Share Option Scheme is 37,250,000 Shares, representing approximately 7.24% of the total issued shares of the Company.

Post-IPO Share Option Scheme

Purpose

The purpose of the Post-IPO Share Option Scheme is to attract and retain employees of the Group and to reward our eligible employees, our Directors and other selected participants for their past contribution to the Group.

Who May Join

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at their absolute discretion, invite any employee, officer, director, contractor, advisor or consultant of the Group who is notified by the Board that he or she is eligible to the option under the Post-IPO Share Option Scheme by reason of his or her contribution to the Group, to the extent that an offer of an award to or a receipt of such award by him or her is permitted under the applicable laws, rules of any applicable stock exchange (including without limitation the Listing Rules) and regulations or accounting or tax rules and regulations, to take up options to subscribe for Shares.

The eligibility of any of these participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Post-IPO Share Option Scheme.

Maximum Number of Shares

a) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 30.00% of the issued share capital of our Company from time to time.

b) The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 10.00% of the Shares in issue on the day on which trading of the Shares commence on the Hong Kong Stock Exchange, such 10.00% limit represents 50,000,000 Shares (the "**General Scheme Limit**"), but excluding any Shares which may be issued upon the exercise of the Over-allotment Option.

c) Subject to paragraph (a) above and without prejudice to paragraph (d) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share options scheme of our Group shall not exceed 10.00% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Post-IPO Share Option Scheme and any other share option scheme of our Group) previously granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under the Listing Rules.

d) Subject to paragraph (a) above and without prejudice to paragraph (c) above, our Company may seek separate Shareholders' approval in a general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (c) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under the Listing Rules.

Report of Directors

Maximum Entitlement of Each Participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Share Option Scheme and any other share option scheme of our Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1.00% of the issued share capital of our Company for the time being (the "**Individual Limit**"). Any further grant of options in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of our Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting.

Granting Options to Connected Persons

Any grant of options under the Post-IPO Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by our Independent Non-executive Directors (excluding any Independent Non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial Shareholder of our Company or an Independent Non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (1) representing in aggregate over 0.10% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and (2) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet the date of the offer of grant, in excess of HK$5.0 million (or such other higher amount as may from time to time be specified by the Stock Exchange); such further grant of options must be approved by our Shareholders in a general meeting. Our Company must send a circular to its Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor of the relevant resolution at such general meeting. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates must be approved by our Shareholders in a general meeting.

Time of Acceptance and Exercise of Option

An option may be accepted by a participant from the date of the offer of grant of the option within the offer period as set out in the relevant offer letter issued to by the Company to such participant.

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Post-IPO Share Option Scheme. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Post-IPO Share Option Scheme for the holding of an option before it can be exercised.

Report of Directors

Performance Targets

Unless our Directors otherwise determine and state in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Post-IPO Share Option Scheme can be exercised.

Subscription Price

The subscription price per Share under the Post-IPO Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before Listing); (iii) or if the Shares are not so quoted or traded, the fair market value of a Share as determined by the compensation committee of the Board.

Period of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme will remain in force for a maximum period of 10 years commencing on the date on which the Post-IPO Share Option Scheme is adopted.

Option Granted

No share options were granted, exercised, cancelled or lapsed under the Post-IPO Option Scheme during the period from the Listing Date to the date of this report.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended 31 December 2020, we did not generate any revenue from product sales. Our other income primarily represented (1) income received from provision of cell cryopreservation services; (2) interest income on bank deposits; (3) interest income from lease deposits; (4) interest income from a company related to a non-controlling shareholder of the Company; and (5) government grants.

Report of Directors

Major Suppliers

Our major suppliers primarily include (i) suppliers of our equipment and raw materials; and (ii) CROs, SMOs, and other R&D and quality evaluation service providers which we engaged to conduct clinical and pre-clinical studies on our product candidates. For the year ended 31 December 2020, purchases from the Group's five largest supplier for the year accounted for approximately 67.2% (2019: 42.5%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended 31 December 2020 accounted for approximately 29.1% (2019: 14.1%) of the Group's total purchase amount for the same year.

None of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five suppliers during the Reporting Period.

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 36 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Reporting Period are set out in Note 16 to the consolidated financial statements in this report.

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 listed securities.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group and of the Company during the Reporting Period are set out in the consolidated statement of changes in equity and Note 38 to the consolidated financial statements in this report.

As at 31 December 2020, the Company had distributable reserves for share premium of RMB1,402,498,000 (2019: RMB159,458,000).

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended 31 December 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 31 December 2020.

Report of Directors

CONNECTED TRANSACTIONS

During the Reporting Period, no related party transactions disclosed in Note 35 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions entered into by the Group during the year.

Continuing Connected Transaction

As disclosed in the Prospectus, the following transactions of the Group constituted non-exempted continuing connected transactions for the Group for the Reporting Period. Please see "Contractual Arrangements" in the Prospectus for further details.

Non-exempt Continuing Connected Transactions

We set out below a summary of the continuing connected transactions for our Group, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Contractual Arrangements

Beijing Yongtai entered into a series of contractual arrangements (the "**Contractual Arrangements**") with Yongtai Ruike and the Registered Shareholders of Yongtai Ruike, under which the Company gained management control cover the operations of, and enjoy substantially all the economic benefits of the business currently operating by Yongtai Ruike. The Contractual Arrangements allow the financial results of the Consolidated Affiliated Entity to be consolidated and accounted for as if they were subsidiaries of our Company.

REASONS FOR THE CONTRACTUAL ARRANGEMENT

We engage in the business of development and application of immunotherapy, including the business of development and application of CAR-T and TCR-T cell therapies (the "**Relevant Businesses**") in the PRC, which is considered to fall in the prohibited foreign-invested industries both in the Catalogue for the Guidance of Foreign Investment Industries (Revision 2017) (外商投資產業指導目錄(2017年修訂)) and the Special Administrative Measures on Access of Foreign Investment (Negative List) (Edition 2020) (外商投資准入特別管理措施(負面清單)(2020年版)), where this type of foreign investment is subject to restrictions under the PRC laws and regulations. The Relevant Businesses are carried out by Yongtai Ruike, and thus, we cannot directly or indirectly hold the equity of Yongtai Ruike. For further details of the limitations on foreign ownership in PRC companies conducting R&D and application of technologies of human stem cell and gene diagnosis and treatment, and the licensing and approval requirement applicable to our business under the PRC laws and regulations, see "Regulatory Overview — 1. Regulations on Company Establishment and Foreign Investment" in the Prospectus.

Since the Relevant Businesses are classified as foreign investment prohibited businesses under applicable PRC laws, regulations or rules, in order to comply with PRC laws and regulations and maintain effective control over our research in the R&D and application field, our Group entered into the Contractual Arrangements with Yongtai Ruike and the Registered Shareholders. Under the Contractual Arrangements, Beijing Yongtai has acquired effective control over the financial and operational management and results of Yongtai Ruike and is entitled to all the economic benefits derived from the operations of Yongtai Ruike.

Report of Directors

Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out in pages 78 to 83 of the Prospectus.

- If the PRC government finds that the agreements that establish the structure for operating our gene therapy business in China do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences and the relinquishment of our interests in Yongtai Ruike.
- There is substantial uncertainty with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance, and business operations.
- Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and our Consolidated Affiliated Entity and the Registered Shareholders may fail to perform their obligations under our Contractual Arrangements.
- We may lose the ability to use the permits, licences, and intellectual properties held by Yongtai Ruike that are important to the operation of our business if Yongtai Ruike declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.
- Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.
- Certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.
- If we exercise the option to acquire equity ownership of Yongtai Ruike, the ownership transfer may subject us to certain limitations and substantial costs.

Summary of Major Terms of the Contractual Arrangements

A brief description of the major terms of the structured contracts under the Contractual Arrangements, which were in place during the Reporting Period, are as follows:

Exclusive Option and Equity Entrustment Agreement

Beijing Yongtai and the Registered Shareholders entered into an exclusive option and equity entrustment agreement on 10 September 2018 (the "**Exclusive Option and Equity Entrustment Agreement**"), pursuant to which (i) Beijing Yongtai, or any third party designated by Beijing Yongtai (the "**Designee**"), was granted an irrevocable and exclusive right to purchase from each of the Registered Shareholders all or any part of their equity interests in Yongtai Ruike at a fixed exercise price (the "**Exercise Price**") and/or from Yongtai Ruike all or any part of its assets or interests in any of its assets at the Exercise Price, and in the event of purchase of any part of its assets or interests, at a consideration with reference to the relevant portion of assets or interests to be purchased, and (ii) the Registered Shareholders irrevocably entrusted their equity interest in Yongtai Ruike and the equity interests or rights hold by Yongtai Ruike to Beijing Yongtai or any Designee. Pursuant to the Exclusive Option and Equity Entrustment Agreement, in the event that the Exercise Price exceeds RMB1.00 as required by the PRC laws at the time of Beijing Yongtai exercises its purchase right, the Registered Shareholders shall return any amount of purchase price exceeding RMB1.00 to Beijing Yongtai. At Beijing Yongtai's request, the Registered Shareholders and/or Yongtai Ruike will promptly and unconditionally transfer their respective equity interest in and/or assets of Yongtai Ruike to Beijing Yongtai (or its Designee) after Beijing Yongtai exercises its purchase right. The Exclusive Option and Equity Entrustment Agreement will remain effective until the purchase right thereunder is exercised.

Report of Directors

Exclusive Business Cooperation Agreement

Beijing Yongtai, Yongtai Ruike and the Registered Shareholders entered into an exclusive business cooperation agreement on 10 September 2018 (the "**Exclusive Business Cooperation Agreement**"), pursuant to which Yongtai Ruike agrees to engaged Beijing Yongtai as its exclusive provider of management, consultancy, technical support, business support and logistics services.

Under the Exclusive Business Cooperation Agreement, the service fees, subject to Beijing Yongtai's adjustment shall consist of all of the profit before taxes of Yongtai Ruike. Beijing Yongtai may adjust the service fees at its sole discretion, taking into consideration of certain factors, including but not limited to the difficulty and complication of such service, the market price of the same or similar services, and operating expenses. The service fees shall be paid annually by Yongtai Ruike upon receipt of the payment notice issued by Beijing Yongtai.

Pursuant to the Exclusive Business Cooperation Agreement, Beijing Yongtai has the exclusive and proprietary rights to all intellectual properties developed by Yongtai Ruike.

The Exclusive Business Cooperation Agreement shall remain effective until (i) Yongtai Ruike, or its subordinate entities, branches or subsidiaries committed any breach and fail to rectify the breach within 30 days after the written notice of Beijing Yongtai; (ii) the dissolution, liquidation, bankruptcy, termination of business or business license being revoked or similar circumstances of Yongtai Ruike; (iii) 30 days after Beijing Yongtai issues a written notice to terminate the agreement; or (iv) Beijing Yongtai exercises its exclusive option to purchase the entire equity interests of the Registered Shareholders in Yongtai Ruike or the entire assets of Yongtai Ruike pursuant to the terms of the Exclusive Option and Equity Entrustment Agreement.

Share Pledge Agreement

Beijing Yongtai, Yongtai Ruike and the Registered Shareholders entered into a share pledge agreement on 10 September 2018 (the "**Share Pledge Agreement**"), pursuant to which the Registered Shareholders pledge all of their respective equity interests in Yongtai Ruike to Beijing Yongtai as collateral security to guarantee performance of their contractual obligations under the Exclusive Option and Equity Entrustment Agreement, the Exclusive Business Cooperation Agreement and the Powers of Attorney (as defined below).

The pledge in respect of the equity in Yongtai Ruike takes effect upon completion of registration with the relevant administrative authorities, and shall be recorded on the register of shareholders and capital contribution certificate of the Registered Shareholders. If any of the items filed with the authorities under the Share Pledge Agreement shall be amended or updated, Yongtai Ruike shall amend such items within 10 days upon the relevant events occur.

Should an event of default (as provided in the Share Pledge Agreement) occurs, unless it is successfully resolved to Beijing Yongtai's satisfaction within 10 days upon being notified by Beijing Yongtai, Beijing Yongtai by issuing written notification may exercise its right of pledge immediately or any time thereafter pursuant to the Share Pledge Agreement. The Registered Shareholders have agreed to irrevocably waive their pre-emptive right as existing shareholders when Beijing Yongtai exercises such right of pledge.

The Share Pledge Agreement will not terminate until (i) all obligations of Yongtai Ruike and the Registered Shareholders are satisfied in full; or (ii) Beijing Yongtai exercises its exclusive option to purchase the entire equity interests of the Registered Shareholders in Yongtai Ruike and/or the entire assets of Yongtai Ruike pursuant to the terms of the Exclusive Option and Equity Entrustment Agreement.

Report of Directors

The pledges under the Share Pledge Agreement have been duly registered with the relevant PRC legal authority pursuant to the PRC laws and regulations.

Powers of Attorney

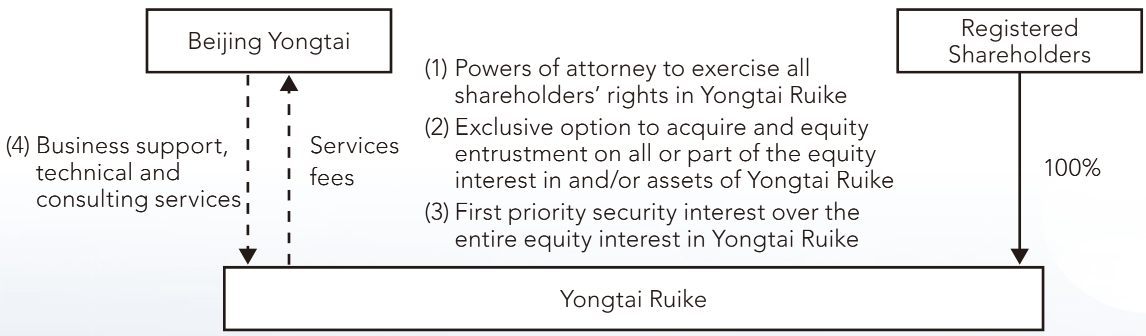
Beijing Yongtai and the Registered Shareholders entered into an irrevocable power of attorney on 10 September 2018 (the "**Powers of Attorney**"), pursuant to which the Registered Shareholders appointed Beijing Yongtai and/or its designated persons as their exclusive agent and attorney to act on their behalf on all matters concerning Yongtai Ruike and to exercise all of their rights as shareholder of Yongtai Ruike.

As a result of the Powers of Attorney, the Company, through Beijing Yongtai, is able to exercise management control over the activities that most significantly impact the economic performance of Yongtai Ruike. The Powers of Attorney will be automatically terminated on the earlier of (i) the date the Registered Shareholder ceases to be the shareholder of Yongtai Ruike; (ii) the expiry date of operating period of Yongtai Ruike; and (iii) expiry date of legally extended operating period of Yongtai Ruike (if any). In addition, the Registered Shareholders and Beijing Yongtai undertake to terminate the Powers of Attorney once Beijing Yongtai is allowed to directly hold equity interests in Yongtai Ruike and operate the relevant business once permitted under the then PRC laws.

Spousal Undertakings

The spouse of Mr Tan has executed an irrevocable undertaking dated 10 September 2018, pursuant to which the spouse of Mr Tan expressly, unconditionally and irrevocably acknowledged and has undertaken that (i) any equity interests held by his spouse as a Registered Shareholder in Yongtai Ruike do not fall within the scope of their communal properties; (ii) his spouse will not take any measures that are in conflict with the Contractual Arrangements; and (iii) if regulatory authorities demand his spouse to amend the spousal undertakings, they will unconditionally cooperate in an overall and timely way.

The following simplified diagram illustrates the flow of economic benefits from Yongtai Ruike to Beijing Yongtai stipulated under the Contractual Arrangements:



Apart from the above, there are no other new contractual arrangements entered into, renewed or reproduced between the Group and the Yongtai Ruike during the Reporting Period. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the Reporting Period.

For the Reporting Period, none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

Report of Directors

We have been advised by our PRC Legal Advisors that the Contractual Arrangements are not in violation of applicable PRC laws and regulations, except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of Yongtai Ruike, injunctive relief and/or winding up of Yongtai Ruike, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in Yongtai Ruike in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in China.

Yongtai Ruike did not record any revenue during Reporting Period.

Notes:

(1) Please refer to "Powers of Attorney" for details.

(2) Please refer to "Exclusive Option and Equity Entrustment Agreement" for details.

(3) Please refer to "Share Pledge Agreement" for details.

(4) Please refer to "Exclusive Business Cooperation Agreement" for details.

"——" denotes direct legal and beneficial ownership in the equity interest and "- - -" denotes contractual relationship.

Mitigation Actions taken by the Company

Our management works closely with our executive Directors and our external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

Listing Rule Implications

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waiver from the Stock Exchange

The Stock Exchange has granted the Company a waiver pursuant to Rule 14A.105 of the Listing Rules from (i) strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting a maximum aggregate annual value, i.e. an annual cap for the fees payable to Beijing Yongtai from Yongtai Ruike under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less, for so long as the Shares are listed on the Stock Exchange subject to the following conditions:

a) no change without the Independent Non-executive Directors' approval;

b) no change without independent shareholders' approval;

c) the Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entity;

Report of Directors

d) the Contractual Arrangements may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the Contractual Arrangements; and

e) our Group will disclose the details relating to the Contractual Arrangements on an ongoing basis.

No transactions under the Contractual Arrangements were carried out during the Reporting Period and no dividends or other distributions have been made by Consolidated Affiliated Entity to the holders of its equity interests in connection with the Contractual Arrangements during the Reporting Period.

Confirmation from Independent Non-executive Directors

Our Independent Non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) no transactions were carried out during the Reporting Period; (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the Reporting Period; (iii) no new contracts had been entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entity during the Reporting Period; and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the relevant agreement governing the Contractual Arrangements on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Confirmation from the Company's Independent Auditor in relation to the Continuing Connected Transactions

Deloitte Touche Tohmatsu, the Company's independent Auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in connection with the Share Pledge Agreement and the Exclusive Business Corporation Agreement for the year ended 31 December 2020 in accordance with Rule 14A.56 of the Listing Rules, with an emphasis of matter paragraph in relation to the fact that the Company is not required to establish and announce an annual cap in respect of the continuing connected transactions in connection with Share Pledge Agreement and the Exclusive Business Corporation Agreement for the year ended 31 December 2020. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance. The CG Code has been applicable to the Company with effect from the Listing Date and was not applicable to the Company during the period from 1 January 2020 to 9 July 2020. The Board is of the view that the Company has complied with all applicable code provisions of the CG Code since the Listing Date up till 31 December 2020. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 57 to 68 of this report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules to regulate all dealings by Directors and relevant employees in securities of the Company and other matters covered by the Model Code.

Specific enquiry has been made to each Director and all Directors have confirmed that they have complied with the applicable standards set out in the Model Code since the Listing Date and up to the date of this report. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

At no time during the Reporting Period was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, no arrangement has been made by the Company or any of its subsidiaries for any Director to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate, and no rights to any share capital or debt securities of the Company or any other body corporate were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised during or at the end of the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the section headed "Management Discussion and Analysis — Business Review — Events after the Reporting Period", no important events affecting the Company occurred since the Reporting Period and up to the date of this annual report.

Report of Directors

USE OF NET PROCEEDS FROM LISTING AND OVER-ALLOTMENT OPTION

The Shares of the Company were listed on the Stock Exchange on 10 July 2020. Subsequently, the Company announced that the Over-allotment option described in the Prospectus was partially exercised by the Joint Representatives, on behalf of the International Underwriters, on 31 July 2020, in respect of an aggregate of 14,584,000 Shares representing approximately 14.58% of the total number of the Shares initially available under the Global Offering before any exercise of the Over-allotment option to facilitate the return to Tan Zheng Ltd of the borrowed Shares under the Stock Borrowing Agreement which were used to cover over-allocations in the International Offering.

After deducting the underwriting fees and commissions, other listing expenses and other estimated expenses in connection with the exercise of the initial Global Offering and the exercise of the Over-allotment option, the net proceeds amounted to approximately HK$1,127.8 million. As at 31 December 2020, the Company used a total of approximately HK$196.3 million of the proceeds, including approximately HK$64.8 million for investment in the ongoing clinical trial and commercialisation of EAL®, approximately HK$88.7 million for investments in CAR-T-19 clinical trial, approximately HK$15.4 million for the development of other product candidates in the product pipeline and TCR-T product series candidates and approximately HK$27.4 million for working capital and other general corporate purposes. The Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus.

The table below sets out the planned applications of the net proceeds from the Global Offering the Over-allotment option and actual usage up to the 31 December 2020:

Use of Proceeds	**Allocation of the net proceeds from the Global Offering** (HKD million)	**Percentage of total net proceeds** (%)	**Utilised amount (from the Listing Date to the 31 December 2020)** (HKD million)	**Unutilised amount (as at 31 December 2020** (HKD million)	**Expected timeline of full utilisation of the remaining proceeds from the Global Offering as at 31 December 2020[1]** (HKD million)
For investment in the ongoing clinical trial and commercialisation of EAL®	385.6	34.2	64.8	320.8	By the end of 2023
For R&D expenditure in connection with expansion of other clinical indications for EAL®	213.2	18.9	–	213.2	By the end of 2025
For investments in CAR-T-19 clinical trial and TCR-T product series candidates	374.5	33.2	88.7	285.8	By the end of 2025

Report of Directors

Use of Proceeds	Allocation of the net proceeds from the Global Offering (HKD million)	Percentage of total net proceeds (%)	Utilised amount (from the Listing Date to the 31 December 2020) (HKD million)	Unutilised amount (as at 31 December 2020 (HKD million)	Expected timeline of full utilisation of the remaining proceeds from the Global Offering as at 31 December 2020[1] (HKD million)
Development of other product candidates in the product pipeline including R&D expenditure and the construction costs of new R&D and production centres	98.1	8.7	15.4	82.7	By the end of 2025
Working capital and other general corporate purposes	56.4	5.0	27.4	29.0	By the end of 2023
Total	**1,127.8**	**100.0**	**196.3**	**931.5**	

Note:

(1) The expected timeline of full utilisation is based on the Directors' best estimation barring unforeseen circumstances.

For the Company's planned usage of the use of proceeds as described above, the Company expects the net proceeds will be used up by 2025.

PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISIONS

The Articles of Association provides that every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. Subject to the Companies Law (2013 Revision) of the Cayman Islands, if any Director or other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability. Such provisions were in force throughout the Reporting Period and are currently in force. The Company has arranged for appropriate insurance cover for Directors' liabilities in respect of legal actions that may be brought against the Directors.

Report of Directors

CHANGES IN INFORMATION OF DIRECTORS

There has been no change in the Directors' biographical details which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 21 May 2021. A notice convening the AGM and all other relevant documents will be published and dispatched to the Shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 17 May 2021 to Friday, 21 May 2021, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, during which period no share transfers will be registered. To be eligible to attend and vote at the AGM, unregistered holders of shares must lodge all properly completed transfer forms accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 14 May 2021.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the accounting principles and policies adopted by the Group and discussed the Group's risk management, internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Reporting Period.

AUDITOR

Deloitte Touche Tohmatsu, Certified Public Accountants is appointed as the Auditor for the financial statements as for the Reporting Period prepared in accordance with IFRS. Such Financial Statements prepared in accordance with IFRS as stated herein this annual report have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants and a standard unqualified audit report has been issued.

Since the Listing Date and up to Reporting Period, there was no change in the auditor of the Company.

Deloitte Touche Tohmatsu will retire at the forthcoming AGM and being eligible offer themselves for reappointment.

By report of
the Board of Directors
Tan Zheng
Chairman

Corporate Governance Report

The Board is pleased to present the corporate governance report for the Company for the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving 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 CG Code has been applicable to the Company with effect from the Listing Date and was not applicable to the Company during the period from 1 January 2020 to 9 July 2020.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code since the Listing Date up till 31 December 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules to regulate all dealings by Directors and relevant employees in securities of the Company and other matters covered by the Model Code.

Specific enquiry has been made to each Director and all Directors have confirmed that they have complied with the applicable standards set out in the Model Code since the Listing Date and up to the date of this report. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The Board currently comprises three executive Directors, three non-executive Directors and three Independent Non-executive Directors.

The composition of the Board is as follows:

Executive Directors:

Mr Tan Zheng *(Chairman)*
Dr Wang Yu *(CEO)*
Mr Jung Hyun Chul

Non-executive Directors:

Mr Si Xiaobing
Mr Lu Yuan
Mr Li Yuezhong

Corporate Governance Report

Independent Non-executive Directors:

Professor Wang Yingdian
Mr Ng Chi Kit
Ms Peng Sujiu

Biographical details of the current Directors are set out in the section headed "Directors and Senior Management" on pages 23 to 29 of this report.

None of the members of the Board is related to one another.

GENERAL MEETINGS, BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

Code provision A.1.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication.

The CG Code has been applicable to the Company with effect from the Listing Date and was not applicable to the Company during the period from 1 January 2020 to 9 July 2020. Only one Board meeting was held during the period from 10 July 2020 to 31 December 2020.

As the Company was listed on the Stock Exchange on 10 July 2020, the Company did not hold any general meetings during the period from the Listing Date to 31 December 2020.

A summary of the attendance record of the Directors at Board meetings and the Directors' attendances are listed below:

Name of Directors	Attendance of Board Meetings held for the year ended 31 December 2020
Executive Directors	
Mr Tan Zheng *(Chairman)*	1/1
Dr Wang Yu *(CEO)*	1/1
Mr Jung Hyun Chul	1/1
Non-executive Directors	
Mr Si Xiaobing	1/1
Mr Lu Yuan	1/1
Mr Li Yuezhong	1/1
Independent Non-executive Directors	
Professor Wang Yingdian	1/1
Mr Ng Chi Kit	1/1
Ms Peng Sujiu	1/1

Corporate Governance Report

CHAIRMAN AND CEO

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr Tan Zheng is the chairman of the Board and Dr Wang Yu is the CEO of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, 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 not less than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the Directors is engaged on a service contract (in the case of the executive Directors) or a letter of appointment (in the case of the non-executive Directors and Independent Non-executive Directors) for a specific term of three years, which is renewable by mutual consent and subject to the Articles of Association.

The Articles of Association provides that all Directors appointed to fill a casual vacancy or as an addition to the Board shall be subject to election by Shareholders at the next following general meeting of the Company.

Every Director (including those appointed for a specific term) shall also be subject to retirement and reelection by rotation at least once every three years at the annual general meetings of the Company under the Articles of Association.

RESPONSIBILITIES OF THE DIRECTORS

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

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

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

Corporate Governance Report

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

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

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

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting, risk management and internal controls system of the Group, review and approve connected transactions and to advise the Board. The terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange.

The Audit Committee comprises three Independent Non-executive Directors, namely Mr Ng Chi Kit, Ms Peng Sujiu and Professor Wang Yingdian. Mr Ng Chi Kit is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020 and has met with the independent Auditor, Deloitte Touche Tohmatsu, Certified Public Accountants. 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 period from the Listing Date to the date of this report, the Audit Committee has convened two meetings during which the Audit Committee has performed the following major works:

– reviewed the interim results announcement and the interim report of the Group for the six months ended 30 June 2020;

– reviewed and approved the consolidated results of the Group for the Reporting Period;

– noted Deloitte Touche Tohmatsu's report to the Audit Committee, including the draft management letter of the Directors;

– reviewed and approved the draft audited consolidated financial statements of the Group and the reports of the Directors and independent Auditor of the Company for the Reporting Period, and recommended to the Board for approval;

– considered the re-appointment of Deloitte Touche Tohmatsu as independent Auditor of the Company for the financial statements of the Group for the year ending 31 December 2020, and recommended to the Board for shareholders' approval; and

– reviewed the effectiveness of the internal control policy and the risk management and internal control system of the Group as of 31 December 2020. The Audit Committee considered that the internal review and risk management functions of the Company were reasonable, effective and adequate.

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

Name of Members of the Audit Committee	Attendance/ Number of Meeting(s)
Professor Wang Yingdian	2/2
Mr Ng Chi Kit	2/2
Ms Peng Sujiu	2/2

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the CG 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 the Directors (both executive and non-executive Directors) and other senior management. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee comprises three Independent Non-executive Directors, namely Mr Ng Chi Kit, Ms Peng Sujiu and Professor Wang Yingdian. Professor Wang Yingdian is the chairman of the Remuneration Committee.

During the period from the Listing Date to the date of this report, the Remuneration Committee has convened one meeting during which the Remuneration Committee has performed the following major works:

– evaluated and reviewed the performance of executive Director and senior management for the year ended 31 December 2020 and made recommendations to the Board on respective remuneration packages for the year ending 31 December 2021; and

– made recommendations to the Board on the Company's remuneration policy and structure for the Directors and senior management..

Corporate Governance Report

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

Name of Members of the Remuneration Committee	Attendance/ Number of Meeting(s)
Professor Wang Yingdian	1/1
Mr Ng Chi Kit	1/1
Ms Peng Sujiu	1/1

Details of the remuneration payable to each Director of the Company for the year ended 31 December 2020 are set out in Note 12 to the financial statements.

Pursuant to code provision B.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 December 2020 is set out below:

	Number of employee(s)
Nil to HK$1,000,000	1
HK$1,000,001 to HK$2,000,000	2
HK$2,000,001 to HK$2,500,000	1
HK$4,500,001 to HK$5,000,000	–

NOMINATION COMMITTEE

The Company has established the Nomination Committee in compliance with the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee comprises one executive Director, namely Mr Tan Zheng, and two Independent Non-executive Directors, namely Ms Peng Sujiu and Professor Wang Yingdian. Mr Tan Zheng is the chairman of the Nomination Committee.

During the period from the Listing Date to the date of this report, the Nomination Committee has convened one meeting during which the Nomination Committee has performed the following major works:

– assessed the independence of the Independent Non-executive Directors of the Company;

– reviewed the time required from non-executive Directors and applied performance assessment to assess whether non-executive Directors were spending enough time in fulfilling their duties;

– made recommendations to the Board on re-election of retiring Directors at the forthcoming AGM;

– reviewed the structure, size and diversity of the Board of the Company; and

– reviewed the board diversity policy of the Company.

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

Name of Members of the Nomination Committee	Attendance/ Number of Meeting(s)
Mr Tan Zheng	1/1
Ms Peng Sujiu	1/1
Professor Wang Yingdian	1/1

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "**Diversity Policy**") in accordance with the CG Code, which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to maintain the Company's competitive advantage and enhance its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including, but not limited to, gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience.

The Company is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. The nomination committee will discuss and agree periodically on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At present, the Board has not set any measurable objectives.

The Nomination Committee reviews the Diversity Policy, as appropriate, to ensure its effectiveness.

DIRECTOR NOMINATION POLICY

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

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTION

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

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

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

DIVIDEND POLICY

The Company adopted a dividend policy (the "**Dividend Policy**") in accordance with the CG 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 and reserves of the Company lawfully available for distribution (including share premium), and in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. The Dividend Policy also outlines the factors that the Board should take into account in determining any dividend for distribution to the Shareholders, including future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Board considers relevant. Any future dividend payments to the Shareholders will also depend upon the availability of dividends received from the Group's subsidiaries.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The statement of the independent Auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 103 to 104 of this report.

Corporate Governance Report

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 Company acknowledges the importance of directors participating in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors have been arranged and reading material on relevant topics would be issued to directors where appropriate. They are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period and prior to the Listing, all of the Directors, namely, Mr Tan Zheng, Dr Wang Yu, Mr Jung Hyun Chul, Mr Si Xiaobing, Mr Lu Yuan, Mr Li Yuezhong, Professor Wang Yingdian, Mr Ng Chi Kit and Ms Peng Sujiu participated in a training session conducted by Eric Chow & Co., in Association with Commerce and Finance Law Offices, our legal adviser as to Hong Kong law, on directors' duties, responsibilities and obligations under the Listing Rules and the SFO.

The Company arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. During the year ended 31 December 2020, one training session was attended by the Directors.

AUDITOR'S REMUNERATION

The Company appointed Deloitte Touche Tohmatsu, Certified Public Accountants as the external auditor for the year ended 31 December 2020. A statement by Deloitte Touche Tohmatsu about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 103 to 104.

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

Service Category	**Fees Paid/Payable** RMB'000
Audit services	2,480
Non-audit services	
Preparation of the environmental, social and governance report of the Company	230
Total	2,710

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises its responsibility for the risk management and internal control system and the review of its effectiveness. The system aims to manage but not eliminate risks arising from the failure in achieving business objectives, and is only able to provide reasonable but not absolute assurance that there will be no material misstatement or loss.

We are fully aware of the importance of risk management to business operations. The Company has established and continues to improve the risk management mechanism, fully implements risk prevention and control policies and conducts regular risk assessments in the course of business operations, in order to identify risks that are likely to have certain impacts on the business planning and structure, operational and financial procedures, regulatory compliance and other aspects of the Company. The management and heads of all departments will discuss and formulate response plans and will submit reports to the Audit Committee and the Board on all issues related to risk management effectiveness.

The management of the Company regularly re-examines the internal control policies and procedures and make updates when necessary. Each department of the Company will conduct a self-assessment regularly to ensure proper compliance with the Company's internal control policies. The Company engaged an independent professional company to review the effectiveness of its internal control for the year ended 31 December 2020. The management and relevant responsible departments of the Company have confirmed the investigation results and recommendations, and the management has formulated an action plan to address the problems discovered.

The Company has established an audit department, which shall analyse and independently evaluate the risk management and internal control policies, and report audit results to the audit committee and the Board on a regular basis, and shall supervise and address material defects identified in the monitoring process.

The Company has formulated policies for external disclosure of information to guide the preparation and disclosure procedures of inside information. The Company has implemented monitoring procedures to ensure that inside information is strictly prohibited from being obtained and used without authorisation.

We are committed to continuously improving the risk management and internal control system of the Company. The Board reviews the effectiveness of the Group's risk management and internal control system on an on-going basis or, at least, an annual basis. The Board reviewed the effectiveness of the Company's risk management and internal control system for the year ended 31 December 2020 and confirmed that it is effective and adequate.

Corporate Governance Report

JOINT COMPANY SECRETARIES

Ms Yin Mengyang, one of the joint company secretaries 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. Leung Shui Bing, a manager of the listing services department of TMF Hong Kong Limited, as the joint company secretary to assist Ms. Yin Mengyang in discharging the duties of a company secretary of the Company.

For the Reporting Period, Ms Yin Mengyang and Ms Leung Shui Bing have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting

Pursuant to articles 12.3 of the Articles of Association of the Company, 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 members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s).

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 or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, 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 MEETING

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 www.eaal.net.

Corporate Governance Report

PUTTING FORWARD ENQUIRIES TO THE BOARD

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.

CONTACT DETAILS

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

Address: 8/F, Block 1,Guosheng Technology Park, No.1 Kangding Street, Beijing Economic-technological Development Area, Beijing, the PRC
Fax: +86 (10) 8840 0152
Email: IR@eaal.net

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the 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 www.eaal.net, 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 period from 10 July 2020 to 31 December 2020, 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.

Financial Summary

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

	Year ended 31 December		
	2020	2019	2018
	RMB'000	RMB'000	RMB'000
Other income	**6,005**	2,888	5,128
Other gains and losses, net	**(40,454)**	6,316	8,076
Fair value (loss) gain of convertible redeemable preference shares	**(16,984)**	3,825	–
Business development expenses	**–**	(569)	(1,119)
Administrative expenses	**(68,625)**	(27,760)	(11,666)
Research and development expenses	**(278,626)**	(61,975)	(31,172)
Finance costs	**(2,389)**	(2,070)	(1,135)
Listing expenses	**(37,583)**	(22,283)	(2,746)
Other expenses	**(473)**	(7,426)	(344)
Loss before tax	**(439,129)**	(109,054)	(34,888)
Loss and total comprehensive expenses for the year	**(439,129)**	(109,054)	(34,888)
Loss per share (RMB)			
Basic	**(0.99)**	(0.29)	(0.11)
Diluted	**(0.99)**	(0.29)	N/A
NON-CURRENT ASSETS			
Property, plant and equipment	**154,492**	85,350	78,747
Intangible assets	**7,371**	7,767	2,575
Prepayments, deposits and other receivables	**31,442**	14,216	10,386
Contract costs	**1,232**	1,488	1,744
Financial asset at fair value through profit or loss	**131,969**	–	–
	326,506	108,821	93,452

Financial Summary

	Year ended 31 December		
	2020	2019	2018
	RMB'000	RMB'000	RMB'000
CURRENT ASSETS			
Contract costs	**256**	256	256
Inventories	**3,975**	4,810	2,291
Amount due from a related party	**–**	750	750
Amount due from shareholders	**–**	–	69
Prepayments, deposits and other receivables	**34,106**	20,087	8,373
Financial asset at fair value through profit or loss	**–**	–	45,690
Bank balances and cash	**845,386**	282,247	128,332
	883,723	308,150	185,761
CURRENT LIABILITIES			
Contract liabilities	**710**	710	710
Trade and other payables	**20,164**	23,134	14,489
Amount due to related parties	**–**	–	929
Lease liabilities	**7,204**	3,786	2,896
Deferred government grants	**3,539**	6,433	–
Convertible redeemable preference shares	**–**	172,107	–
	31,617	206,170	19,024
NET CURRENT ASSETS	**852,106**	101,980	166,737
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,178,612**	210,801	260,189

Environmental, Social and Governance Report

OVERVIEW

A healthy environmental, social and governance performance is significant for future sustainable development, achievement of long-term goals and creation of value for shareholders. While the Company is committed to becoming an outstanding leader in the industry, it proactively promotes green development of the industry, takes up more social responsibilities, focuses on innovation and high-quality production, adheres to a people-oriented culture, and facilitates the formation of an industrial chain featuring integrity, transparency and win-win cooperation.

The Board of the Company is the highest decision-making body for environmental, social and governance (ESG) management. It is responsible for the Company's ESG strategies and reports, including assessing and determining ESG risks, in order to ensure that the Company has in place effective risk management and internal control systems. The Company has established an ESG working group comprising management personnel from different departments to discuss ESG issues and has designated relevant personnel to carry out ESG works. Disclosure of ESG-related information shall be released upon the final review of the Board.

The Company has established its ESG indicator system in accordance with the requirements under the Environmental, Social and Governance Reporting Guide in Appendix 27 to the "Listing Rules" of the Hong Kong Stock Exchange and has made disclosure in compliance with the provisions contained in the relevant Environmental, Social and Governance Reporting Guide. This report covers the reporting period from 1 January 2020 to 31 December 2020.

STAKEHOLDER ENGAGEMENT

Attaching great importance to mutual communications with stakeholders, the Company has openly communicated with all stakeholders in respect of their expectations and opinions by establishing different communication mechanisms. Stakeholders of the Company include shareholders and investors, regulatory authorities, patients, employees, suppliers, the environment, local communities, etc.

Stakeholders	Material Issues	Means of Communication and Response
Shareholders and investors	• Sound operation • Improved business results • Investment returns • Risk management	• General meeting • Interim report and annual report • Results announcement • Investor meeting
Regulatory authorities	• Compliant operation • Facilitation of industry development	• Strict compliance with relevant laws and regulations • Business development and product innovation
Subjects	• Product safety • Privacy protection • Product efficacy	• Stringent quality and safety management • Research and development (R&D) and innovation • Protection of the rights and interests of subjects

Environmental, Social and Governance Report

Stakeholders	Material Issues	Means of Communication and Response
Employees	• Equal employment • Career development • Occupational health and safety	• Organization of relevant vocational skills trainings for participation, and provision of reasonable promotion ladders, employee exchange meetings and weekly meetings • Regular physical examinations, annual hazard detections, distribution of protective equipment on an as-needed basis, face-to-face communications, labour unions, cultural and sports activities • Strict implementation of the Company's epidemic prevention and control management system, and daily report of safety status
Suppliers	• Fair procurement • Performance of contracts with integrity • Long-term win-win cooperation	• Supplier management procedure • Public tender management procedures • Regular communications with and evaluation of suppliers
The environment and surrounding communities	• Elimination of environmental non-compliance incidents • Energy saving and emission reduction, and combat against climate change • Protection of the surrounding environment and reduction of environment impacts as much as possible	• Optimisation of all EHS related rules and regulations • Promotion of energy conservation and resource use, and facilitation of employees to carry out initiatives such as green office • Installation of sewage treatment facilities, regular inspections of external discharge of waste water, exhaust gas and noise, classification and disposal of garbage, making sure that there are no major sources of danger

Environmental, Social and Governance Report

DETERMINATION OF MATERIAL ISSUES

In order to determine its key ESG concerns and information disclosure priority and to ensure the pertinence and responsiveness of the report, the Company has recognised the material issues concerned by stakeholders and determined the level of importance through maintaining sufficient communications with stakeholders and upon sorting out content of the issues by the ESG working group in accordance with the relevant requirements under the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange. A material issue matrix of Immunotech has been formed as a basis of management and disclosure of ESG information to enable comprehensive disclosure of information related to operation and management of the Company as far as possible.

Areas of Issues in the Environmental, Social and Governance Reporting Guide	Material ESG issues of the Company
A. Environmental	
A1 Emissions	Carbon emissions, waste management
A2 Use of Resources	Reducing energy consumption and saving water
A3 The Environment and Natural Resources	Green buildings, green operation
A4 Climate Change	Energy conservation and emission reduction, emergency measures for extreme weather
B. Social	
B1 Employment	Equal and diversified employment, care for employees
B2 Health and Safety	Occupational health and employee safety
B3 Development and Training	Staff training and development
B4 Labour Standards	Prohibition of child labour and forced labour
B5 Supply Chain Management	Open and fair procurement, review of supplier risk
B6 Product Responsibility	Product innovation and R&D, product quality and safety, product efficacy, information security, and protection of subject privacy
B7 Anti-corruption	Anti-corruption and promoting integrity
B8 Community Investment	Spearheading industry development

Environmental, Social and Governance Report

A ENVIRONMENTAL

Understanding the importance of environmental protection to its long-term and stable development, the Company has strictly complied with environmental laws, regulations and local standards and has established an environmental management system. It proactively shouldered the social responsibility of environmental protection by adopting resource conservation and environmental protection measures to develop sustainable business. During the reporting period, the Company did not have any environmental-related violations and did not receive any environmental penalties.

A1 Emissions

In strict compliance with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and relevant environmental protection laws and regulations as well as industrial policies, the Company has established sound environmental protection policies and management procedures, formulated management standards and requirements such as the Hazardous Waste Management System, and developed an environmental emergency response mechanism and response procedures according to the types of emissions. The Company has set annual environmental protection targets in the form of Letter of Liability for Annual Safety and Environmental Protection to strengthen the awareness of environmental protection responsibility of employees at all levels and comprehensively improve its environmental governance level.

The emissions of the Company mainly included waste water, exhaust gas, greenhouse gases and waste. In order to ensure its authority in terms of environmental management and control, the Company has invited testing institutions with environmental testing qualifications to regularly test its waste water, exhaust gas and noise.

北京天衡诚信环境评价中心
Beijing TianHengChengXin Environmental Assessment Center

检 测 报 告
Testing Report
报告编号：（HB检）字（2020）第（0427-01）号

委托单位：北京永泰生物制品有限公司
Entrust Unit
受检单位：北京永泰生物制品有限公司
Inspected Unit
项目类型：污水、废气（非甲烷总烃、硫化氢、氨、臭气浓度）、工业企业厂界噪声
Project Type
检测类别：委托检测

Emissions testing report

1) *Waste water*

Waste water produced by the Company mainly came from production waste water and domestic sewage produced in the production and operation process. The Company has built a sewage treatment station on its own and all production waste water was treated by the sewage treatment station using the biological treatment method. The Company has installed online monitoring equipment at the front end of the discharge port voluntarily to ensure that the wastewater discharged always meets the discharge standards set in Beijing City.

Environmental, Social and Governance Report

2) *Hazardous exhaust gases*

The hazardous air emissions produced by the Company mainly came from volatile organic compounds (VOCs) generated during medicine R&D and production. In order to prevent the methanol, ethanol and other chemical reagents used in the production and experiment process from evaporating to the outdoor air, the Company connects all the pipelines that may emit organic waste gas outdoors and uses VOCs treatment devices to adsorb organic substances in the gas, ensuring that the gas to be emitted outdoors is clean.

3) *Greenhouse gases*

Greenhouse gases of the Company were directly derived from its self-owned vehicles, and the other source of emissions was electricity consumed during daily operations and production. In 2020, the Company's total greenhouse gas emissions were 2092.05 tCO2e, and the per capita greenhouse gas emissions were 8.37 tCO2e. Through continuously promoting travel by public transport and strengthening employees' awareness of energy conservation and consumption reduction, the Company expects to achieve a continuous decline in greenhouse gas emission intensity in 2021.

4) *Wastes*

Garbage generated during R&D, production and office operation was classified into general garbage and hazardous waste. General garbage of the Company included recyclable garbage, general garbage, food waste, and construction waste, which were disposed of by a waste disposal company at regular intervals upon classification; hazardous waste was all separately collected according to the different characteristics and temporarily stored in designated hazardous waste rooms. A professional organisation with hazardous waste disposal qualification transported and destroyed the waste on a regular basis. Supervision of the whole process was ensured.

危险废物转移联单 S020120923963

编号：20204993911

第一部分：废物产生单位填写

产生单位	北京永泰生物制品有限公司 单位盖章	电话	13691481540
通讯地址	北京市北京经济技术开发区康定街1号4幢2层	邮编	100176
运输单位	北京金隅红树林环保技术有限责任公司	电话	60755475
通讯地址	北京市昌平区科技园区白浮泉路10号2号楼北控科技大厦608室	邮编	102200
接收单位	北京金隅红树林环保技术有限责任公司	电话	60755475
通讯地址	北京市昌平区科技园区白浮泉路10号2号楼北控科技大厦608室	邮编	102200

废物名称	化工行业生产过程中产生的废活性炭	类别编号	HW49	数 量	0.3 吨
废物特性	毒性	形 态	固体	包装方式	袋装
外运目的	其他处置方式	主要危险成分	少量有机物	禁忌与应急措施	切勿放近食物、饮料及动物饲料，容器必须放在通风的地方，容器必须盖紧，切勿放近住所
发 运 人	王金成	运 达 地	北京金隅红树林环保技术有限责任公司	转移时间	2020-11-28

第一联

危险废物转移联单 S020120123017

编号：20200273556

第一部分：废物产生单位填写

产生单位	北京永泰生物制品有限公司 单位盖章	电话	13691481540
通讯地址	北京经济技术开发区康定街1号院4幢2层	邮编	101111
运输单位	北京金隅红树林环保技术有限责任公司	电话	60755475
通讯地址	北京市昌平区科技园区白浮泉路10号2号楼北控科技大厦608室	邮编	102200
接收单位	北京金隅红树林环保技术有限责任公司	电话	60755475
通讯地址	北京市昌平区科技园区白浮泉路10号2号楼北控科技大厦608室	邮编	102200

废物名称	利用生物技术生产生物化学药品、基因工程药物过程中产生的蒸馏及反应残余物	类别编号	HW02	数 量	~~1.2~~ 1.65 吨
废物特性	感染性	形 态	液体	包装方式	桶装
外运目的	其他处置方式	主要危险成分	琼脂、葡萄糖、氨基酸、蛋白胨、钠离子、钾离子	禁忌与应急措施	只可放在原来的容器内，戴上防护手套，穿上适当防护服，切勿倒入水渠
发 运 人	王金成	运 达 地	北京金隅红树林环保技术有限责任公司	转移时间	2020-10-28

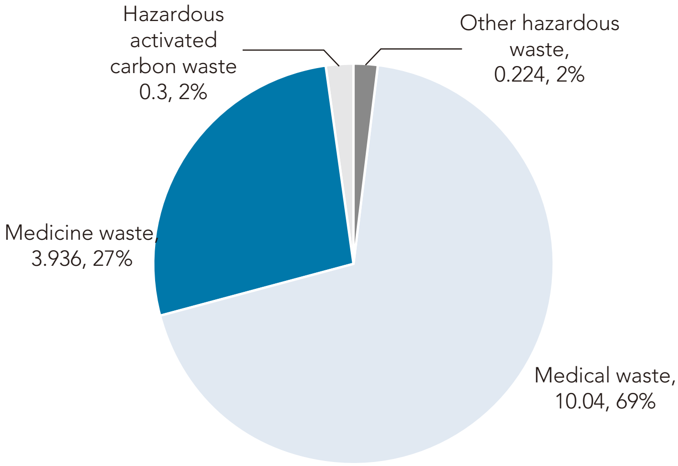
第一联

Hazardous Waste Disposal Receipts

Environmental, Social and Governance Report

The Company has continuously improved the detailed classification and management of waste, promotes reduction of waste, and improved harmless treatment and recycling rate of waste. In 2020, the Company carried out measures to replace hazardous materials with non-hazardous materials. LED lights were used to replace mercury-vapour lamps to extend the service life of lighting fitting and save electricity, enabling a reduction in hazardous waste production and improvement in energy efficiency. In 2020, the Company generated 14.5 tons of hazardous waste in total, with per capita hazardous waste generation of 58 kg, and 28.2 tons of non-hazardous waste in total. The Company expects that the conversion rate of hazardous wastes into non-hazardous waste will reach 100% in the future.

Production Volume of Hazardous Wastes (ton)



5) *Noise pollution*

The Company especially took into account the low noise features of products in procurement of equipment and facilities. When building a factory, the Company paid attention to optimising design of the factory layout in order to effectively reduce noise. The noise generated in the office and production sites of the Company was very little, which was in line with national standards and did not constitute noise pollution.

Environmental, Social and Governance Report

Emission indicators of the Company in 2020:

Name of Indicator[1]	Unit	2020
Total waste water discharge	ton	**16,440**
Direct greenhouse gas emission[1]	tons CO_2e	**43.73**
Indirect greenhouse gas emission[1]	tons CO_2e	**2,048.32**
Total greenhouse gas emissions[1]	tons CO_2e	**2,092.05**
Greenhouse gas emissions per capita[4]	tons CO_2e/person	**8.37**
Total VOC emissions[2]	kg	**1,073**
Total production volume of hazardous wastes[3]	ton	**14.5**
Production volume of hazardous wastes per capita[4]	kg/person	**58**
Waste packaging materials	kg	**720**
Total production volume of non-hazardous wastes	ton	**28.2**
Production volume of non-hazardous wastes per capita[4]	kg/person	**112.8**

Notes:

1. The emission of greenhouse gas is calculated based on the GHG Protocol Corporate Accounting and Reporting Standard 2012 (Revised Edition) issued by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) and the Fifth Assessment Report 2013 issued by the Intergovernmental Panel on Climate Change (IPCC), in which the electronic greenhouse gas emission factor was selected based on the Datum Line Emission Factor for Chinese Regional Power Grid in Annual Emission Reduction Project 2019 issued by the Ministry of Ecology and Environment;
2. VOC emission data is calculated based on the submitted and approved discharge permit of the Company;
3. Production volume of hazardous wastes is calculated according to the statistical ledger of the production system of the Group;
4. Intensity data are calculated by dividing emission/production volume by total number of employees.

A2 Use of Resources

The main resources used in the production process of the Company included electricity, water and motor fuel. The Company has conscientiously implemented the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》) and other resources conservation and protection laws, regulations and industry policies. In order to reasonably improve the utilisation rate of energy and resources and reduce the waste of available energy and resources, the Company has established a resource-friendly concept for sustainable development. In response to the government's call for energy conservation and emission reduction, the Company has adopted a number of energy conservation measures to achieve comprehensive use of resources and develop into an energy-saving enterprise.

The resource conservation measures of the Company included strict control of total water consumption, implementation of green and paperless electronic office, encouraging economical use of office paper, priority over recyclable office supplies in procurement, posting energy-saving slogans, advocating green travel, and strengthening daily inspections to eradicate water leakage of equipment, and conducting trainings on water conservation to enhance the water saving awareness of all employees. During the reporting period, the Company had no problems in sourcing water that is fit for purpose.

Environmental, Social and Governance Report

Case: Becoming an advocate of "green travel" – Immunotech Free Ride

The Company has established an internal employee free ride fleet to encourage employees to give free rides to colleagues when commuting to and back home and the drivers were offered rewards. Greenhouse gas emissions were therefore effectively reduced as a result of less fuel combustion when fewer cars were used for commuting.

Immunotech Free Ride

Environmental, Social and Governance Report

Resource use indicators of the Company in 2020:

Name of Indicator	Unit	2020
Comprehensive energy consumption[1]	MWh	**3,052.06**
Energy consumption generated from purchased electricity	MWh	**2,877.26**
Energy consumption generated from purchased gasoline	MWh	**174.80**
Energy consumption per employee[3]	MWh/person	**12.21**
Water resource consumption[2]	ton	**7,836.72**
Water consumption per employee[3]	ton/person	**31.35**

Notes:

1. Energy consumption is calculated based on the General Rules for Calculation of Comprehensive Energy Consumption (GB/T 2589-2008) issued by the China National Institute of Energy Foundation and Management Standardization;

2. The water resources consumed by the Company include municipal water supply and bottled drinking water. Specifically, the data of bottled water is calculated based on its own-monitoring statistics of the Company;

3. Intensity data are calculated by dividing emission/production volume by total number of employees.

A3 The Environment and Natural Resources

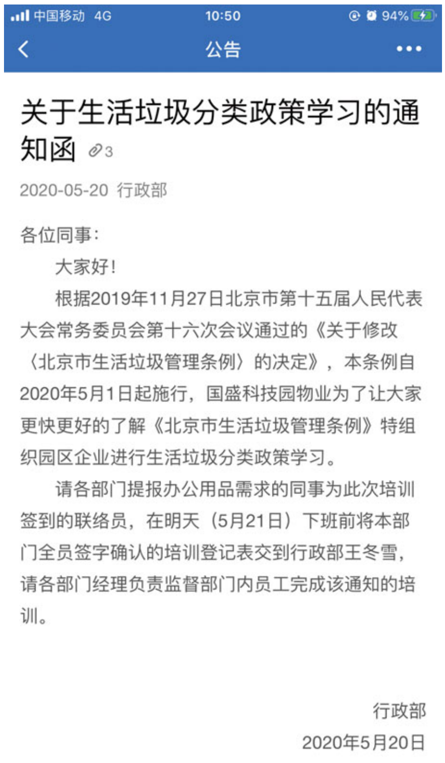
In strict compliance with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (《中華人民共和國噪聲污染防治法》), the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), the Cleaner Production Promotion Law of the PRC (《中華人民共和國清潔生產促進法》) and other laws and regulations, together with industry standards and local requirements, the Company has formulated internal management requirements to advocate practices and environmental protection and to improve energy efficiency.

The exhaust gas and waste water produced during the R&D and production process of the Company were its main harmful emissions. The Company installs exhaust gas treatment equipment to dispose of substances that produce organic exhaust gas and odor, and discharging them in qualified way; makes use of its own waste water treatment facility and adopts biotreatment methods to reduce the controlled substance in waste water, so as to realise the governance goal of lowering efflux standard concentration.

Environmental, Social and Governance Report

Case: Garbage classification training activities

Through garbage classification knowledge trainings, the Company promoted and publicized garbage classification knowledge to enhance the garbage classification awareness inside the Company, whereby garbage classification was spontaneously regulated. A desirable ambience where everyone participates in environmental protection activities is created.



中国移动 4G 10:50 94%

公告

关于生活垃圾分类政策学习的通知函 3

2020-05-20 行政部

各位同事：

大家好！

根据2019年11月27日北京市第十五届人民代表大会常务委员会第十六次会议通过的《关于修改〈北京市生活垃圾管理条例〉的决定》，本条例自2020年5月1日起施行，国盛科技园物业为了让大家更快更好的了解《北京市生活垃圾管理条例》特组织园区企业进行生活垃圾分类政策学习。

请各部门提报办公用品需求的同事为此次培训签到的联络员，在明天（5月21日）下班前将本部门全员签字确认的培训登记表交到行政部王冬雪，请各部门经理负责监督部门内员工完成该通知的培训。

行政部

2020年5月20日

Notice of a garbage classification knowledge training

Case: Green building certification project

In order to build a green biopharmaceutical park and construct a national green building, the Company has introduced the two-star design standard for green buildings throughout the entire process of its development of the "New Biopharmaceutical Research and Development and Industrialization Base Project (11 projects such as 1# quality inspection building)", and worked with the design institute to convene a green building design conference to take forward the construction of a two-star green building that is energy-saving and environmentally-friendly in accordance with the Assessment Standard for Green Buildings (《綠色建築評價標準》) (GB/T50378-2019), Design Standard for Green Buildings (《綠色建築設計標準》) (DBII/938–2012), Development Plan for Centralised Demonstration Zone of Green Industrial Buildings in the Beijing Economic-Technological Development Area (《北京經濟開發區綠色工業建築集中示範區創建方案》), Design Guidelines for Green Industrial Buildings in the Beijing Economic-Technological Development Area《北京經濟技術開發區綠色工業建築設計指引》and other guiding documents. A solid foundation was laid for further implementation of subsequent energy conservation and emission reduction measures.

Environmental, Social and Governance Report

The building includes the following green designs:

- The refrigeration unit adopts an integrated hybrid evaporative cooling chiller which has no cooling tower and cooling water pump and makes full use of outdoor conditions to cool the condenser. In winter, the compressor may stop running or partially run to reduce energy consumption. The comprehensive COP of the unit is approximately 5.6;

- The air compressor adopts a combination of frequency conversion and power frequency, which not only meets the load changes, but also reduces energy consumption;

- The boiler uses a high-efficiency gas steam generator, with nitrogen oxide emission concentration of$\leq$30mg/m^3, and boiler thermal efficiency of $\geq$95%;

- A measure is adopted to collect steam condensate which will be pumped back to the boiler room for reuse;

- All equipment use low-noise and low-vibration products;

- The recyclability of materials is considered when selecting materials for architectural design;

- Transportation distance of major building materials is well controlled, etc.

An illustration of the New Biopharmaceutical Research and Development and Industrialization Base Project

Environmental, Social and Governance Report

A4 Climate Change

The Company is not an enterprise with high energy consumption. Still, the Company attaches great importance to climate change and hopes to contribute its best efforts to the reduction of global carbon emissions and achievement of the goals of the Paris Agreement. On the one hand, in the process of production, operation and business development, the Company always upheld the concepts of energy conservation, emission reduction and green development to actively promote the initiatives as described above, such as green office, green travel and waste classification, and to build a green biopharmaceutical park. On the other hand, in order to ensure its normal production and operation activities, the Company has established an emergency response team with the main person in charge as the commander-in-chief and the heads of various departments as members, which has formulated a series of contingency plans for earthquake and flood precautions, covering information collection, on-site rescue, evacuation, post-disaster handling, etc. This ensured that in the event of an emergency situation, various departments would give full play to their respective functions and worked together to enhance the Company's ability to deal with natural disasters and guarantee its safe operation and production.

B SOCIAL

While developing its business, the Company insists on fulfilling social responsibilities, protecting the rights and interests of employees, focusing on employee care, improving supply chain management, giving full play to the corporate social value and facilitating the realisation of sustainable development. In the face of the challenges brought about by the outbreak of COVID-19, the Company has strived ahead and bravely shouldered the corporate social responsibility to actively fight the epidemic together with all employees under its lead.

B1 Employment

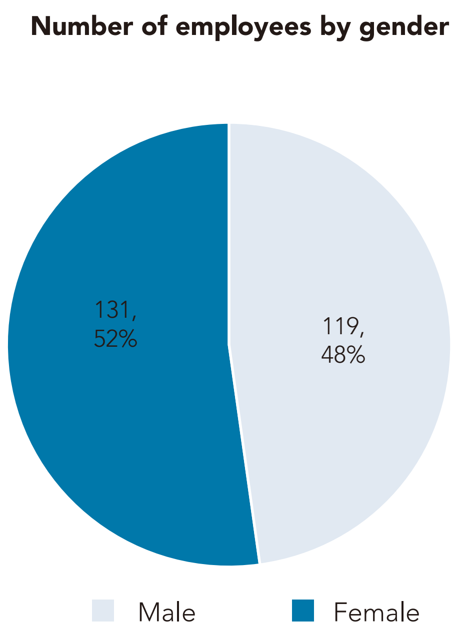
1) Employment compliance

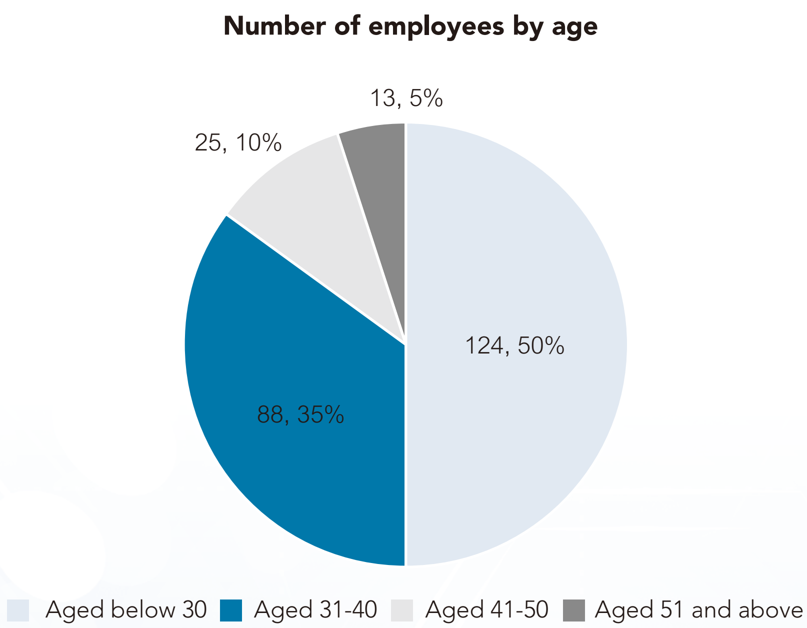
Adhering to the people-oriented principle, the Company has established a fair, just and responsible human resource management system in compliance with all relevant employment laws, rules and regulations, such as the Labour Law (《勞動法》) and Labour Contract Law (《勞動合同法》). It has formulated various human resource management requirements, including the Employee Handbook, Confidentiality Policy, Recruitment Management Policy, Salaries Package, Performance Management Policy and Training Management Policy, to specify the recruitment, promotion, salary, benefits, training and dismissal criterion. Employees are provided with equal employment and development opportunities with reasonable employee incentives guaranteed. The Company pays attention to talent cultivation and diversified employee structure and ensures no discrimination in employment in order to protect the rights and interests of employees.

As of 31 December 2020, the Company had 250 full-time employees, including 129 employees newly recruited this year, with a turnover rate of 24.2%. Employees of the Company were younger and more highly educated. Among all employees, 84.8% of them were young people under the age of 40, and 68% of them had a bachelor's degree or above.

Environmental, Social and Governance Report

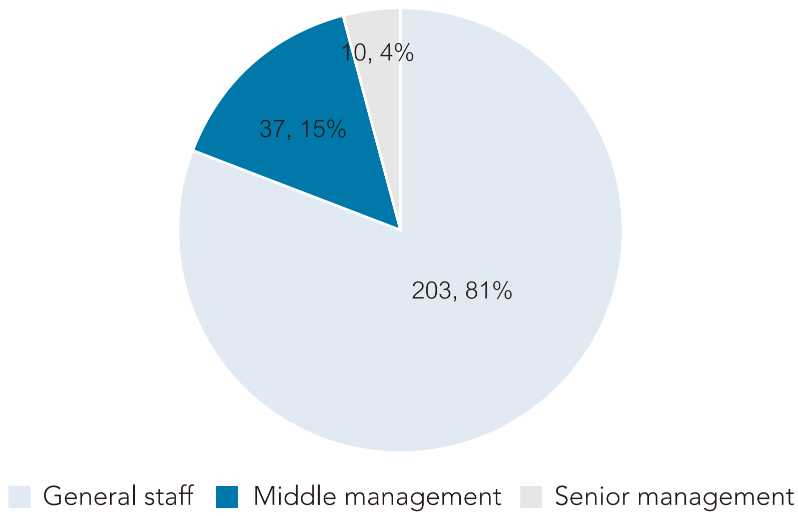
During the reporting period, the Company did not violate any employment-related laws and regulations, and was not involved in any lawsuits or arbitration cases related to the Company's employment.



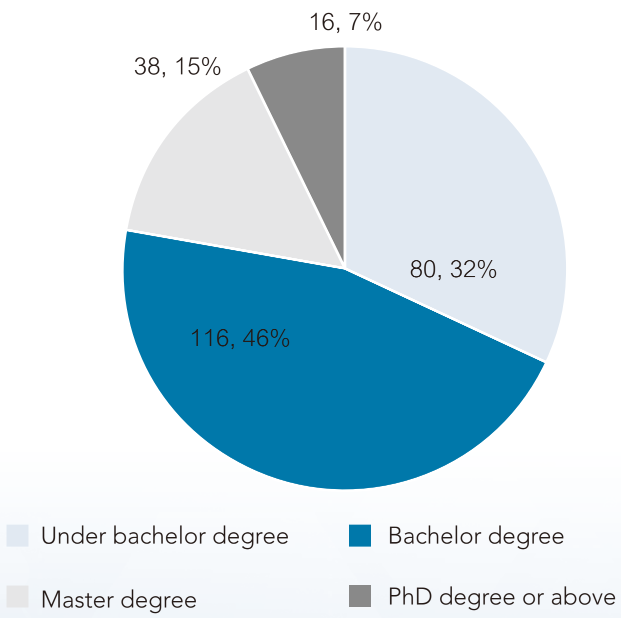


Environmental, Social and Governance Report

Number of employees by rank



Number of employees by academic qualification



Environmental, Social and Governance Report

Employee turnover rate by gender

Gender	Employee turnover rate in 2020
Male turnover rate	**24.68%**
Female turnover rate	**23.84%**

Number of employees and turnover rate by geographical region

Geographical region	Number of employees in 2020 (person)	Employee turnover rate in 2020
Beijing	236	**25.32%**
Guangdong	1	**0%**
Shanghai	2	**0%**
Hong Kong	1	**0%**
Other regions in China	2	**0%**
Overseas region	8	**0%**

Employee turnover rate by age

Age	Employee turnover rate in 2020
Aged below 30	**28.74%**
Aged 31-40	**21.43%**
Aged 41-50	**13.79%**
Aged 51 and above	**0%**

Environmental, Social and Governance Report

2) *A pleasant life*

The Company firmly believes that effectively safeguarding the interests of employees is an important measure to enhance the Company's cohesion. In order to guarantee the welfare of employees, the Company fulfilled its relevant responsibilities and obligations in accordance with the law by making contributions towards various social insurances and the housing provident fund for employees in a timely manner, addressing the accommodation needs of employees who lived in outer fringes of Beijing and had difficulties in commuting, offering accommodation and holiday duty allowances for employees and providing free rides to employees for commuting. Attaching great importance to the physical and mental health of employees, the Company organised annual physical examinations for employees, annual special physical examinations for all employees exposed to occupational disease risks and various activities such as team building, parties, and employee meetings.

Case: The lives of employees during the epidemic

After the outbreak of the novel coronavirus (COVID-19), the Company was fully devoted in the fight against the epidemic. It proactively carried out various prevention and control arrangements, distributed to employees labour prevention and epidemic prevention supplies, quarantine subsidies and subsidies for staying in Beijing, and held a party for those staying in Beijing.

A party for Immunotech staff staying in Beijing

Environmental, Social and Governance Report

B2 Health and Safety

The idea of safety first, prevention-oriented and comprehensive management is not only the safety production approach of the country, but also the safety management philosophy of the Company. Adhering to the people-oriented core work principle of safe production, the Company strictly abides by the Safety Production Law of the PRC (《中華人民共和國安全生產法》), the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), Special Equipment Safety Law of the PRC (《中華人民共和國特種設備安全生產法》), the Fire Prevention Law of the PRC (《中華人民共和國消防法》), the Emergency Response Law of the PRC (《中華人民共和國突發事故應對法》) and other national laws and regulations. Since its establishment, the Company has established a safety and environment department which is responsible for the Company's internal safety, occupational health and environmental protection works. It has also established internal organisations such as the production safety committee and emergency response team with the main person in charge as the team leader and each department leader as team members to formulate a comprehensive emergency management system for safety accidents. Based on the identified hazards, the Company has formulated and implemented the Production Safety Responsibility System, Safety Production Education and Training System, Safety Hazard Investigation and Management System, Safety Production Expenses Withdrawal and Use Management System, Relevant Party Safety Management System, Labour Protection Equipment Allocation and Management System, Hazardous Chemicals Management System, Hazardous Waste Management System and other safety management regulations to ensure the implementation of the safety responsibility system.

The Company regularly organised relevant trainings and emergency drills on the use of hazardous chemicals, water and electricity safety, personal protective equipment use, electric shock rescue, fire evacuation, etc. for employees to enhance their safety awareness and safety skills. The Company carried out safety inspections on a monthly basis and in major holidays and completes rectification of hidden dangers identified in a timely manner; and conducted regular inspections of fire-fighting electrical equipment and lightning arresters as well as annual inspections of occupational hazards. For employees in positions exposed to occupational hazards, in addition to the regular physical examinations every year, the Company also arranged physical examinations particularly for occupational diseases before taking office, in service and before leaving the position. It also distributed labour protection equipment and paid work injury insurance contributions for all employees on a regular basis, striving to build and provide its employees a work environment that ensures physically and mentally health and safety.

During the reporting period, the Company did not have any violations related to occupational health and safety, and no employees were suffered from work-related injuries or fatalities.

In 2020, the COVID-19 outbreak spread across the world and China. In the process of epidemic prevention and control, we always kept abreast of the anti-epidemic requirements announced by the government, formulated and implemented anti-epidemic policies such as Administrative Regulations for Works during the Epidemic and COVID-19 Prevention and Control Measures in strict accordance with the local management requirements, collected and kept track of the health condition of employees, strengthened anti-epidemic promotion and training, regularly disinfected production and office areas, and made internal traffic coordination to avoid the use of public transportation. With the concerted efforts of various departments, there were no identified case in the Company during the reporting period.

Environmental, Social and Governance Report

Safety and health indicators of the Company in 2020:

	2020	2019	2018
Number of work-related accidents	**0**	0	0
Number of work-related fatalities	**0**	0	0
Number of working days lost due to work-related injuries	**0**	0	0

B3 Development and Training

The Company attaches paramount importance to talent cultivation. By establishing a talent cultivation system as well as formulating and implementing a series of training management systems, such as the Corporate Training Management System and External Training Management System, the Company has improved the competence of its employees, built a high-calibre talent team, and enhanced the its core competitiveness.

New employees were required to undertake three levels of training, namely the company level, department level and job level, before taking office. Specifically, the company-level training includes: corporate culture, various systems of the Company, etc.; the department-level training includes: department responsibilities and management procedures related to the works of the respective department; the job-level training includes: job duties and job-related operational documents. Employees may only take office after passing the training and assessment.

The Company has implemented a dual mode of online and offline trainings. It has cooperated with the domestic professional medical learning platform "ShilinX" to provide employees with a convenient on-the-job learning platform. On the basis of integrating such platform into its strategic goals, the Company has developed differentiated online courses tailored to the different business models of all departments, which were divided into 12 phases and delivered to every department for study every month. Assessment were made on a quarterly basis. Meanwhile, taking into account the business development condition, the Company carried various offline training activities, such as engaging specialist consultants to provide relevant courses on Good Manufacturing Practice for Pharmaceutical Products (GMP) and medical immunology courses to improve employees' awareness of GMP and expertise.

Environmental, Social and Governance Report

In accordance with the requirements of Good Manufacturing Practice for Pharmaceutical Products (2020 Revision) (《藥品生產管理規範(2020年修訂)》) and other national laws and regulations, the Company has prepared the Quality System Training Management Rules, pursuant to which trainings were managed in terms of five major aspects, namely system establishment, training plan formulation, implementation of training process, training assessment, and evaluation of training results, with a view to ensuring the practicability of the training process. The Company also periodically monitored the implementation of each department to guarantee their implementation rate and training results and ensure that daily production activities of employees met the GMP requirements.

In 2020, the Company organised and completed 195 sessions of administration training with a total of 2,698 participants; 159 sessions of professional skill training with a total of 2,047 participants.

Case: Inviting specialist consultants to systematically provide special GMP trainings

In order to guarantee the continuous and effective operation of the production quality management system, continuously improve employees' knowledge and competence in the areas of laws and regulations, product-related knowledge and job skills, and ensure that its personnel, equipment and facilities, materials and products and environmental control comply with regulations, the Company organised at least one session of GMP-themed training lectured by specially-appointed specialists on-site every month during 2020. Topics of the trainings included: EAL®/QC environmental monitoring, OOS/OOT deviation, CQA, CPP risk assessment, preparation of batch manufacturing records and equipment use records, etc. The training courses were highly practical, in which trainees were able to associate the course content with actual operations, discuss questions with lecturers at the training venues, and work out solutions together. Satisfying training results were achieved.


GMP-themed trainings of Immunotech

Case: IPEM training

The Company arranged managers of the quality control department and production related departments to participate in the International Pharmaceutical Engineering Management (IPEM) training and teach what they learnt to junior inspectors, with an aim to broaden the horizon of managers and enhance the awareness of junior staff in GMP compliance. Moreover, the Company arranged managers to participate in the biological-themed seminar named "Bioland" organised by the International Pharmaceutical Project Management Association (IPPM), in which they learnt "the new content in the GMP Annex for biological products", "quality risk management and common defects founded in on-site inspection of biological products", etc. to further enhance their professional knowledge and quality control capabilities.

Environmental, Social and Governance Report

Staff trainings

	Percentage of employees participating in administrative training in 2020	Average administrative training hours per person in 2020 (hours)	Percentage of employees participating in skill training in 2020	Average skill training hours per person in 2020 (hours)
Training of employees by gender:				
Male	46%	7	46%	39
Female	54%	7	54%	35
Training of employees by rank:				
General staff	82%	7	87%	39
Middle management	15%	8	12%	22
Senior management	2%	3	1%	57

B4 Labour Standards

In strict compliance with the PRC Labour Law (《中華人民共和國勞動法》), the PRC Labour Contract Law (《中華人民共和國勞動合同法》), the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》) and relevant labour laws and regulations, the Company has formulated comprehensive recruitment procedures and measures to ensure that it abides by the law in the use of labour. The Company followed the eight-hour working policy and discouraged unnecessary overtime works in order to avoid low-efficiency overtime works. If it is necessary for employees to work overtime, the Company will provide them with overtime meal allowance, overtime transportation allowance, subsidies or replacement leave according to regulations.

During the reporting period, the Company was not aware of or discovered any violations of the relevant standards, rules and regulations related to child labour and forced labour that are internationally recognised or applicable in the PRC and the place where it operates.

B5 Supplier Management

In accordance with the Drug Administration Law (《藥品管理法》), the Good Manufacturing Practice for Pharmaceutical Products (《藥品生產質量管理規範》), the Good Supply Practice for Pharmaceutical Products (《藥品經營質量管理規範》), the Good Supply Practice for Pharmaceutical Products (Annex) (《藥品經營質量規範(附錄)》), the Administrative Measures for the Registration of Medical Devices (《醫療器械註冊管理辦法》), the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and other laws and regulations, the Company has established a comprehensive supplier management system and formulated a series of management policies including Equipment and Devices Procurement Management Rules, Material Suppliers Management Rules, Cold Chain Carriers Management Rules and Project Bidding Management Rules to regulate the procurement and supplier management standards. Under the stringent supplier selection procedures, the Company determined the review method for different types of suppliers and comprehensively considered the suppliers' product and service quality, technological standards, goodwill and integrity, price, etc. Only the suppliers with all review items passed and approved may be included in the Company's list of qualified suppliers.

Environmental, Social and Governance Report

The Company places a strong emphasis on the quality of products provided by raw material suppliers and conducts small-scale trial production and stability inspections when necessary to evaluate the impact on the Company's product quality. The Company conducted phased re-reviews of existing qualified suppliers regularly and annual secondary reviews of suppliers after the end of the cooperation to comprehensively assess the compliance of suppliers. Focus would be placed on the supply, qualification of material, use, qualification compliance and deviation management of the suppliers.

As of the end of 2020, the Company had a total of 144 cooperative suppliers, all of which came from Mainland China. The goods and services supplied included raw materials, internal packaging materials, production consumables, culture media for testing use, cold chain logistics services and administrative goods and services.

B6 Product and Responsibility

1) R&D progress and outcomes

Driven by innovation, the Company has continued to vigorously establish an efficient R&D system. As of the end of 2020, the R&D team of the Company consisted of 205 people, accounting for 82% of the total headcount of the Company, and RMB276 million was invested in R&D, accounting for approximately 65% of total annual costs of the Company.

In 2020, expanded activated lymphocyte (EAL®) of the Company was in phase II clinical trial and a number of product candidates achieved favourable progress: the in vivo and in vitro early pharmacodynamic assessment of the RC19D2 product was completed, which demonstrated a significant efficacy in lymphoma indications; the investigational new drug (IND) application for anti-CD19 single-chain chimeric antigen receptor T cell injection was approved by the Centre for Drug Evaluation of the National Medical Products Administration of China; the pharmacodynamic assessment of the aT19 product was completed. As a vaccine product, it significantly enhanced the efficacy and provided a possible cure for tumours; early in vitro assessment of TCR products targeting multiple myeloma was completed, which demonstrated a significant efficacy; in vitro assessment of CAR43 product targeting T-cell leukemia was completed, which demonstrated a relatively significant efficacy.

Case: R&D of expanded activated lymphocyte (EAL®)

Expanded activated lymphocyte (EAL®) is one of the Company's core products and is an in vitro expanded activated T lymphocyte therapy product among cancer immunotherapy products. It has been the only cellular immunotherapy product for solid tumours that was approved for application in a phase II clinical trial in China so far.

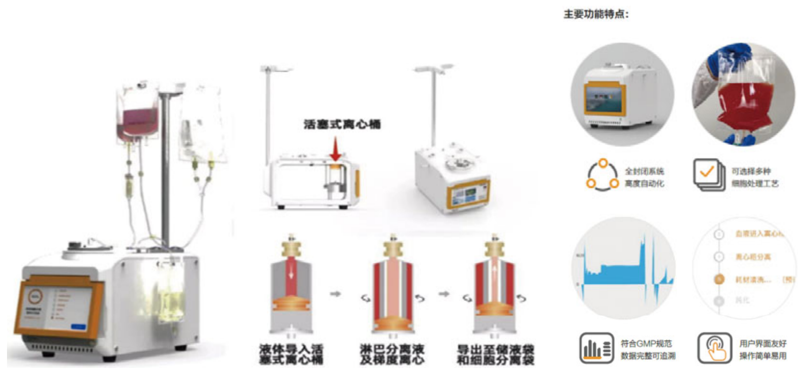
EAL® is made from patients' autologous peripheral blood mononuclear cells with CD8+ cytotoxic T lymphocytes as the main functional component. The outcomes of a pre-clinical study showed that CD8+ T cells generate cytotoxicity on a variety of tumour cells and directly kill tumour cells by releasing perforin and granzyme B or induce the apoptosis of tumour cells via the apoptosis signal transduction pathway Fas-FasL. Human trials indicated that EAL® immune cell therapy can extend the recurrence-free survival, overall survival and cancer-specific survival of patients after radical surgery.

Environmental, Social and Governance Report

In addition to its clinical foundation, EAL® also has the advantages of long preservation life, allowing long-range transportation and large-scale production, high activity and quantity of T cells, wide range of effects and allowing use in combination with other cancer therapies.

Case: Optimisation of the manufacturing process of expanded activated lymphocyte (EAL®)

In September 2018, the EAL® clinical trial officially commenced. In order to better meet the needs of patients and better align with the actual commercialised production requirements, the Company carried out a research on the change of manufacturing process to enable separate packages of fluid infusion, which improved culture efficiency while ensuring safety; it carried out a research on the change of absolute lymphocytes count of standard subjects selected for raw blood collection, benefiting more cancer patients; it explored the applicability of the current local and overseas advanced automated cell production equipment and airtight consumable systems and independently designed its own airtight system to overcome the difficulties in realising large-scale, standardised, airtight and automatic production of cell products.



Example of the functions of a completely airtight cell processing system of Immunotech

2) *Product safety and quality management*

In strict compliance with the PRC Drug Administration Law (《中華人民共和國藥品管理法》), the Administrative Measures on Supervision of Drug Manufacturing (《藥品生產監督管理辦法》), the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), the Good Manufacturing Practice for Pharmaceutical Products (《藥品生產質量管理規範》) and the annexes thereof and other relevant laws and regulations, the Company has established a full set of comprehensive quality control and inspection system to standardise the production and quality management procedures for pharmaceutical products. It has formulated and implemented 26 management rules and 49 sets of quality standards related to materials and products, such as the Inspection Management Rules, the Management Rules for Investigation of Inspection Results Exceeding Standard and Trend and the Laboratory Safety Management Rules.

The system covered all factors that affected the quality of pharmaceutical products, including establishing an independent quality management department comprising dedicated personnel, implementing the policy on product authorization by qualified person, developing health records for personnel related to production quality, carrying out necessary review on suppliers of subsidiary materials and inspecting the raw materials at factories, and conducting verification and self-inspection in accordance with the annual plan.

Environmental, Social and Governance Report

In order to ensure the continuous and effective operation and consistent optimisation of the quality system, and to ensure the safety and effectiveness of products with controllable quality, the Company organised regular self-inspections on the production, quality, equipment and facilities, data reliability, documentation, training and other aspects of products every year. Items with defects identified in the inspections would be rectified to continuously improve the quality management system and update the management policy.

Case: A test after quality trainings

In order to test the results of daily trainings and encourage employees to gain relevant knowledge such as the Pharmacopoeia of the People's Republic of China (《中國藥典》) (2020 Edition) and GMP Annexes, the Company's quality control department established a specified reward and punishment mechanism in 2019, under which daily assessments and regular inspections were conducted for all staff of the quality department. On 9 February 2020, the Company conducted a test on the "explanatory notes to the Pharmacopoeia of the People's Republic of China and rounding of figures" to check how well the entry-level staff know about the regulations. The result of each employee was analysed in detail, based on which the high-performing ones received awards and subsequent training contents were specifically formulated. This not only improved everyone's learning enthusiasm, but also deepened the understanding of the ability of each employee.


The test on the "explanatory notes to the Pharmacopoeia of the People's Republic of China and rounding of figures" of Immunotech

As for compliance and quality control in R&D, the Company has established a quality management system suitable for R&D operations and formulated management documents for the R&D-related quality management system in compliance with the PRC Drug Administration Law (《中華人民共和國藥品管理法》), the Biosecurity Law of the PRC (《中華人民共和國生物安全法》), the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), the Good Laboratory Practice for Non-clinical Laboratory Studies (《藥物非臨床質量管理規範》), the Guidelines on the Quality Control of Pharmaceutical Products Research and Development Registration (《藥品註冊研發質量管理指南》) and other relevant laws and regulations related to R&D. Continuous updates and standardised operation have been realised in the process of operation to effectively manage the deviations and changes in the R&D stage as well as qualifications of researchers and engaged institutions. To the extent that the reliability of R&D test data and product traceability were ensured, the R&D process was accelerated.

Environmental, Social and Governance Report

As for clinical practices, the Company has implemented necessary protective measures for the EAL® project to ensure that each subject receives safe, timely and effective treatments. In compliance with a series of regulations ad policies such as the Administration of Quality of Drug Clinical Practice (《藥物臨床試驗質量管理規範》), the Company has formulated policies and standardised operating procedures for, amongst others, data collection, medical writing (clinical trial protocol, informed consent form and investigator's brochure), medical supervision (review of selection and elimination standards, review of adverse events, review of protocol deviation, etc.), pharmacovigilance (reports on risk management measures, suspected unanticipated adverse reactions, individual safety incidents, periodic safety incidents, etc.), blood collection and reinfusion (production schedule, collection and delivery of blood samples and production schedule, delivery, reinfusion and return of products). Regular trainings were organised for participation by relevant employees, including taking part in relevant trainings of the government and industry organisations. Trainings on technologies and standards were provided for relevant suppliers and research centres. A three-level quality control approach has been implemented for clinical trials which were subject to the quality control carried out by clinical trial inspectors, the national drug clinical trial institute of the research centre, and third-party inspection units, respectively. In 2020, the Company received ten inspections conducted by three different third-party inspection units and no material quality issues were found.

For raw blood collected in clinical trials, each blood sample was linked to a universally unique identifier by means of a code. In each of the stages including blood sample shipment, laboratory acceptance, product delivery and hospital acceptance, our logistics operators conduct on-site verification and confirmation according to operating standards offline, while our project officers re-confirm each order online, so as to ultimately ensure that every blood sample and product are being double-checked and confirmed throughout the entire process and to ensure accuracy of the blood sample information. Real-time online checking of location and temperature for all blood samples and products under transportation is realised. Also, in order to better safeguard the transportation of blood samples and products, currently, the Company has engaged two qualified third-party logistics carriers who passed through audit and record certification to undertake the transportation arrangements of our EAL® clinical projects. Meanwhile, the Company has established its own logistics force which can be mobilised at any time to deal with emergency situations. In product reinfusion, clinical research coordinators (CRC) authorised by the Company paid attention to the reinfusion process of each subject in the research centre to ensure the safety of the subject during the reinfusion process.

Case: Safe blood collection in the proactive fight against the epidemic

During the epidemic, in order to realise safe and smooth operation of the clinical projects, before arranging blood collection and reinfusion for each subject, apart from the necessary inspections performed according to the clinical protocol and the collection and reinfusion SOP requirements, the Company also required each subject to present Health Kit (健康寶), Travel History Code (行程碼) and the result proof of a 7-day nucleic acid test before blood sampling or reinfusion. Also, third-party logistics carriers were required by the Company to use special incubators for sampling and sample delivery and to disinfect external packages of the samples, the cold-chain equipment, the transportation vehicles and other equipments in the course of sampling and sample delivery according to the epidemic prevention and control measures of the Company in order to ensure the safety of the samples.

Environmental, Social and Governance Report

3) *Management of unqualified products*

As the Company regards patients' safe use of pharmaceutical products as its fundamental principle of operation, it has established the Unqualified Products Management Rules (《不合格品管理規程》) and Recall Management Rules (《召回管理規程》) to standardise the relevant management procedures for product return and recall with a view to ensuring the effectiveness of the product return and recall mechanism. As of December 2020, in the clinical trials performed by the Company using biological immunotherapy, 478 cases of autologous blood reinfusion were completed while one case was not completed due to the lower-than-normal autoimmune cell level of such patient, rather than product quality issues.

4) *Protection of intellectual property rights*

In strict compliance with the Trademark Law (《商標法》), the Anti-Unfair Competition Law (《反不正當競爭法》), the Patent Law (《專利法》) and other laws and regulations, the Company has established the Intellectual Property Right Management System to provide standard guidelines for intellectual property right protection works. Insisting on technological innovation and attaching great importance to the protection of intellectual property rights, the Company regularly organised trainings related to intellectual property rights for employees in order to enhance their awareness of protecting intellectual property rights.

5) *Information Security*

In compliance with the Cybersecurity Law (《網絡安全法》), the Good Manufacturing Practice for Pharmaceutical Products (《藥品生產質量管理規範》), ISO270001 and other national regulations and policies, the Company has established confidentiality standards and rules such as the Confidentiality Management System and Information Security Management System to ensure the security of the Company's information in paper, electronic and abstract forms. The confidentiality measures of the Company included signing a confidentiality agreement with employees before taking office and with those handling confidential information, establishing physical and logical security management procedures for computer systems, installing anti-leakage information systems and enabling computer encryption, in order to stringently protect the confidential information of the Company.

6) *Product promotion*

In compliance with the PRC Drug Administration Law (《中華人民共和國藥品管理法》), Advertising Law of the PRC (《中華人民共和國廣告法》), Examination and Release of Drug Advertisements (《藥品廣告審查頒發》) and other laws and regulations, the Company objectively and truthfully announced its product R&D progress without exaggeration or false claim, ensuring that all content was authentic and lawful. When preparing the subject informed consent form and recruitment advertisements, the Company ensured that the product information had been approved by the ethics committee of each research centre and the subjects had been fully informed and signed the informed consent form before screening.

Environmental, Social and Governance Report

7) *Rights and interests and privacy protection of subjects*

The Company is committed to minimising the risks of clinical trials and always insists on protecting the health and rights of subjects. In compliance with the Declaration of Helsinki, the Drug Administration Law (《藥品管理法》), the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), the Administration of Quality of Drug Clinical Practice (《藥物臨床試驗質量管理規範》), ICH-GCP, Guiding Principles for Ethical Review of Drug Clinical Trials (《藥物臨床試驗倫理審查工作指導原則》) and other regulations and standards, the Company has stringently implemented product risk control plan and other vigilance measures to ensure that clinical researches are scientific and safe.

Each clinical trial research centre has passed the review of the clinical trial ethics committee and obtained an ethical approval before commencing the clinical trial. In clinical trials, the principle of "being informed and giving consent" was strictly followed through to guarantee the information right of subjects in clinical trials. The collection, use and transmission of data generated from subjects in clinical trials and the publication of research outcomes must be fully notified to the subjects, in order to ensure the full understanding of the subjects and obtain their consent. Subjects had the right to withdraw from the trial at any time without any reason. It was necessary to provide proper compensation and treatment for subjects who suffered injuries as a result of participating in a clinical research.

After a clinical trial subject participated in a clinical trial, the personal and private information would be hidden and transformed into a private masked code known as the subject code according to a specific coding principle. In the process of collecting data and information, a subject code was the specific code that identified a subject in the clinical trial. The medical records, checking records and any documents related to the subject's privacy generated from the subject in the hospital were not allowed to be taken away from the clinical trial centre. The data required for the clinical trial would be collected from medical records, checking records and other clinical documents and entered into the electronic data capture (EDC) system specially designed for the clinical trial. The private information of the subject would not be entered into the EDC.

B7 Anti-corruption

In strict compliance with the Criminal Law of the PRC (《中華人民共和國刑法》), the PRC Company Law (《中華人民共和國公司法》), the Anti-Money Laundering Law of the PRC, the Provisions on Prohibition of Commercial Bribery (《關於反商業賄賂的規定》) and other anti-corruption, anti-fraud and anti-money laundering laws and regulations, the Company has established and implemented the Anti-fraud Management System and developed an internal control mechanism to strengthen the supervision of unethical or illegal acts such as bribery, extortion, and money laundering. The Company proactively listened to the opinions of employees and has set up an employee opinion mailbox (idea@eaal.net), to which any employees may send their opinions and suggestions via email. The opinions and suggestions of employees shall be categorised, summarised, verified and passed on by dedicated staff to relevant departments for feedbacks and implementation. During the reporting period, the Company did not receive any corruption reports, and there were no confirmed corruption cases or legal proceedings related to corruption brought against the Company or its employees.

Environmental, Social and Governance Report

B8 Community Investment

The Company has never forgotten its original aspiration and actively participated in social activities to contribute its efforts to the construction of a harmonious society.

In 2020, the Company participated in the 11th Caixin Summit "Rebuilding Global Trust", the 5th China Biomed Innovation and Investment Conference and other forums and conferences, at which it focused on learning the Biomedical innovation development and shared with others about the efficacy, challenges, trends and progress of cellular immunotherapy, with an aim to proactively facilitate development of the industry.

In 2020, the Company organised the "Expanded Activated Lymphocyte (EAL®)" clinical trial interim investigator meeting. The participating experts had a fervent and in-depth discussion on the EAL® project, shared their clinical trial experience, systematically summarised past studies and determined the future project deployment.

A photo showing participants of the "Expanded Activated Lymphocyte (EAL®)" clinical trial interim investigator meeting

In September 2020, the China International Fair for Trade in Services with a theme of "Global Services, Shared Prosperity" kicked off in Beijing, with international organisations, embassies, foreign business associations and institutions and enterprises from 148 countries and regions participating in. In particular, Immunotech was awarded the "Demonstration Case of Growth Potential" (發展潛力示範案例) in the 2020 China International Fair for Trade in Services for its first immune cell drug in the PRC.

The "Demonstration Case of Growth Potential" award received by Immunotech

Environmental, Social and Governance Report

ESG INDICATOR INDEX

Aspect	Content	Location of Disclosure
A1 Emissions	General Disclosure	74
	A1.1	74-76
	A1.2	77
	A1.3	77
	A1.4	77
	A1.5	Intended to disclose in the future
	A1.6	Waste treatment methods: 75-76, others intended to disclose in the future
A2 Use of Resources	General Disclosure	77
	A2.1	79
	A2.2	79
	A2.3	Intended to disclose in the future
	A2.4	Sourcing water that is fit for purpose: 77, others intended to disclose in the future
	A2.5	77
A3 The Environment and Natural Resources	General Disclosure	79
	A3.1	79-81
A4 Climate Change	General Disclosure	82
	A4.1	82
B1 Employment	General Disclosure	82
	B1.1	82-84
	B1.2	85
B2 Health and Safety	General Disclosure	87
	B2.1	88
	B2.2	88
	B2.3	87

Environmental, Social and Governance Report

Aspect	Content	Location of Disclosure
B3 Development and Training	General Disclosure	88
	B3.1	90
	B3.2	90
B4 Labour Standards	General Disclosure	90
	B4.1	90
	B4.2	90
B5 Supplier Management	General Disclosure	90
	B5.1	91
	B5.2	91
	B5.3	Intended to disclose in the future
	B5.4	Intended to disclose in the future
B6 Product and Responsibility	General Disclosure	92
	B6.1	95
	B6.2	Intended to disclose in the future
	B6.3	95
	B6.4	94-95
	B6.5	95-96
B7 Anti-corruption	General Disclosure	96
	B7.1	96
	B7.2	96
	B7.3	Intended to disclose in the future
B8 Community Investment	General Disclosure	97
	B8.1	97
	B8.2	Intended to disclose in the future

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF IMMUNOTECH BIOPHARM LTD
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Immunotech Biopharm Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 105 to 180, which comprise the consolidated statement of financial position as at 31 December 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 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

Key audit matter	How our audit addressed the key audit matter
Recognition and cut-off of outsourcing service fees	
We identified the recognition and cut-off of outsourcing service fees as a key audit matter due to its significance and the estimation involved in allocating the outsourcing service fees paid and payable to contract research organizations, clinical site management operators, and clinical trial centres mainly being hospitals (collectively referred as "Outsourced Service Providers") in the appropriate financial reporting period. As disclosed in Note 11 to the consolidated financial statements, the Group incurred outsourcing service fees amounting to approximately RMB86 million for the year ended 31 December 2020, representing a 329% growth compared to outsourcing service fees incurred for the year ended 31 December 2019. The R&D activities with these Outsourced Service Providers are documented in detailed agreements and are typically performed over a specified period. Allocation of these expenses to the appropriate financial reporting period based on the progress of the research and development projects involves estimation.	Our procedures included: • Testing the design and implementation of management's key controls in relation to monitoring the progress of outsourced R&D activities and recording of relevant R&D expenses; • Inquiring the project managers of certain Outsourced Service Providers and inspecting the relevant supporting documents to understand the progress of R&D projects at year end; • Checking with the Outsourced Service Providers in respect of the progress of the services provided, on a sample basis, for the year ended 31 December 2020; • Checking the accrual of service expenses in relation to major Outsourced Service Providers with reference to actual progresses at year end against the relevant terms in the respective service agreements to evaluate the completion status to determine whether the service fees were recorded based on respective contract sums, progress and/or relevant milestones achieved; and • Testing the payments of service fees to Outsourced Service Providers on a sample basis.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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 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.

Independent Auditor's Report

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

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

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

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

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

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

- 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.

Independent Auditor's Report

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

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 Mak Chi Lung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2020

	Notes	For the year ended 31 December 2020 RMB'000	2019 RMB'000
Other income	7	**6,005**	2,888
Other gains and losses, net	8	**(40,454)**	6,316
Fair value (loss) gain of convertible redeemable preference shares	27	**(16,984)**	3,825
Business development expenses		**–**	(569)
Administrative expenses		**(68,625)**	(27,760)
Research and development expenses		**(278,626)**	(61,975)
Finance costs	9	**(2,389)**	(2,070)
Listing expenses		**(37,583)**	(22,283)
Other expenses	7	**(473)**	(7,426)
Loss before tax		**(439,129)**	(109,054)
Income tax expense	10	**–**	–
Loss and total comprehensive expenses for the year	11	**(439,129)**	(109,054)
Loss and total comprehensive expenses for the year attributable to:			
Owners of the Company		**(439,047)**	(108,801)
Non-controlling interests		**(82)**	(253)
		(439,129)	(109,054)
Loss per share (RMB)	15		
Basic		**(0.99)**	(0.29)
Diluted		**(0.99)**	(0.29)

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	As at 31 December 2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**154,492**	85,350
Intangible assets	17	**7,371**	7,767
Prepayments, deposits and other receivables	20	**31,442**	14,216
Contract costs	18	**1,232**	1,488
Financial asset at fair value through profit or loss ("FVTPL")	19	**131,969**	–
		326,506	108,821
CURRENT ASSETS			
Contract costs	18	**256**	256
Inventories	21	**3,975**	4,810
Amount due from a related party	35	**–**	750
Prepayments, deposits and other receivables	20	**34,106**	20,087
Bank balances and cash	22	**845,386**	282,247
		883,723	308,150
CURRENT LIABILITIES			
Contract liabilities	23	**710**	710
Trade and other payables	24	**20,164**	23,134
Lease liabilities	25	**7,204**	3,786
Deferred government grants	26	**3,539**	6,433
Convertible redeemable preference shares	27	**–**	172,107
		31,617	206,170
NET CURRENT ASSETS		**852,106**	101,980
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,178,612**	210,801

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	As at 31 December **2020** **RMB'000**	 2019 RMB'000
NON-CURRENT LIABILITIES			
Contract liabilities	23	**3,404**	4,114
Lease liabilities	25	**43,856**	35,214
Deferred government grants	26	**2,504**	1,138
		49,764	40,466
NET ASSETS		**1,128,848**	170,335
CAPITAL AND RESERVES			
Share capital	28	**3,576**	677
Reserves		**1,123,961**	168,265
Equity attributable to owners of the Company		**1,127,537**	168,942
Non-controlling interests		**1,311**	1,393
TOTAL EQUITY		**1,128,848**	170,335

The consolidated financial statements on pages 105 to 180 were approved and authorised for issue by the board of directors on 25 March 2021 and are signed on its behalf by:

Tan Zheng
DIRECTOR

Wang Yu
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2020

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000 (Note)	Share option reserve RMB'000 (Note 30)	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	69	–	277,728	2,001	–	(65,147)	214,651	1,646	216,297
Loss and total comprehensive expenses for the year	–	–	–	–	–	(108,801)	(108,801)	(253)	(109,054)
Issue of ordinary shares (Note 28(b))	543	–	–	–	–	–	543	–	543
Issue of ordinary shares (Note 28(c))	65	166,271	(101,599)	–	–	–	64,737	–	64,737
Transaction costs attributable to issue of ordinary shares (Note 28(c))	–	(6,813)	4,220	–	–	–	(2,593)	–	(2,593)
Recognition of equity-settled share-based payment	–	–	–	–	405	–	405	–	405
At 31 December 2019	677	159,458	180,349	2,001	405	(173,948)	168,942	1,393	170,335
Loss and total comprehensive expenses for the year	**-**	**-**	**-**	**-**	**-**	**(439,047)**	**(439,047)**	**(82)**	**(439,129)**
Conversion of preferred shares into ordinary shares upon the initial public offering ("IPO") (Note 27)	**35**	**189,056**	**-**	**-**	**-**	**-**	**189,091**	**-**	**189,091**
Issue of shares pursuant to the Capitalisation Issue (as defined in Note 28(e))	**2,063**	**(2,063)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Issue of shares upon the IPO and exercise of the Over-allotment options (Notes 28(f)&(g))	**801**	**1,136,310**	**-**	**-**	**-**	**-**	**1,137,111**	**-**	**1,137,111**
Transaction costs attributable to issue of new ordinary shares	**-**	**(80,263)**	**-**	**-**	**-**	**-**	**(80,263)**	**-**	**(80,263)**
Recognition of equity-settled share-based payment	**-**	**-**	**-**	**-**	**151,703**	**-**	**151,703**	**-**	**151,703**
At 31 December 2020	**3,576**	**1,402,498**	**180,349**	**2,001**	**152,108**	**(612,995)**	**1,127,537**	**1,311**	**1,128,848**

Note: Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), the PRC subsidiaries with limited liability are required to make annual appropriations to statutory surplus reserve of 10% of after-tax profits at each year end until the balance reaches 50% of the relevant PRC entity's registered capital.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2020

	Notes	For the year ended 31 December 2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES			
Loss before tax		**(439,129)**	(109,054)
Adjustment for:			
Fair value gains on financial products issued by banks	8	**–**	(1,087)
Interest income	7	**(3,651)**	(440)
Loss (gain) on exchange rate changes		**23,817**	(6,434)
Depreciation of property, plant and equipment	11	**12,899**	10,590
Amortisation of intangible assets	11	**883**	355
(Gain) loss on disposal of property, plant and equipment	8	**(78)**	38
Loss on early termination of leases	8	**–**	10
Finance costs	9	**2,389**	2,070
Impairment loss on intangible assets	8	**–**	1,714
Fair value loss (gain) of convertible redeemable preference shares	27	**16,984**	(3,825)
Issue costs for convertible redeemable preference shares	7	**–**	7,018
Government grants related to plant and machinery credited to income	7	**(134)**	(134)
Share-based payment expense		**151,703**	405
Operating cash flows before movements in working capital		**(234,317)**	(98,774)
Movements in working capital:			
Increase in prepayments, deposits and other receivables		**(28,681)**	(9,411)
Decrease (increase) in inventories		**835**	(2,519)
Decrease in contract costs		**256**	256
Decrease in contract liabilities		**(710)**	(710)
Increase in trade and other payables		**346**	14,257
(Decrease) increase in deferred government grants		**(1,394)**	1,432
NET CASH USED IN OPERATING ACTIVITIES		**(263,665)**	(95,469)

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2020

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Interest received	**3,581**	377
Payments for purchase of property, plant and equipment	**(25,039)**	(13,762)
Acquisition of financial asset at FVTPL	**(131,969)**	–
Upfront payments for leasehold lands	**(50,146)**	–
Payments for intangible assets	**(487)**	(7,261)
Payments for rental deposits	**(855)**	(468)
Refund of rental deposit at end of a lease	**–**	79
Proceeds from disposal of property, plant and equipment	**98**	–
Payments for early termination of leases	**–**	(1)
Proceeds from disposal of financial products issued by banks	**–**	46,777
Loans to a related party	**–**	(6,000)
Repayments from a related party	**750**	6,000
Loan to third parties	**–**	(5,000)
Repayments from third parties	**–**	5,000
Loan to a company related to a non-controlling shareholder of the Company	**–**	(19,000)
Repayment from a company related to a non-controlling shareholder of the Company	**–**	19,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(204,067)**	25,741
FINANCING ACTIVITIES		
Deemed distribution to owners pursuant to the group reorganisation	**–**	(929)
Capital injection to the Company	**–**	65,349
Payments of share issue cost for IPO	**(75,558)**	(4,359)
Issue of shares upon IPO and exercise of Over-allotment options	**1,137,111**	–
Payment of transaction costs attributable to issue of ordinary shares	**–**	(6,813)
Advance from a related party	**–**	6,000
Repayment to a related party	**–**	(6,000)
Proceeds on issue of convertible bonds	**–**	85,587
Proceeds on issue of convertible redeemable preference shares	**–**	90,345
Payments of issue costs for convertible bonds and convertible redeemable preference shares	**–**	(7,018)
Repayment of lease liabilities	**(4,476)**	(2,883)
Interest paid	**(2,389)**	(2,070)
NET CASH FROM FINANCING ACTIVITIES	**1,054,688**	217,209
NET INCREASE IN CASH AND CASH EQUIVALENTS	**586,956**	147,481
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**282,247**	128,332
Effect of foreign exchange rate changes	**(23,817)**	6,434
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**845,386**	282,247

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. GENERAL INFORMATION

Immunotech Biopharm Ltd (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law Chapter 22 (Law of 3 of 1961, as consolidated and revised) of the Cayman Islands on 11 April 2018. Its ordinary shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 10 July 2020. The address of the Company's registered office is at the offices of Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is at 8/F, Block 1, Guosheng Technology Park, No.1 Kangding Street, Beijing Economic-Technological Development Area, Beijing, the PRC.

The principal activity of the Company is investment holding and its subsidiaries are mainly engaged in research and development, manufacturing and commercialisation of immune cell products for treatments of cancers in the PRC. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

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

2. APPLICATION OF NEW AND 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 ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 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

Except as described below, the application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

2.1 Impacts on application of Amendments to IAS 1 and IAS 8 Definition of Material

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

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]
Amendments to IFRS 16	Covid-19-Related Rent Concessions[4]
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[5]
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 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. 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 and by the Hong Kong Companies Ordinance.

The Directors 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 values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *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*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 controls until the date when the Group ceases to control the subsidiary.

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 into line with the Group's accounting policies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

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

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

Revenue from contracts with customers

The Group recognises 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 customers.

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

Control is transferred over time and the revenue is recognised 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 entity's performance as the entity performs;
- The Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised 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.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

Contract costs

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its costs for provision of cell cryopreservation services. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

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

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

(c) the costs are expected to be recovered.

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets 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 are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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 in "property, plant and equipment", the same line within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises 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;
- 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 an option to terminate the lease.

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

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

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 recognised 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 recognised in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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 recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees 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 option reserve). In cases where the grant date occurs after the employees to whom the equity instruments were granted have begun rendering services, the Group estimates the grant date fair value of the equity instruments for the purposes of recognising the services received during the period between service commencement date and grant date. Once the grant date has been established, the Group revises the earlier estimation so that the amounts recognised for services are ultimately based on grant date fair value. At the end of each 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 recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax 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 recognised 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 recognised for all taxable temporary differences. Deferred tax assets are generally recognised 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 recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax liabilities are recognised 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 recognised 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 is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purposes of measuring deferred tax for leasing transactions in which the Group 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.

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 on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised 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 recognised in profit or loss.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment (other than construction in progress), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised 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 intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

An item of property, plant and equipment is derecognised 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 recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised 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 recognised in profit or loss when the asset is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment on property, plant and equipment (including right-of-use assets), contract costs and intangible assets (other than goodwill)

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

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

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit 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.

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. 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 the 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 the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment on property, plant and equipment (including right-of-use assets), contract costs and intangible assets (other than goodwill) (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a 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 recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Research and development expenditure

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

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

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

The amount initially recognised 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 recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised 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 except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets 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 recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised 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 amortised 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 fair value.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised 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 recognised by applying the effective interest rate to the amortised 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 recognised 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or at fair value through other comprehensive income are measured at FVTPL.

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

Impairment of financial assets

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

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

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

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

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it 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 debt instrument 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(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 reorganisation.

(iv) Write-off policy

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

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

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

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 amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises 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 amortised cost, the difference between the asset's carrying amount and the sum of consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 *Business Combinations* applies, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible redeemable preference shares

Convertible redeemable preference shares, which contain redemption features and other embedded derivatives, are designated as at financial liabilities at FVTPL. Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the "fair value (loss) gain of convertible redeemable preference shares" line item.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises 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 derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in Note 4, the Directors 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 associated 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 ongoing basis. Revisions to accounting estimates are recognised 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 are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONTINUED)

Critical judgement in applying accounting policies (Continued)

Research and development expenditures

Development costs incurred on the Group's immune cell product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, 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 assesses the progress of each of the research and development project and determine the criteria are met for capitalisation. During the years ended 31 December 2020 and 2019, all development costs were expensed when incurred.

Key sources of estimation uncertainty

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

Useful lives and impairment of property, plant and equipment

The management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Any change in these estimates may have a material impact on the results of the Group. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired.

As at 31 December 2020, the carrying amount of property, plant and equipment of the Group was approximately RMB154,492,000 (2019: RMB85,350,000), as disclosed in Note 16.

Useful lives and impairment of intangible assets

The management determines the estimated useful lives and the amortisation method in determining the related amortisation charges for its intangible assets. This estimate is based on the management's experience of the actual useful lives of intangible assets of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of intangible assets may not be recoverable. Any change in these estimates may have a material impact on the results of the Group. Management will increase the amortisation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired.

As at 31 December 2020, the carrying amount of intangible assets of the Group was approximately RMB7,371,000 (2019: RMB7,767,000), net of accumulated impairment loss of RMB1,714,000 (2019: RMB1,714,000), disclosed in Note 17.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

6. 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 when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one operating and reportable segment and no further analysis of this single segment is presented.

Geographical information

The Group did not record any revenue during the year ended 31 December 2020 (2019: nil), and over 90% (31 December 2019: over 90%) of the Group's non-current assets excluding financial instruments are located in the PRC, accordingly, no analysis of geographical segment is presented.

7. OTHER INCOME/OTHER EXPENSES

Other income

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Income received from provision of cell cryopreservation services (Note a)	**710**	710
Interest income on bank deposits	**3,581**	325
Interest income from lease deposits	**70**	63
Interest income from loans	**–**	52
Government grants (Note b)	**1,605**	1,726
Others	**39**	12
Total	**6,005**	2,888

Other expenses

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Costs for provision of cell cryopreservation services	**290**	325
Issue costs for convertible redeemable preference shares	**–**	7,018
Others	**183**	83
Total	**473**	7,426

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

7. OTHER INCOME/OTHER EXPENSES (CONTINUED)

Notes:

a. An analysis of the Group's income from cell cryopreservation service as follows:

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Types of goods or service Cell cryopreservation services	**710**	710
Timing of revenue recognition Over time	**710**	710

The Group generated income from cell cryopreservation services in the PRC for both years. Cell cryopreservation is the process whereby cells are preserved by cooling to very low temperatures. The Group entered into ten-year agreements with individuals to help them preserve immunocytes extracted from their bodies. The provision of cell cryopreservation services is not considered the principal business of the Group. The Group ceased to enter into new contracts with new customers since November 2017.

Income relating to cell cryopreservation services is recognised over time since customers simultaneously receive and consume the benefits as the Group provides the cell cryopreservation services. The Group required 100% upfront payments from its customers which gives rise to a contract liability recognised at the commencement of a contract and contract liability is released on a straight line basis over the period of services, i.e. 10 years.

b.

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Government grants related to		
– Research and development activities	**1,394**	1,568
– Plant and machinery	**134**	134
– Others	**77**	24
	1,605	1,726

Government grants include subsidies from local PRC governments which are specifically for (i) the subsidies for the Group's research and development activities, which are recognised upon compliance with the attached conditions; (ii) compensations of the capital expenditure incurred for purchase of plant and machinery in relation to research and development of immune cell products, which are recognised over the useful life of the related assets; and (iii) subsidies to provide immediate financial support to the Group with no conditions attached which are recognised in profit or loss when the subsidies are received.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

8. OTHER GAINS AND LOSSES, NET

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Exchange (loss) gain, net	**(40,531)**	7,042
Fair value gains on financial products issued by banks	**–**	1,087
Gain (loss) on disposal of property, plant and equipment	**78**	(38)
Loss on early termination of leases	**–**	(10)
Impairment loss on intangible assets	**–**	(1,714)
Others	**(1)**	(51)
Total	**(40,454)**	6,316

9. FINANCE COSTS

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest expenses on lease liabilities	**2,389**	2,070

10. INCOME TAX EXPENSE

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current PRC corporate income tax	**–**	–

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the basic tax rate of the Company's PRC subsidiaries is 25% for both years.

Immunotech Applied Science Limited* (北京永泰生物製品有限公司) ("Beijing Yongtai") has been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Beijing and relevant authorities on 31 October 2018 for a term of three years, and has been registered with the local tax authorities for enjoying the reduced EIT rate of 15%. Accordingly, the profits derived by the subsidiary is subject to EIT rate of 15% (2019: 15%) for the year ended 31 December 2020.

No provision for PRC income tax was made as the Group's PRC subsidiaries incurred tax losses for both years.

No Hong Kong profit tax was provided for as there was no estimated assessable profit of the Group's Hong Kong subsidiary that was subject to Hong Kong profit tax.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

10. INCOME TAX EXPENSE (CONTINUED)

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

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss before tax	**(439,129)**	(109,054)
Tax at the applicable tax rate of 25%	**(109,782)**	(27,264)
Effect of non-taxable income	**(858)**	(2,924)
Effect of expenses not deductible for tax purpose	**65,277**	8,214
Effect of accelerated deduction for research and development expenses (Note)	**(28,175)**	(10,875)
Effect of unrecognised tax losses	**73,538**	32,849
	–	–

Note: Pursuant to Caishui 2018 circular No. 99, Beijing Yongtai, Beijing Yongtai Ruike Biotechnology Company Ltd* (北京永泰瑞科生物科技有限公司) ("Yongtai Ruike") and Beijing Weixiao Biotechnology Development Limited* (北京緯曉生物技術開發有限責任公司) ("Beijing Weixiao") enjoy accelerated deduction of 175% on qualifying research and development expenditures from 1 January 2018 to 31 December 2020.

* English names are for identification purpose only

As at 31 December 2020, the Group had estimated unused tax losses of approximately RMB498,046,000 (31 December 2019: RMB207,115,000) which are available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses as at 31 December 2020 and 2019 due to the unpredictability of future profit streams.

The unused tax losses will be expired as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
2021	**1,350**	1,350
2022	**20,435**	20,435
2023	**53,936**	53,936
2024	**128,175**	131,394
2025	**294,150**	–
Total	**498,046**	207,115

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

11. LOSS AND TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss for the year has been arrived at after charging:		
Staff costs, including directors' remuneration		
– salaries and other allowances	**47,337**	28,583
– retirement benefits	**357**	2,004
– equity-settled share-based payment included in administrative expenses	**28,895**	77
– equity-settled share-based payment included in research and development expenses	**122,808**	328
Total staff costs	**199,397**	30,992
Auditor's remuneration	**2,480**	64
Depreciation of property, plant and equipment	**12,899**	10,590
Amortisation of intangible assets	**883**	355
Short-term lease expense	**878**	308
Cost of inventories included in research and development expenses	**14,162**	9,159
Outsourcing service fees included in research and development expenses	**85,803**	20,022

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

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

Year ended 31 December 2020

	Fees RMB'000	Salaries and other allowances RMB'000	Equity-settled share-based payment expense RMB'000	Retirement benefits RMB'000	Total RMB'000
EXECUTIVE DIRECTORS:					
Mr. Tan, Zheng (Note a)	–	1,100	21,443	4	22,547
Mr. Jung, Hyun Chul (Note b)	–	1,527	–	4	1,531
Dr Wang, Yu (Note c)	–	1,100	100,565	4	101,669
Sub-total	–	3,727	122,008	12	125,747
NON-EXECUTIVE DIRECTORS:					
Mr. Si, Xiaobing (Note d)	–	110	–	1	111
Mr. Lu, Yuan (Note d)	–	–	–	–	–
Mr. Li, Yuezhong (Note d)	–	–	–	–	–
Sub-total	–	110	–	1	111
INDEPENDENT NON-EXECUTIVE DIRECTORS:					
Mr. Wang, Yingdian (Note e)	175	–	–	–	175
Mr. Ng, Chi Kit (Note e)	175	–	–	–	175
Ms. Peng, Sujiu (Note e)	175	–	–	–	175
Sub-total	525	–	–	–	525
Total	525	3,837	122,008	13	126,383

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (CONTINUED)

Year ended 31 December 2019

	Fees RMB'000	Salaries and other allowances RMB'000	Equity-settled share-based payment expense RMB'000	Retirement benefits RMB'000	Total RMB'000
EXECUTIVE DIRECTORS:					
Mr. Tan, Zheng (Note a)	–	702	58	28	788
Mr. Jung, Hyun Chul (Note b)	–	636	–	28	664
Dr Wang, Yu (Note c)	–	606	270	28	904
Sub-total	–	1,944	328	84	2,356
NON-EXECUTIVE DIRECTORS:					
Mr. Si, Xiaobing (Note d)	–	26	–	7	33
Mr. Lu, Yuan (Note d)	–	–	–	–	–
Mr. Li, Yuezhong (Note d)	–	–	–	–	–
Sub-total	–	26	–	7	33
Total	–	1,970	328	91	2,389

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

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

Notes:

a. Mr. Tan, Zheng joined the Group in September 2015 as a director of Beijing Yongtai. He was appointed as a sole director of the Company in April 2018 and was re-designated as an executive director and the chairman in August 2019.

b. Mr. Jung, Hyun Chul joined the Group in November 2006 and was appointed as an executive director of Beijing Yongtai since then. He was appointed as an executive director of the Company in August 2019.

c. Dr Wang, Yu was the chief executive officer between November 2006 and September 2014 of Beijing Yongtai. Dr Wang, Yu re-joined the Group as the chief executive of the Company in March 2019. She was appointed as executive director of the Company in August 2019. The emoluments shown above also included her service as chief executive.

d. Mr. Si, Xiaobing was appointed as non-executive director of the Company in August 2019. The information disclosed above represented his emoluments since he was appointed as a director. Mr. Lu, Yuan and Mr. Li, Yuezhong were appointed as non-executive directors of the Company in August 2019.

e. Mr. Wang, Yingdian, Mr. Ng, Chi Kit and Ms. Peng, Sujiu were appointed as independent non-executive directors in June 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (CONTINUED)

There were no arrangement under which a director of the Company or the chief executive waived or agreed to waive any remuneration during the year ended 31 December 2020 (2019: nil).

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 30 to the consolidated financial statements.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2019: two directors), details of whose remuneration are set out in Note 12 above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are neither a director nor the chief executive are as follows:

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries and other allowances	**2,313**	3,201
Retirement benefits	**8**	37
Equity-settled share-based payment expense	**8,086**	13
Total	**10,407**	3,251

The number of the highest paid employees who are not the directors whose remuneration fell within the following bands is as follows:

	For the year ended 31 December	
	2020	2019
Nil to Hong Kong Dollar ("HK$")1,000,000	**–**	2
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**2**	–
Total	**3**	3

No remuneration was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2020 (2019: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

14. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

15. LOSS PER SHARE

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

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss		
Loss for the year attributable to owners of the Company	**(439,047)**	(108,801)

	For the year ended 31 December	
	2020	2019
	Shares	Shares
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**443,811**	379,909

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for both years have been determined on the assumptions that the ordinary shares subdivision as set out in Note 28(d) and Capitalisation Issue as set out in Note 28(e) had been effective since 1 January 2019.

The Group issued the convertible redeemable preference shares, and granted share options under the pre-IPO share option scheme during the year ended 31 December 2019 as set out in Notes 27 and 30, respectively. For the purpose of calculation of diluted loss per share for the years ended 31 December 2020 and 2019, the convertible redeemable preference shares and share options granted under the pre-IPO share option scheme were not included as their inclusion would result in a decrease in loss per share. In addition, for the purpose of calculation of diluted loss per share for the year ended 31 December 2020, the Company's Over-allotment options granted pursuant to the listing of the Company's shares on the Stock Exchange were not included as their inclusion would result in a decrease in loss per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold lands RMB'000	Leased properties RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2019	–	39,119	10,258	10,120	712	691	37,413	98,313
Additions	–	8,632	3,785	4,339	–	860	–	17,616
Elimination at end of lease terms	–	(3,610)	(9,060)	–	–	–	–	(12,670)
Transfer	–	–	16,835	20,378	–	200	(37,413)	–
Disposals	–	–	–	(349)	–	(303)	–	(652)
Early termination of leases	–	(940)	(417)	–	–	–	–	(1,357)
At 31 December 2019	–	43,201	21,401	34,488	712	1,448	–	101,250
Additions	50,146	16,739	7,590	1,844	2,542	701	2,499	82,061
Disposals	–	–	–	(162)	(237)	–	–	(399)
At 31 December 2020	50,146	59,940	28,991	36,170	3,017	2,149	2,499	182,912
ACCUMULATED DEPRECIATION								
At 1 January 2019	–	(4,905)	(9,599)	(4,312)	(290)	(460)	–	(19,566)
Provided for the year	–	(5,308)	(2,421)	(2,581)	(130)	(150)	–	(10,590)
Elimination at end of lease terms	–	3,610	9,060	–	–	–	–	12,670
Disposals	–	–	–	332	–	282	–	614
Early termination of leases	–	561	411	–	–	–	–	972
At 31 December 2019	–	(6,042)	(2,549)	(6,561)	(420)	(328)	–	(15,900)
Provided for the year	(1,672)	(5,059)	(2,350)	(3,284)	(178)	(356)	–	(12,899)
Disposals	–	–	–	154	225	–	–	379
At 31 December 2020	(1,672)	(11,101)	(4,899)	(9,691)	(373)	(684)	–	(28,420)
CARRYING VALUES								
At 31 December 2020	48,474	48,839	24,092	26,479	2,644	1,465	2,499	154,492
At 31 December 2019	–	37,159	18,852	27,927	292	1,120	–	85,350

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment other than construction in progress are depreciated using the straight-line method after taking into account of their estimated residual values with the following useful lives:

Leasehold lands/leased properties	Over lease terms
Leasehold improvements	Shorter of lease terms and its useful life
Machinery	3 to 10 years
Vehicles	5 years
Office equipment	5 years

The Group leases properties to operate its business. These leases are typically made for fixed terms of 3 to 10 years. Lease terms are negotiated on an individual basis and contain different payment terms and conditions. The lease liabilities are measured at the present value of the lease payments that are not yet paid.

The Group's lease agreements did not contain any contingent rent nor any extension, or early termination option or purchase option for leasee.

The total cash outflow for leases amounted to RMB57,889,000 (2019: RMB5,261,000) (including payments of lease liabilities of RMB4,476,000 (2019: RMB2,883,000), cash outflow for short-term leases amounted to RMB878,000 (2019: RMB308,000) and cash outflow for leasehold lands amounted to RMB50,146,000 (2019: nil)) for the year ended 31 December 2020.

The Group regularly entered into short-term leases for properties. As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 11.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

17. INTANGIBLE ASSETS

	Acquired clinical trial permission RMB'000	Patent rights RMB'000	Software RMB'000	Total RMB'000
COST				
At 1 January 2019	2,143	1,257	69	3,469
Additions	–	7,130	131	7,261
At 31 December 2019	2,143	8,387	200	10,730
Additions	–	–	487	487
At 31 December 2020	2,143	8,387	687	11,217
AMORTISATION AND IMPAIRMENT				
At 1 January 2019	(322)	(503)	(69)	(894)
Charge for the year	(107)	(244)	(4)	(355)
Impairment loss recognised in the year	(1,714)	–	–	(1,714)
At 31 December 2019	(2,143)	(747)	(73)	(2,963)
Charge for the year	–	(839)	(44)	(883)
At 31 December 2020	(2,143)	(1,586)	(117)	(3,846)
CARRYING VALUES				
At 31 December 2020	–	6,801	570	7,371
At 31 December 2019	–	7,640	127	7,767

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

18. CONTRACT COSTS

The above intangible assets have finite lives and are amortised on a straight-line basis. The useful lives of acquired clinical trail permission, patent rights and software are 10 years, 10 years and 5 years, respectively. The useful lives of patent rights were determined by the management of the Group taking into account of the period over which the assets are expected to be available for use by the Group and the stability of the industry in which the assets operate.

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Costs to fulfill contracts	**1,488**	1,744
Analysed as:		
Current	**256**	256
Non-current	**1,232**	1,488
	1,488	1,744

Movements of contract costs

	RMB'000
At 1 January 2019	2,000
Release to other expenses	(256)
At 31 December 2019	1,744
Release to other expenses	(256)
At 31 December 2020	1,488

Contract costs capitalised relate to incremental initial costs for cell extraction from human bodies and preparation for cryopreservation at the beginning of cryopreservation service as described in Note 7. These costs are amortised over the service periods. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year ended 31 December 2020 (2019: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

19. FINANCIAL ASSET AT FVTPL

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Investment in a fund	**131,969**	–

In December 2020, the Company entered into a subscription agreement with Tasly Bioscience Fund Limited, in relation to the subscription of limited partner interests in Tasly Bioscience Fund, L.P. ("Investment Fund") by the Company under the subscription agreement. The aggregate subscription amount was HK$156.8 million. Subject to the terms of the limited partnership agreement, the initial term of the Investment Fund shall be five years and the Investment Fund shall pay the general partner a management fee at the rate of 2% of the capital commitment per annum and each of the partners will be entitled to share the profit or loss attributable to a project investment in proportion to their respective paid capital commitment to fund the acquisition cost of such project investment. The general partner, Tasly Bioscience Fund Limited, has exclusive power over the management and control of the operation, investment affairs and other matters relating to the Investment Fund.

The investment was accounted for as a financial asset at FVTPL under IFRS 9. The total subscription amount HK$156,800,000 (equivalent to RMB131,969,000) had been paid as at 31 December 2020. The Investment Fund has not made any investment to any projects after the Company's subscription. Management considered the fair value of the Company's portion in the Investment Fund at 31 December 2020 approximated the initial investment value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Prepayments to suppliers and service providers	**30,779**	11,001
Prepayments for management fee of Investment Fund	**2,693**	–
Value added tax recoverables	**20,293**	13,105
Prepayments for purchase of property, plant and equipment	**9,316**	–
Rental deposits	**1,833**	1,111
Other deposits	**364**	325
Advances to employees	**219**	133
Deferred share issue costs for IPO	**–**	7,474
Prepayments for listing expenses	**–**	834
Others	**51**	320
	65,548	34,303
Analysed as:		
Current	**34,106**	20,087
Non-current	**31,442**	14,216
	65,548	34,303

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

21. INVENTORIES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Raw materials	**3,975**	4,810

22. BANK BALANCES AND CASH

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Bank balances and cash		
Cash on hand	**146**	194
Bank balances	**845,240**	282,053
	845,386	282,247
Bank balances and cash denominated in:		
RMB	**492,909**	31,977
HK$	**350,591**	249,583
South-Korean Won ("KRW")	**1,886**	607
United States Dollars ("US$")	**–**	80
	845,386	282,247

Bank balances carry interest at market rates which range from 0.001% to 0.35% (2019: 0.01% to 0.35%) per annum as at 31 December 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

23. CONTRACT LIABILITIES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Provision of cryopreservation service	**4,114**	4,824
Current	**710**	710
Non-current	**3,404**	4,114
	4,114	4,824

As at 1 January 2019, contract liabilities amounted to RMB5,534,000.

Income relating to cryopreservation service is recognised over time although the customer pays up-front in full for these services. A contract liability is recognised for income relating to the cryopreservation service at the time of the initial sales transaction and is released over the service period.

Income from cryopreservation service that was included in the contract liabilities balance at the beginning of the year was RMB710,000 (2019: RMB710,000) for the year ended 31 December 2020.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at year end and the expected timing of recognising income are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within one year	**710**	710
More than one year but no more than two years	**710**	710
More than two years	**2,694**	3,404
	4,114	4,824

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

24. TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables	**5,840**	4,632
Payables for acquisition of property, plant and equipment	**77**	624
Accrued salaries and other allowances	**5,757**	3,006
Government grants repayable (Note 26)	**1,837**	1,837
Listing expenses payable/accrued listing expenses	**5,038**	9,275
Accrued share issue costs for IPO	**–**	2,769
Others	**1,615**	991
	20,164	23,134

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**5,784**	4,601
1 year to 2 years	**25**	11
2 year to 3 years	**11**	20
More then 3 years	**20**	–
	5,840	4,632

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

25. LEASE LIABILITIES

	As at 31 December 2020 RMB'000	2019 RMB'000
Lease liabilities payable:		
Within one year	**7,204**	3,786
More than one year, but not exceeding two years	**8,060**	3,904
More than two years, but not exceeding five years	**22,932**	13,400
More than five years	**12,864**	17,910
	51,060	39,000
Less: Amounts due for settlement within one year shown under current liabilities	**(7,204)**	(3,786)
Amounts due for settlement after one year shown under current liabilities	**43,856**	35,214

The incremental borrowing rates applied by the relevant group entities range from 4.91% to 6.37% (2019: 4.91% to 6.37%) per annum for lease liabilities as at 31 December 2020.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

26. DEFERRED GOVERNMENT GRANTS

	As at 31 December 2020 RMB'000	2019 RMB'000
Current	**3,539**	6,433
Non-current	**2,504**	1,138
	6,043	7,571

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

26. DEFERRED GOVERNMENT GRANTS (CONTINUED)

Movements of government grants

	Government grants related to		
	Plant and machinery	Research and development activities	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2019	1,272	6,838	8,110
Government grants received	–	3,000	3,000
Release of deferred government grants to profit or loss	(134)	(1,568)	(1,702)
Transfer out to other payables (Note)	–	(1,837)	(1,837)
At 31 December 2019	1,138	6,433	7,571
Release of deferred government grants to profit or loss	(134)	(1,394)	(1,528)
At 31 December 2020	**1,004**	**5,039**	**6,043**

Note: In 2018, the Group received a government subsidy of RMB3,600,000 in relation to research and development of 6B11-OCIK product. The subsidy can be used for the first phase of clinical research on 6B11-OCIK product. In June 2019, the Group determined to put on hold the research and development of 6B11-OCIK product and the remaining unused subsidy of RMB1,837,000 is repayable to local government and was transferred to other payables.

27. CONVERTIBLE REDEEMABLE PREFERENCE SHARES AND ISSUE AND REDEMPTION OF CONVERTIBLE BONDS

Issue and redemption of convertible bonds

On 9 April 2019, the Company issued secured guaranteed convertible bonds with principal amount of HK$100,000,000 (equivalent to RMB85,587,000) (the "Convertible Bonds") to Poly Platinum Enterprises Limited (the "Poly Platinum"). The Convertible Bonds have a maturity of one year. The Convertible Bonds were secured by certain shareholders' shares in the Company and guaranteed by certain shareholders.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27. CONVERTIBLE REDEEMABLE PREFERENCE SHARES AND ISSUE AND REDEMPTION OF CONVERTIBLE BONDS (CONTINUED)

Issue and redemption of convertible bonds (Continued)

The key terms of the Convertible Bonds are summarised as follows:

(a) Conversion option

The Convertible Bonds will, at the option of the holder or upon a qualified IPO as defined in the subscription agreements of the Convertible Bonds, be convertible to the new ordinary shares issued by the Company prior to the IPO based on post-money valuation of HK$4.1 billion (equivalent to 2.4% of issued ordinary shares of the Company, on an as-if converted basis and subject to anti-dilution adjustments).

(b) Redemption on maturity

Poly Platinum shall have the rights to require the Company or its major ordinary shareholders to repurchase all the outstanding principle of the Convertible Bonds plus interest at an interest rate of 10% per annum.

The Convertible Bonds were redeemed by the Company at consideration of HK$100,000,000 on 12 June 2019. The consideration was settled by offsetting the consideration payable by Poly Platinum for the subscription of the convertible redeemable preference shares as described below.

Issue of convertible redeemable preference shares

On 3 June 2019, Poly Platinum entered into a preference shares subscription agreement ("Preference Shares Agreement") with the Company in relation to a subscription of 5,000 preference shares (the "Preference Shares") of the Company at consideration of HK$200,000,000. The Preference Share Agreement was supplemented by a first supplemental subscription agreement dated 12 June 2019. The consideration was fully settled on 12 June 2019. The Preference Shares are secured by certain shareholders' shares in the Company and guaranteed by certain shareholders.

The details of the Preference Shares are as follows:

	Date of issue	Total number of preference shares issued	Subscription price per share	Total	Total in RMB
			HK$	HK$'000	RMB'000
Preference Shares	12 June 2019	5,000	40,000	200,000	175,932

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27. CONVERTIBLE REDEEMABLE PREFERENCE SHARES AND ISSUE AND REDEMPTION OF CONVERTIBLE BONDS (CONTINUED)

Issue of convertible redeemable preference shares (Continued)

The key terms of the Preference Shares are summarised as follows:

(a) Dividends rights

The Preference Shares investor rank senior to any ordinary shares or any other issued shares in the capital of the Company, including the right to receive all dividends and distributions which may thereafter be declared, made or paid from time to time.

(b) Conversion feature

Upon the closing of a qualified IPO as defined in the Preference Shares Agreement, the Preference Shares are convertible into ordinary shares of the Company at a conversion rate of 1 Preference Share to 1 ordinary share, and shall be subject to adjustment and readjustment (including but not limited to share splits and combinations, capital reorganisation or reclassification, and adjustment upon issuance of new securities for consideration per shares less than the issue price of the Preference Shares) from time to time. As at 31 December 2019, the applicable conversion rate was 1:1.

(c) Put Option

Poly Platinum has the right to exercise put option if the Company has not consummated the following conditions: 1) the Company fails to achieve a qualified IPO within twelve months after the closing date of the issue of Preference Shares; 2) the total number of shares issued by the Company exceeds 10% of the total number of issued and outstanding ordinary shares (taking into account the effect of any share splits, share consolidations or analogous restructuring of the issued share capital of the Company from time to time and excluding any shares issued in an IPO); 3) fail to meet other business performance requirements as set out in the Preference Shares Agreement; and 4) upon the occurrence of an event of default as defined in the Preference Shares Agreement which includes but not limited to events such as liquidation, dissolution or winding up of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27. CONVERTIBLE REDEEMABLE PREFERENCE SHARES AND ISSUE AND REDEMPTION OF CONVERTIBLE BONDS (CONTINUED)

Issue of convertible redeemable preference shares (Continued)

The key terms of the Preference Shares are summarised as follows: (Continued)

(c) Put Option (Continued)

Poly Platinum can exercise the put option rights in part or in full to the Company and/or the major shareholders of the Company as defined in the Preference Shares Agreement. The put price shall be determined in accordance with the following formulae:

Put price = (A x (1 + 10% x n) + B x (1 + 10% x y)) x C

where

A = HK$100,000,000;

n = the number of days from and including 9 April 2019 to and including the completion date of the put option/365; and

B = HK$100,000,000

y = the number of days from and including 12 June 2019, and including the completion date of the put option/365; and

C = the number of shares put divided by the number of the Preference Shares outstanding.

(d) Voting rights

Poly Platinum is entitled to the number of votes equal to the number of ordinary shares into which the Preference Shares are convertible. Poly Platinum and ordinary shareholders shall vote together as a single class.

On 23 August 2019, a written resolution of the shareholders of the Company was passed, pursuant to which each Preference Share of the Company of US$1.00 each was sub-divided into 1,000 shares of US$0.001 each. Following the subdivision of share capital of the Company, the number of the Preference Shares was increased from 5,000 of US$1.00 each into 5,000,000 of US$0.001 each.

Upon completion of the IPO on 10 July 2020, the Preferred Shares were automatically converted into 5,000,000 ordinary shares of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27. CONVERTIBLE REDEEMABLE PREFERENCE SHARES AND ISSUE AND REDEMPTION OF CONVERTIBLE BONDS (CONTINUED)

Presentation and Classification

The Group has designated the convertible redeemable preference shares as financial liabilities at FVTPL. The fair value change of the Preference Shares is recognised in profit or loss except for the portion attributable to credit risk change which shall be recognised in other comprehensive income, if any. The Directors considered that the credit risk change on the financial liabilities that drive the fair value change of the financial liabilities during the years ended 31 December 2019 and 2020 are immaterial.

The fair value of the Preference Shares is as follows:

	Preference Shares HK$'000	Shown in the consolidated financial statements as RMB'000
As 1 January 2019	–	–
Issue of Preference Shares	200,000	175,932
Change in fair value (Note)	(7,869)	(3,825)
At 31 December 2019	192,131	172,107
Change in fair value (Note)	17,393	16,984
Conversion of preferred shares into ordinary shares upon the IPO	(209,524)	(189,091)
At 31 December 2020	–	–

Note: Change in fair value presented in RMB also includes the exchange effect on translation from HK$ balances into RMB.

As at 31 December 2019, the Preference Shares were valued by the Directors with reference to an independent qualified professional valuer not connected to the Group, which has appropriate qualifications and experiences in valuation of similar instruments.

Back-solve model was used to determine the underlying equity value of the Company. As the issue of Preference Shares was considered an arm's length transaction, the underlying equity value of the Company was back-solved based on the issue price.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27. CONVERTIBLE REDEEMABLE PREFERENCE SHARES AND ISSUE AND REDEMPTION OF CONVERTIBLE BONDS (CONTINUED)

Presentation and Classification (Continued)

Hybrid method was adopted to allocate the equity value amongst different classes of shares of the Company at the end of the reporting period. The hybrid method is a hybrid between the probability-weighted expected return method ("PWERM") and the option pricing method ("OPM"), estimating the probability-weighted value across multiple scenarios but using the OPM to estimate the allocation of value within one or more of those scenarios.

Under a PWERM, the value of various equity securities are estimated based upon an analysis of future values for the enterprise, assuming various future outcomes. Share value is based upon the probability-weighted present value of expected future investment returns, considering each of the possible future outcomes available to the enterprise, as well as the rights of each share class. Common future outcomes model might include an IPO or liquidation.

The OPM treats the rights of the Preference Shares holders and ordinary shares as equivalent to that of call options on the Company's equity value, with strike prices based on the liquidation preferences as disclosed above, redemption provisions and automatic conversion of the Preference Shares. Thus, the equity value of the ordinary shares can be determined by estimating the value of its portion of each of these call option rights.

Key valuation assumptions and inputs used to determine the fair value of the Preference Shares as at 31 December 2019 are as follows:

	As at 31 December 2019
Time to IPO	0.5
Time to liquidation	0.5
Risk-free interest rate	1.9%
Volatility	34%
Dividend yield	0%
Possibilities under redemption scenario	10%
Possibilities under liquidation scenario	5%
Possibilities under IPO Scenario	85%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

28. SHARE CAPITAL

	Number of Shares	Share capital US$
Ordinary shares		
Ordinary shares of US$0.001 each		
Authorised		
As at 1 January 2019	5,000,000	5,000,000
Reclassification and re-designation on issuance of Preference Shares (Note a)	(1,000,000)	(1,000,000)
Share subdivision (Note d)	3,996,000,000	–
At 31 December 2019	4,000,000,000	4,000,000
Reclassification and re-designation of preference shares to ordinary shares (Note a)	1,000,000,000	1,000,000
At 31 December 2020	**5,000,000,000**	**5,000,000**
Issued and fully paid		
At 1 January 2019	10,000	10,000
Issue of ordinary shares (Note b)	80,000	80,000
Issue of ordinary shares (Note c)	10,000	10,000
Share subdivision (Note d)	99,900,000	–
At 31 December 2019	100,000,000	100,000
Conversion of Preferred Shares into ordinary shares (Note 27)	5,000,000	5,000
Issue of shares pursuant to the Capitalisation Issue (Note e)	295,000,000	295,000
Issue of shares upon the IPO (Note f)	100,000,000	100,000
Issue of shares upon the exercise of the Over-allotment options (Note g)	14,584,000	14,584
At 31 December 2020	**514,584,000**	**514,584**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

28. SHARE CAPITAL (CONTINUED)

	31 December 2020 RMB'000	2019 RMB'000
Presented as	**3,576**	677

Notes:

a. On 12 June 2019, the Company re-designated and reclassified 1,000,000 ordinary shares into preference shares. On 6 June 2020, the Company re-designated and reclassified 1,000,000,000 preference shares into ordinary shares.

b. In January 2019, the Company issued 80,000 ordinary shares with a par value of US$1 each at consideration of US$1 per share to its shareholders.

c. During the year ended 31 December 2018, the Company agreed with four investors in relation to subscription of 10% of the Company's ordinary shares at cash consideration of HK$200,000,000.

In May 2018, the Company received cash consideration of HK$125,000,000 (equivalent to RMB101,599,000) from an investor which was credited to capital reserve during the year ended 31 December 2018. Related share issue costs of RMB4,220,000 is debited to capital reserve during the year ended 31 December 2018 and subsequently transferred to share premium in January 2019 upon issuance of shares as set out below.

In January 2019, the Company received aggregate cash consideration of HK$75,000,000 (equivalent to RMB64,737,000) from the remaining three investors, the difference between the consideration received (including the consideration of RMB101,599,000 previously recorded in capital reserve) and the par value of ordinary shares issued of RMB166,271,000 is credited to share premium. Share issue cost of RMB6,813,000 (including share issue costs of RMB4,220,000 previously recorded in capital reserve) is debited to share premium.

In January 2019, the Company issued aggregate 10,000 ordinary shares of US$1 each to the abovementioned four investors.

d. On 23 August 2019, a written resolution of the shareholders of the Company was passed, pursuant to which each issued and unissued ordinary share of the Company of US$1.00 each was sub-divided into 1,000 shares of US$0.001 each. Following the subdivision of share capital of the Company, the number of authorised ordinary shares of the Company was increased to 4,000,000,000 of US$0.001 each and the number of issued ordinary shares of the Company was increased to 100,000,000 of US$0.001 each.

e. On 10 July 2020, the Company allotted and issued a total of 295,000,000 ordinary shares, credited as fully paid, at par value to the then shareholders of the Company before the IPO (the "Capitalisation Issue"), resulting in an increase in issued share capital of US$295,000 (equivalent to RMB2,063,000) and a corresponding debit to share premium.

f. On 10 July 2020, 100,000,000 ordinary shares with par value of US$0.001 each of the Company were issued at HK$11.00 by way of public offer resulting in an increase of the share capital of US$100,000 (equivalent to approximately RMB699,000). An amount of RMB992,029,000, being the excess of the consideration received of HK$1,100,000,000 (equivalent to approximately RMB992,728,000) over the par value of the ordinary shares of RMB699,000), was credited to share premium. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

g. The International Underwriters partially exercised the Over-allotment options, pursuant to which the Company issued additional 14,584,000 ordinary shares of the Company on 5 August 2020 at the offer price of HK$11 per share resulting in an increase in issued share capital of US$14,584 (equivalent to approximately RMB102,000). An amount of RMB144,281,000, being the excess of the consideration received of HK$160,424,000 (equivalent to approximately RMB144,383,000) over the par value of the ordinary shares of RMB102,000), was credited to share premium.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

29. RETIREMENT BENEFITS PLANS

The PRC employees of the Group are members of a state-managed retirement benefits plan operated by the government of the PRC. The PRC subsidiaries of the Company are required to contribute a specified percentage of payroll costs to the retirement benefits plan to fund the employee benefits. The only obligation of the Group with respect to the retirement benefits plan is to make the specified contributions. The retirement benefits cost charged to profit or loss for the years ended 31 December 2020 amounted to RMB357,000 (2019: RMB2,004,000).

30. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to a written resolution of the Directors on 31 December 2019, a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") of the Company was approved. The Pre-IPO Share Option Scheme was established to encourage the participants to contribute to the Group for the long-term benefits of the Group. The maximum number of shares that may be granted under the Pre-IPO Share Option Scheme shall not exceed 37,500,000 shares, representing approximately 7.50% of the total number of shares in issue immediately upon completion of the IPO.

This Pre-IPO Share Option Scheme shall take effect subject to and is conditional upon:

(a) the passing of the resolutions by the shareholders of the Company to approve and adopt the rules of the Pre-IPO Share Option Scheme;

(b) the listing committee of the Stock Exchange granting approval of listing of, and permission to deal in, the shares to be allotted and issued pursuant to the exercise of the subscription rights attaching to the Pre-IPO Share Option Scheme; and

(c) the commencement of dealings in the ordinary shares of the Company on the Stock Exchange.

The abovementioned condition (a), condition (b) and condition (c) were satisfied on 6 June 2020, 9 July 2020 and 10 July 2020, respectively.

On 31 December 2019, the Company offered 7 senior managements and 25 eligible employees (collectively, the "Grantees") and the Grantees accepted 37,500,000 share options (the "Pre-IPO Share Options"). Options may be exercised at any time from vesting date to the seventh anniversary of the date of offer.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

30. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The details of the Company's Pre-IPO Share Options granted to the senior managements and employees of the Group are as follows:

Type	Date of offer	Number of shares subject to the option	Vesting proportion	Vesting period	Exercise price per share
Executive director: ("Share Option A")					
Mr. Tan Zheng	31/12/2019	5,000,000	50%	2019.12.31-2020.12.31	50% of the Global Offering offer price (the "Offer Price")
			50%	2019.12.31-2021.12.31	50% of the Offer Price
Dr. Wang Yu	31/12/2019	23,450,000	50%	2019.12.31-2020.12.31	50% of the Offer Price
			50%	2019.12.31-2021.12.31	50% of the Offer Price
Senior managements: ("Share Option B")	31/12/2019	3,500,000	30%	2019.12.31-2020.12.31	50% of the Offer Price
			30%	2019.12.31-2021.12.31	50% of the Offer Price
			40%	2019.12.31-2022.12.31	50% of the Offer Price
Employees: ("Share Option C")	31/12/2019	2,550,000	50%	2019.12.31-2020.12.31	50% of the Offer Price
			50%	2019.12.31-2021.12.31	50% of the Offer Price
Employees: ("Share Option D")	31/12/2019	3,000,000	30%	2019.12.31-2020.12.31	50% of the Offer Price
			30%	2019.12.31-2021.12.31	50% of the Offer Price
			40%	2019.12.31-2022.12.31	50% of the Offer Price
Total		37,500,000			

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

30. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The following table discloses movements of the Pre-IPO Share Options. 17,375,000 (31 December 2019: nil) options were exercisable as at 31 December 2020.

Category	Outstanding as at 1 January 2020	Grant during the year	Forfeited due to resignation during the year	Exercised during the year	Outstanding as at 31 December 2020
Share Option A	**28,450,000**	**–**	**–**	**–**	**28,450,000**
Share Option B	**3,500,000**	**–**	**–**	**–**	**3,500,000**
Share Option C	**2,550,000**	**–**	**–**	**–**	**2,550,000**
Share Option D	**3,000,000**	**–**	**(250,000)**	**–**	**2,750,000**
	37,500,000	**–**	**(250,000)**	**–**	**37,250,000**

Category	Outstanding as at 1 January 2019	Grant during the year	Forfeited due to resignation during the year	Exercised during the year	Outstanding as at 31 December 2019
Share Option A	–	28,450,000	–	–	28,450,000
Share Option B	–	3,500,000	–	–	3,500,000
Share Option C	–	2,550,000	–	–	2,550,000
Share Option D	–	3,000,000	–	–	3,000,000
	–	37,500,000	–	–	37,500,000

The fair values of Share Option A, Share Option B, Share Option C and Share Option D were initially determined at the date of offer using the Binomial Option Pricing Model are HK$178,945,000 (equivalent to RMB160,296,000), HK$22,330,000 (equivalent to RMB20,003,000), HK$14,573,000 (equivalent to RMB13,054,000), and HK$17,727,000 (equivalent to RMB15,880,000), respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

30. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The following assumptions were used to calculate the fair values of the Pre-IPO Share Options as at the date of offer:

	Share Option A	Share Option B	Share Option C	Share Option D
Offer date share price (Note)	HK$10.5	HK$10.5	HK$10.5	HK$10.5
Exercise price	HK$6.8	HK$6.8	HK$6.8	HK$6.8
Expected volatility	53.0%	53.0%	53.0%	53.0%
Option life	7 years	7 years	7 years	7 years
Dividend yield	0%	0%	0%	0%
Risk-free interest rate	1.8%	1.8%	1.8%	1.8%
Sub-optional factor	2.8	2.2	2.8	2.2

Note: The Group has used the back-solve method to determine the underlying equity value of the Company and adopted the equity value allocation model to determine the fair value of the ordinary shares based on the issue price of the Preference Shares. Number of shares in issue used in calculation of share price has taken into account of the expected capitalisation issue of a total of 270,000,000 ordinary shares based on management's estimate at 31 December 2019.

A written resolution by the shareholders of the Company was passed on 6 June 2020 (the "Grant Date") to approve and adopt the Pre-IPO Share Option Scheme and the fair values of the Pre-IPO Share Options were revised based on Grant Date fair values as below.

The fair values of Share Option A, Share Option B, Share Option C and Share Option D determined at the Grant Date using the Binomial Option Pricing Model are HK$178,847,000 (equivalent to RMB163,763,000), HK$22,321,000 (equivalent to RMB20,438,000), HK$14,842,000 (equivalent to RMB13,590,000), and HK$17,385,000 (equivalent to RMB15,919,000), respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

30. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The following assumptions were used to calculate the fair values of the Pre-IPO Share Options as at Grant Date:

	Share Option A	Share Option B	Share Option C	Share Option D
Grant Date share price (Note)	HK$10.1	HK$10.1	HK$10.1	HK$10.1
Exercise price	HK$5.3	HK$5.3	HK$5.3	HK$5.3
Expected volatility	52.3%	52.3%	52.3%	52.3%
Option life	6.6 years	6.6 years	6.6 years	6.6 years
Dividend yield	0%	0%	0%	0%
Risk-free interest rate	0.5%	0.5%	0.5%	0.5%
Sub-optional factor	2.8	2.2	2.8	2.2

Note: The Group has used the back-solve method to determine the underlying equity value of the Company and adopted the equity value allocation model to determine the fair value of the ordinary shares based on the issue price of the Preference Shares. Number of shares in issue used in calculation of share price has taken into account of the Capitalisation Issue as set out in Note 28(e).

The expected volatility measured at the standard deviation is 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 a share-based payment expense of RMB151,703,000 (2019: RMB405,000) in respect of the Pre-IPO Share Options for the year ended 31 December 2020.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to equity holders through the optimisation 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 lease liabilities and convertible redeemable preference shares as disclosed in Notes 25 and 27, respectively, net of cash and cash equivalents, and equity attributable to owners of the Group, comprising share capital and reserves.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Financial assets		
Amortised cost	**847,853**	284,886
Financial asset at FVTPL	**131,969**	–
	979,822	284,886
Financial liabilities		
Amortised cost	**14,407**	20,128
Convertible redeemable preference shares	**–**	172,107
	14,407	192,235

Financial risk management objectives and policies

The Group's major financial instruments include deposits and other receivables, amount due from a related party, bank balances and cash, financial asset at FVTPL, trade and other payables, lease liabilities and convertible redeemable preference shares. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

As at the end of the reporting period, the Group had the following financial assets and financial liabilities, which are bank balances and cash, deposits and other receivables, trade and other payables, convertible redeemable preference shares, denominated in currencies other than RMB.

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Assets		
HK$	**482,560**	249,583
US$	**–**	80
KRW	**2,045**	760
Liabilities		
HK$	**5,038**	178,541
US$	**–**	5,035
KRW	**133**	10

Sensitivity analysis

The Group were primarily subject to foreign currency risk from the movement of the exchange rates between RMB and HK$. At the end of the reporting period, if the exchange rate of RMB had been weaken against HK$ by 5% and all other variables were held constant, the Group's post-tax loss would decrease as follow:

	Decrease in post-tax loss For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
HK$	**23,876**	3,552

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate lease liabilities (Note 25). The Group is also exposed to cash flow interest risk in relation to variable-rate bank balances (Note 22) which carry prevailing market interests. The Group currently does not have a specified policy to manage its interest rate risk but will closely monitor their interest rate risk exposure in the future. No sensitivity analysis on interest rate risk is presented as management consider the sensitivity on interest rate risk on bank balances is insignificant.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position (including bank balances, deposits and other receivables and amount due from a related party). The Group does not hold any collaterals or other credit enhancement to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the Group monitors the exposure to credit risk on an ongoing basis and review the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories

Internal credit rating	Description	Financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12-months ECL
Watch list	Debtor frequently usually repays after due dates but settle the amounts in full	12-months 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)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Bank balances

The Group's bank balances are placed with state-owned banks or commercial banks with high credit ratings assigned by international credit-rating agencies in the Mainland China, Hong Kong and international banks in the Republic of Korea with aggregate gross carrying amounts RMB845,240,000 (31 December 2019: RMB282,053,000) as at 31 December 2020. Therefore, the credit risks on bank balances are limited.

The Group has concentration risk with approximately 47% of the Group's bank balances placed with a bank at 31 December 2020 (31 December 2019: 89%).

Deposits and other receivables and amount due from a related party

The Group assessed the ECL for its deposits and other receivables and amount due from a related party individually based on internal credit rating which, in the opinion of the Directors, there is 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 forward-looking information that is available without undue cost or effort. No 12-m ECL was made for deposits and other receivables with gross carrying amounts of RMB2,467,000 (31 December 2019: RMB1,889,000), and amount due from a related party with gross carrying amounts of nil (31 December 2019: RMB750,000), as at 31 December 2020, as the counterparties involved are considered with limited credit risk and the ECL involved is not material.

Other than the concentration of credit risks of bank balances mentioned above, the Group does not have any other significant concentration of credit risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on shareholders' investment as a significant source of liquidity.

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

	Interest rates %	**On demand RMB'000**	**Within 180 days RMB'000**	**181 days to 365 days RMB'000**	**1-5 years RMB'000**	**>5 years RMB'000**	**Total undiscounted cash flows RMB'000**	**Carrying amount RMB'000**
At 31 December 2020								
Trade and other payables	**N/A**	**1,837**	**12,570**	**–**	**–**	**–**	**14,407**	**14,407**
Lease liabilities	**4.91-6.37**	**–**	**4,624**	**5,300**	**37,518**	**13,777**	**61,219**	**51,060**
		1,837	**17,194**	**5,300**	**37,518**	**13,777**	**75,626**	**65,467**

	Interest rates %	On demand RMB'000	Within 180 days RMB'000	181 days to 365 days RMB'000	1-5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2019								
Trade and other payables	N/A	1,837	18,291	–	–	–	20,128	20,128
Lease liabilities	4.91-6.37	–	3,097	2,909	23,754	19,749	49,509	39,000
Convertible redeemable preference shares	10	–	198,642	–	–	–	198,642	172,107
		1,837	220,030	2,909	23,754	19,749	268,279	231,235

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

33. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data of the extent it is available. Where Level 1 inputs are not available, the Group determines the appropriate valuation techniques and inputs for fair value measurements and works closely with the qualified valuer to establish the appropriate valuation techniques and inputs to the model.

Except for financial asset at FVTPL and financial liabilities at FVTPL as set out below, there is no financial instrument measured at fair value on a recurring basis.

Financial asset

	NOTE	Fair value as at 31/12/2020 RMB'000	Fair value as at 31/12/2019 RMB'000	Fair value hierarchy	Valuation techniques and key inputs
Financial asset at FVTPL	19	**131,969**	–	Level 2	Market approach, based on recent transaction price.

Financial liabilities

	NOTE	Fair value as at 31/12/2020 RMB'000	Fair value as at 31/12/2019 RMB'000	Fair Value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable input to fair value
Convertible redeemable preference shares	27	**–**	172,107	Level 3	Set out in Note 27	Volatility of 34%	Note

Note: A slight increase in the expected volatility used in isolation would result in a slight decrease in the fair value measurement of convertible redeemable preference shares, and vice versa. If the volatility was 5% higher to 39% or 5% lower to 29% while holding all other variables constant, the carrying amount of the convertible redeemable preference shares would decrease by RMB1,117,000 or increase by RMB1,357,000 as at 31 December 2019.

Details of reconciliation of Level 3 fair value measurement for the convertible redeemable preference shares are set out in Note 27.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

33. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities (Continued)

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position of the Group, together with the interest accruals, approximate their respective fair values. The fair values of financial assets and financial liabilities measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

34. RECONCILIATION OF LIABILITIES OR 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.

	Lease liabilities RMB'000	Amount due to a related party RMB'000	Convertible redeemable preference shares RMB'000	Convertible bonds RMB'000	Payables for costs of convertible bonds/ convertible redeemable preference shares RMB'000	Accrued share issue costs for IPO RMB'000	Total RMB'000
At 1 January 2019	33,854	929	–	–	–	482	35,265
Financing cash flows	(4,953)	(929)	90,345	85,587	(7,018)	(4,359)	158,673
Inception of lease	8,468	–	–	–	–	–	8,468
Interest expenses recognised	2,070	–	–	–	–	–	2,070
Fair value changes	–	–	(3,825)	–	–	–	(3,825)
Transfer	–	–	85,587	(85,587)	–	–	–
Early termination of leases	(439)	–	–	–	–	–	(439)
Deferred share issue costs for IPO	–	–	–	–	–	6,646	6,646
Share/bond issue costs incurred	–	–	–	–	7,018	–	7,018

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

34. RECONCILIATION OF LIABILITIES OR ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Lease liabilities	Amount due to a related party	Convertible redeemable preference shares	Convertible bonds	Payables for costs of convertible bonds/ convertible redeemable preference shares	Accrued share issue costs for IPO	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019	39,000	–	172,107	–	–	2,769	213,876
Financing cash flows	(6,865)	–	–	–	–	(75,558)	(82,423)
Inception of lease	16,536	–	–	–	–	–	16,536
Interest expenses recognised	2,389	–	–	–	–	–	2,389
Fair value changes	–	–	16,984	–	–	–	16,984
Conversion of preferred shares into ordinary shares upon the IPO	–	–	(189,091)	–	–	–	(189,091)
Transaction costs attributable to issue of new ordinary shares	–	–	–	–	–	72,789	72,789
At 31 December 2020	**51,060**	**–**	**–**	**–**	**–**	**–**	**51,060**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

35. RELATED PARTY BALANCES AND TRANSACTIONS

a. Names and relationship with related parties are as follows:

Name	Relationship
Immunotech Beijing Limited* (北京賽諾泰生物科技有限公司) ("Beijing Sainuotai")	Entity controlled by Mr. Jung, Hyun Chul, a major shareholder and executive director of the Company
Pharos Vaccine Inc. ("Vaccine")	Entity controlled by Mr. Jung, Hyun Chul
Mr. Tan, Xiao Yang	A shareholder of the Company

* English name is for identification purpose only

b. During the current year, the Group had the following transactions with related parties:

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Purchase of patent rights from a related party		
Beijing Sainuotai	**–**	7,130

c. At the end of the reporting period, the Group had the following balance with a related party:

	As at 31 December		As at 1 January
	2020	2019	2019
	RMB'000	RMB'000	RMB'000
Amount due from a related party			
Non-trade nature			
Beijing Sainuotai	**–**	750	750

The maximum amount outstanding during the year ended 31 December 2020 was RMB750,000 (2019: RMB750,000). The balance at 31 December 2019 was settled in January 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

35. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

d. Other borrowings/other loans

During the year ended 31 December 2019, the Group entered into the following transactions with a related party:

	As at 1 January 2019 RMB'000	Addition during the year RMB'000	Repayment during the year RMB'000	As at 31 December 2019 RMB'000
Advance from Beijing Sainuotai	–	(6,000)	6,000	–

The amounts are unsecured, non-interest bearing and repayable on demand.

	As at 1 January 2019 RMB'000	Addition during the year RMB'000	Repayment during the year RMB'000	As at 31 December 2019 RMB'000
Loans to Mr. Tan, Xiao Yang	–	6,000	(6,000)	–

The amounts are unsecured, non-interest bearing and repayable on demand.

e. The Company leases an office from Vaccine starting from 20 February 2019 to 19 February 2024 to operate its research and development activities in the Republic of Korea. The quarterly rent is KRW7,248,000 and the rental deposit is KRW28,988,000. At the commencement date of the lease, the Group recognised right-of-use asset of RMB816,000 using the incremental borrowing rate 4.91% per annum. As at 31 December 2020, the carrying amounts of right-of-use asset are approximately RMB523,000 (31 December 2019: RMB686,000) and the lease liability is KRW80,966,000 (equivalent to RMB486,000) (31 December 2019: RMB636,000). An interest expense of RMB27,000 (2019: RMB35,000) arising from the accretion of the lease liability was charged to profit or loss for the year ended 31 December 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

35. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

f. Compensation of key management personnel

The emoluments of key management during the reporting period are as follows:

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries and other allowances	**7,991**	5,706
Retirement benefits	**21**	154
Equity-settled share-based payment expense	**130,094**	349
	138,106	6,209

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Shareholding/equity interests attributable to the Company 31 December 2020 Directly	2020 Indirectly	2019 Directly	2019 Indirectly	Principal activities
Hamiyang LTD	British Virgin Island	Registered capital of US$50,000 and paid-in capital of US$1	**100%**	**–**	100%	–	Investment holding
JY Research Holding Limited	Hong Kong	Issued and paid-in capital of HK$1	**–**	**100%**	–	100%	Investment holding
Ankang Ruihe Biomedical Technology (Beijing) Co Ltd* (安康瑞和生物醫藥技術（北京）有限公司) ("AK Ruihe") (Note a)	PRC	Registered capital of HK$400,000,000 and paid-in capital of HK$143,000,000	**–**	**100%**	–	100%	Investment holding
Beijing Yongtai (Note b)	PRC	Registered capital of RMB300,000,000 and paid-in capital of RMB100,000,000	**–**	**100%**	–	100%	Biomedical technology development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Shareholding/equity interests attributable to the Company 31 December 2020 Directly	2020 Indirectly	2019 Directly	2019 Indirectly	Principal activities
上海永泰免疫生物製品有限公司 ("Shanghai Yongtai Immunobiological Products Co Ltd*") (Note b)	PRC	Registered capital of RMB10,000,000 and paid-in capital of RMB1,900,000	**–**	**100%**	–	100%	Inactive
Beijing Weixiao (Note b)	PRC	Registered capital of RMB26,000,000 and paid-in capital of RMB5,000,000	**–**	**70%**	–	70%	Biomedical technology development
廣州永瑞免疫生物製品科技有限公司 ("Guangzhou Yongrui Immunobiological Technology Co Ltd*") (Note b)	PRC	Registered capital of RMB10,000,000 and paid-in capital of nil	**–**	**100%**	–	100%	Inactive
Yongtai Ruike (Note c)	PRC	Registered capital of RMB50,000,000 and paid-in capital of RMB100,000	**–**	**100%**	–	100%	Biomedical technology development

Notes:

a. The entity is a wholly foreign owned enterprise established in the PRC with limited liability.

b. These entities were established in the PRC with limited liability.

c. Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in the gene therapy business carried out by a subsidiary of the Group, namely Yongtai Ruike, Beijing Yongtai entered into the contractual arrangements (the "Contractual Arrangements") with Yongtai Ruike and its equity holders on 10 September 2018. The Group does not have any equity interest in Yongtai Ruike. However, as a result of the Contractual Arrangements, the Group has power over Yongtai Ruike, has rights to variable returns from its involvement with Yongtai Ruike and has the ability to affect those returns through its power over Yongtai Ruike and is considered to have control over Yongtai Ruike. Consequently, the Company regards Yongtai Ruike as an indirect subsidiary for accounting purpose.

* English names are for identification purpose only.

None of the subsidiaries had issued any debt securities during the year or at the end of the year (2019: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

37. CAPITAL COMMITMENTS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of equipments, machineries and leasehold improvements contracted for but not provided in the consolidated financial statements	**37,516**	512

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the financial position of the Company at the end of the reporting period includes:

	2020	2019
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**238,683**	56,520
Property, plant and equipment	**5,048**	3,636
Prepayments, deposits and other receivables	**149**	446
Amount due from a subsidiary	**151,748**	21,828
Financial asset at FVTPL	**131,969**	–
	527,597	82,430
CURRENT ASSETS		
Prepayments, deposits and other receivables	**2,755**	8,318
Bank balances and cash	**794,973**	250,262
	797,728	258,580

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	2020 **RMB'000**	2019 RMB'000
CURRENT LIABILITIES		
Other payables	**6,105**	12,054
Lease liabilities	**1,208**	148
Convertible redeemable preference shares	**–**	172,107
	7,313	184,309
NET CURRENT ASSETS	**790,415**	74,271
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,318,012**	156,701
NON-CURRENT LIABILITY		
Lease liabilities	**1,145**	488
NET ASSETS	**1,316,867**	156,213
CAPITAL AND RESERVES		
Share capital	**3,576**	677
Reserves	**1,313,291**	155,536
TOTAL EQUITY	**1,316,867**	156,213

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movements in the Company's reserves

	Share premium RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Retained earnings/ (accumulated loss) RMB'000	Total RMB'000
At 1 January 2019	–	97,379	–	8,089	105,468
Loss and total comprehensive expense for the year	–	–	–	(12,416)	(12,416)
Issue of ordinary shares	166,271	(101,599)	–	–	64,672
Transaction costs attributable to issue of ordinary shares	(6,813)	4,220	–	–	(2,593)
Recognition of equity-settled share-based payment	–	–	405	–	405
At 31 December 2019	159,458	–	405	(4,327)	155,536
Loss and total comprehensive expense for the year	–	–	–	(236,988)	(236,988)
Conversion of preferred shares into ordinary shares upon the IPO	189,056	–	–	–	189,056
Issue of shares pursuant to the Capitalisation Issue	(2,063)	–	–	–	(2,063)
Issue of shares upon the IPO and exercise of the Over-allotment options	1,136,310	–	–	–	1,136,310
Transaction costs attributable to issue of new ordinary shares	(80,263)	–	–	–	(80,263)
Recognition of equity-settled share-based payment	–	–	151,703	–	151,703
At 31 December 2020	**1,402,498**	**–**	**152,108**	**(241,315)**	**1,313,291**

39. EVENT AFTER THE REPORTING PERIOD

There is no significant event after the reporting period.

Definitions

"6B11-OCIK Injection"	Injection of Ovarian Cancer Autologous Cytotoxic T Lymphocyte, one of the Group's biologic product pipeline for treatment of ovarian cancer
"Articles of Association"	the articles of association adopted by our Company on 6 June 2020
"Audit Committee"	the audit committee of the Board
"Auditor"	Deloitte Touche Tohmatsu, the external auditor of the Company
"B cells"	a type of lymphocytes
"Beijing Yongtai"	Immunotech Applied Science Limited (北京永泰生物制品有限公司), a limited liability company established in the PRC on 20 November 2006 and an indirect wholly-owned subsidiary of our Company
"Board" or "Board of Directors"	the board of directors of the Company
"CAR-T cells"	chimeric antigen receptor T cells, are T cells that have been genetically engineered to produce an artificial T-cell receptor and chimeric antigen receptors that have been engineered to give T cells the new ability to target a specific protein on the surfaces of cells
"CDE"	Centre for Drug Evaluation of the NMPA
"CEO"	chief executive officer
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China", "Mainland China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this report, Hong Kong, Macau Special Administration Region and Taiwan
"Company", "the Company" or "We"	Immunotech Biopharm Ltd (永泰生物製藥有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 11 April 2018
"Consolidated Affiliated Entity"	the entity we control through the Contractual Arrangements, being Yongtai Ruike
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, in the context of this report, means the controlling shareholders of the Company, being Mr. Tan and Tan Zheng Ltd
"Core Product Candidate"	our "core product" as defined under Chapter 18A of the Listing Rules, namely EAL®
"Convertible Preference Shares"	the convertible preference shares with an aggregate par value of US$5,000.0 issued pursuant to the Preference Share Subscription Agreement by our Company to Poly Platinum
"CRO"	contract research organisation, a company which provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis

Definitions

"CTO"	chief technology officer
"Director(s)"	the director(s) of the Company
"EBV"	Epstein-Barr virus, a member of the herpes virus family
"GMP"	good manufacturing practice, and in the context of PRC laws and regulations, refers to guidelines and regulations from time to time issued pursuant to the PRC Drug Administration Law (中華人民共和國藥品管理法) as part of quality assurance which aims to minimise the risks of contamination, cross contamination, confusion, and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
"Group" or "the Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HLA"	human leukocyte antigen, a gene complex encoding the major MHC proteins
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HPV"	human papillomavirus
"IND"	investigational new drug
"Independent Non-executive Director(s)"	independent non-executive Director(s)
"Industry Fund"	the cellular immunotherapy specialised industry fund (細胞免疫治療專項產業基金)
"Korea"	Republic of Korea
"License Agreement"	the license agreement dated 30 December 2020 made between the Company and T-Cure in relation to the grant exclusive license to the Company to use T-Cure IP for the development, manufacturing and commercialisation of Licensed Products in the Territory pursuant to the terms of the License Agreement
"Licensed Patent Rights"	licensed patent rights of 800TCR, which is a T cell receptor (TCR) encoded by a retrovirus (including lentivirus) recognising the HERVE-E tumour antigen
"Licensed Product(s)"	tangible materials within the scope of one or more claims of the Licensed Patent Rights
"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on 10 July 2020
"Listing Date"	10 July 2020, being the date on which the Shares were listed on the Main Board

Definitions

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"lymphocytes"	a sub-type of white blood cells, such as T cells, B cells and NK cells
"Main Board"	the Main Board of the Stock Exchange
"MHC"	major histocompatibility complex, proteins found on the surfaces of cells specialised for displaying short peptide fragments on the surface of cells
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"NIH"	the U.S. Department of Health and Human Services, as represented by the National Heart, Lung, and Blood Institute, an institute or center of the National Institutes of Health
"NK cells"	natural killer cells, a type of lymphocyte and a component of innate immune system
"NMPA"	National Medical Products Administration of the People's Republic of China
"Nomination Committee"	the nomination committee of the Board
"Poly Platinum"	Poly Platinum Enterprises Limited, a business company incorporated in the BVI on 9 November 2018 and a direct wholly-owned subsidiary of Greater Bay Area Homeland Development Fund LP (大灣區共同家園發展基金有限合夥), an Independent Third Party
"Preference Shares Subscription Agreement"	the subscription agreement dated 3 June 2019, as amended and supplemented by the first supplemental subscription agreement dated 12 June 2019 entered into, among other parties, between Poly Platinum and our Company in relation to the subscription of 5,000 Convertible Preference Shares for HK$200 million
"Prospectus"	the prospectus issued by the Company dated 29 June 2020
"R&D"	research and development
"Registered Shareholders"	the registered shareholders of Yongtai Ruike, being Mr Tan Zheng and Dr Wang Yu
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the 12-month period from 1 January 2020 to 31 December 2020
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended supplemented or otherwise modified from time to time

Definitions

"Shaoxing Binhai Investment Fund"	Shaoxing Binhai New Area Biomedical Industry Equity Investment Fund Partnership (LP)* (紹興濱海新區生物醫藥產業股權投資基金合夥企業（有限合夥）)
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary shares with a nominal value of US$0.001 each in the capital of the Company
"SMO"	site management organisation, a company that provides clinical trial related services
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	the subscription agreement dated 31 December 2020 entered into among the Company, as subscriber, and Tasly Bioscience, for itself and in its capacity as general partner of the Investment Fund
"T cells" or "T lymphocytes"	a type of lymphocytes produced or processed by the thymus gland and actively participating in the immune response, which plays a central role in cell-mediated immunity. T cells can be distinguished from other lymphocytes, such as B cells and NK cells, by the presence of a T cell receptor on the cell surface
"T-Cure"	T-Cure Bioscience, Inc.
"T-Cure IP"	the know-hows, patent rights and processes that are controlled or owned by T-Cure necessary or useful to develop, manufacture or commercialise the Licensed Products
"Tasly Bioscience"	Tasly Bioscience Fund Limited
"TCR"	T cell receptor, a molecule found on the surface of T cells responsible for recognising fragments of antigen
"Territory"	Korea, PRC, including Hong Kong and Macau, but (for the purpose of the relevant transaction) excluding Taiwan
"TGF-ß"	transforming growth factor beta, a family of proteins involved in regulating and mediating processes at the cellular level
"U.S. dollar(s)", "USD" or "US$"	United States dollars, the lawful currency of the United States of America
"Yongtai Ruike"	Beijing Yongtai Ruike Biotechnology Company Ltd (北京永泰瑞科生物科技有限公司), a company established in the PRC with limited liability on 8 June 2018 and is a wholly-owned subsidiary of the Company

In this annual report, capitalized terms used shall have the same meanings as those defined in the Prospectus, unless the context otherwise requires.