

**HARBOUR**  
BIOMED

**和 鉑 醫 藥 控 股 有 限 公 司**  
**HBM HOLDINGS LIMITED**

( incorporated in the Cayman Islands with limited liability )

Stock Code : 02142

**2021**  
**Annual Report**





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# Corporate Information

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Dr. Jingsong Wang (*Chief Executive Officer*)  
(*Chairperson*)  
Mr. Xiaoxiang Chen

### NON-EXECUTIVE DIRECTORS

Mr. Yu Min Qiu  
Mr. Junfeng Wang  
Ms. Weiwei Chen

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Robert Irwin Kamen  
Dr. Xiaoping Ye  
Mr. Ka Chi Yau

## AUDIT COMMITTEE

Mr. Ka Chi Yau (*Chairperson*)  
Mr. Yu Min Qiu  
Dr. Xiaoping Ye

## REMUNERATION COMMITTEE

Dr. Xiaoping Ye (*Chairperson*)  
Dr. Jingsong Wang  
Mr. Ka Chi Yau

## NOMINATION COMMITTEE

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

## AUTHORIZED REPRESENTATIVES

Dr. Jingsong Wang  
Mr. Richard Yu Fu

## JOINT COMPANY SECRETARIES

Mr. Richard Yu Fu  
Mr. Wing Yat Christopher Lui

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

P.O. Box 472, Harbour Place, 2nd Floor  
103 South Church Street, George Town  
Grand Cayman KY1-1106  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN CHINA

12th Floor, Tower A  
Fenglin International Plaza Phase II  
420 Fenglin Road, Xuhui District  
Shanghai, China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

International Corporation Services Ltd.  
P.O. Box 472, Harbour Place, 2nd Floor  
103 South Church Street, George Town  
Grand Cayman KY1-1106, Cayman Islands

## HONG KONG SHARE REGISTRAR

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

### **AUDITOR**

Ernst & Young  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
27/F, One Taikoo Place, 979 King's Road  
Quarry Bay, Hong Kong

### **LEGAL ADVISER**

Skadden, Arps, Slate, Meagher & Flom and  
affiliates

### **COMPLIANCE ADVISER**

Guotai Junan Capital Limited

### **PRINCIPAL BANKS**

China Merchants Bank, Shenzhen Branch  
23/F, No. 2016 Shennan Boulevard, Futian District  
Shenzhen, China

### **COMPANY WEBSITE**

[www.harbourbiomed.com](http://www.harbourbiomed.com)

### **STOCK CODE**

02142



# Corporate Profile

Incorporated in July 2016, we are a clinical-stage biopharmaceutical company engaged in the discovery and development of differentiated antibody therapeutics in immunology and oncology disease areas. We are committed to the discovery, development and commercialization of novel antibody therapeutics to address current patients' needs.

## ROBUST PORTFOLIO AND DIFFERENTIATED PIPELINE

We have a robust and diversified pipeline of more than ten potentially differentiated drug candidates, four of which are in clinical development stage. HBM9161, HBM9036, HBM4003 and HBM7008 are our main products.

### BATOCLIMAB (HBM9161)

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

### TANFANERCEPT (HBM9036)

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

### HBM4003

HBM4003 is a next-generation, fully human anti-CTLA-4 antibody against cytotoxic T-lymphocyte-associated antigen-4 (CTLA-4), one of the major negative regulators of T cell responses. It is also our first internally developed molecule generated on our HCAb Platform, which we have advanced from candidate selection to clinical stage within three years. HBM4003 is the first fully human heavy chain only anti CTLA-4 antibody entered into clinical development around the world in history, and has favorable properties compared with conventional anti-CTLA-4 antibodies in pre-clinical settings. Compared with conventional CTLA-4 antibody, HBM4003 has unique, favorable properties including significant Treg cell depletion and improved pharmacokinetics (“**PK**”) for better safety. While increasing the potential to selectively deplete intratumoral Treg cells via enhanced antibody-dependent cellular cytotoxicity (“**ADCC**”) strategy, we believe HBM 4003 will be able to break the significant immune-suppressive barrier of anti-cancer immunotherapies in solid tumors. HBM4003 has great potential to overcome the efficacy and toxicity bottleneck with the existing CTLA-4 therapy, and become the core product in cancer immunotherapy.

## HBM7008

HBM7008 is a bispecific antibody targeting Tumor Associated Antigen (B7H4)x4-1BB that not only displays high potency in the T cell co-stimulation and tumor growth inhibition, and potentially may also translate to better safety due to its strict dependency of TAA-mediated crosslinking T cell activation. HBM7008 is one of the fully human bispecific antibodies developed from the HBICE® platform of the Company. It is the only bispecific antibody against these two targets globally. Its unique specificity on tumors and immune modulation activity makes it a promising therapeutics in PD-L1 negative or PD1/PD-L1 resistant patients. It also has the potential to avoid 4-1BB liver toxicity risk observed in other products with the benefit of its innovative biology mechanisms and bispecific design.

As a biopharmaceutical company engaged in the discovery and development of differentiated antibody therapeutics in immunology and oncology disease areas, we also explored and developed multiple programs including novel and challenging mAbs such as HBM1022 (CCR8), HBM1020 (B7H7, also potentially first-in-class on this target), HBM1007 (a CD73 targeted mAb working through dual modes of action) and HBM9378 (a TSLP targeted mAb with better bioavailability), and bispecific antibodies generated from our HBICE® platform with novel design and differentiated mechanism such as HBM7020 (BCMAxCD3).

## LEADING DRUG INNOVATION AND DISCOVERY ENGINE

HBM4003 and other multiple programs were developed through our proprietary Harbour Mice® Platform. Our Harbour Mice® Platform generates fully human monoclonal antibodies in the classical two heavy and two light chain H2L2 format as well as heavy chain only (HCAb) format. Our H2L2 Platform generates, at a rapid rate and in a scalable fashion, classical two heavy and two light immunoglobulin chain antibodies (H2L2) with optimized fully human variable regions, allowing for endogenous affinity maturation and immune effector function. Our HCAb Platform is a human antibody platform that engineers “heavy chain only” antibodies (HCAb) in a wide variety of formats (such as nanobodies, bispecific or multispecific antibodies and CAR-T) and with favorable developability. Leveraging the technology know-how we accumulated on our HCAb Platform, we have independently developed the HBICE® Platform, which focuses on generating differentiated HCAb-based bispecific immune cell engagers potentially capable of delivering tumor-killing effects unachievable by combination therapies. Integrated with our single B-cell cloning platform, our antibody discovery engine is highly productive and efficient to drive innovation and sustainable growth of the Company.

## PLATFORM-VALUE MAXIMIZED BUSINESS COLLABORATIONS

We own the global rights to use and develop our Harbour antibody platforms, enabling us to maximize the value of our platforms to address global unmet medical needs. With the leading discovery engine, we will expand our business collaborations with leading academic institutions and select industrial partners focusing on innovation and efficiency across the world.

The business collaboration model of our Harbour antibody platforms is not only limited to pure technology out-licensing, but also to engage with academic institutions or other leading innovative pioneers in the industry for co-discovery/co-development on next-generation innovative therapy. This platform has been validated by over 50 industry and academic partners. Built upon our strong track record of collaborations, we believe our Harbour antibody platforms will generate the potential on revenue creation and broaden the scope of our business development.

# Financial Highlights

	As of December 31/year ended December 31			
	2021 US\$ in thousands	2020 US\$ in thousands	2019 US\$ in thousands	2018 US\$ in thousands
Revenue	<b>4,308</b>	14,107	5,419	1,483
Cost of sales	<b>(137)</b>	(449)	(623)	(647)
Other income and gains	<b>5,965</b>	5,270	1,581	528
Research and development expenses	<b>(107,103)</b>	(55,244)	(49,477)	(31,630)
Administrative expenses	<b>(40,067)</b>	(46,294)	(10,587)	(6,496)
Finance costs	<b>(176)</b>	(280)	(213)	(532)
(Loss)/gain on fair value change of convertible redeemable preferred shares	<b>–</b>	(213,703)	(13,387)	2,853
Other expenses	<b>(619)</b>	(45)	(301)	(198)
Income tax (expense)/credit	<b>(49)</b>	99	92	56
Loss for the year	<b>(137,878)</b>	(296,539)	(67,496)	(34,583)
Loss per share (Basic and diluted) (USD)	<b>(0.19)</b>	(1.69)	(0.57)	(0.30)
Cash and bank balances	<b>216,304</b>	356,794	33,391	60,292
Total assets	<b>282,361</b>	388,738	69,499	83,499
Total liabilities	<b>59,447</b>	27,730	222,946	169,370
Total equity/(deficit)	<b>222,914</b>	361,008	(153,447)	(85,871)





# Business Highlights

## 1. BATOCLIMAB HBM9161

For MG

- a. Obtained Breakthrough Therapy Designation (“**BT**D”) to therapy for MG from The China Center for Drug Evaluation (the “**CDE**”) in January 2021.
- b. Announced positive topline results from Phase II clinical trial for MG in July 2021, as the first clinical evidence of anti-FcRn therapies in Chinese patients, which showed a statistically and clinically meaningful efficacy of batoclimab over placebo, as well as a favorable safety and tolerability profile.
- c. Completed the first dosing of last patient in the Phase III clinical trial for MG in September 2021.

For TED

- d. Completed the first dosing of last patient in the Phase II/III seamless trial for TED in October 2021.

For ITP

- e. Completed the study of Phase II clinical trial for ITP in China in the second half of 2021.
- f. Completed the data analysis of Phase II clinical trial. The results showed a favourable safety and well tolerability, a significant dose-dependent IgG reduction and the potential to improve platelet counts in ITP patients.

For NMOSD

- g. Completed the first dosing of last patient in Phase Ib/IIa trial of NMOSD in China in June 2021.
- h. Completed the data analysis of the Phase Ib/IIa trial of NMOSD in August 2021, which showed a statistically and clinically meaningful efficacy, as well as a favorable safety and tolerability profile.

For CIDP&PV

- i. Obtained an IND approval to NMPA for CIDP indication in August 2021.
- j. Obtained an IND approval to NMPA for PV indication in November 2021.



### 2. TANFANERCEPT HBM9036

- a. Completed first dosing in ongoing Phase III trial of HBM9036 in China in March 2021 and completed half of the recruitment process by the end of 2021.
- b. Completed the first interim analysis of Phase III trial in January 2022.

### 3. HBM4003

#### Monotherapy

- a. Completed the first dosing of the part 2/dose expansion cohorts (Phase Ib/II) for a global monotherapy trial with advanced solid tumors, including Melanoma, hepatocellular carcinoma (HCC), renal cell carcinoma (RCC), in May 2021.
- b. Released the first data readout of the global Phase I trial for monotherapy, the abstract was published in the European Society For Medical Oncology (ESMO) 2021 in September 2021.
- c. Submitted the topline data of the Phase Ib/II monotherapy trial to American Society of Clinical Oncology (ASCO) 2022 in February 2022.

#### Combo for Melanoma

- d. Completed the first dosing in a Phase I clinical trial for the combination therapy with PD-1 for Melanoma and other advanced solid tumors in China in March 2021.
- e. Completed the first dosing of the last patient in the Phase I trial for the combination therapy for Melanoma in January 2022.
- f. Completed the topline data readout of Phase I trial, which showed promising efficacy and well tolerability.
- g. Completed the dosing of the first patient in its Phase Ib/IIa trial at the stage of dose expansion in combination therapy with PD-1 antibody for Chinese patients suffering from advanced Melanoma and other solid tumors in January 2022.
- h. Submitted the topline data of the Phase I trial to ASCO 2022 in February 2022.

### Combo for NSCLC

- i. Obtained the IND approval of combination therapy with PD-1/PD-1+chemotherapy for NSCLC and other advanced solid tumors in February 2021 from the NMPA and completed its first patient dosing in June 2021.
- j. Completed the first dosing of the last patient in the Phase I clinical trial for the combination therapy with PD-1/PD-1+chemotherapy for NSCLC in February 2022.
- k. Submitted the topline data of the Phase I trial to World Conference on Lung Cancer (WCLC) 2022 in March 2022.

### Combo for HCC&NET/NEC

- l. Obtained 2 new IND approvals from NMPA for both HCC and NET/NEC, with PD-1 combination therapy in September 2021.
- m. Completed the first dosing of the two Phase I trials in January 2022.

## 4. HBM7008

- a. Obtained the IRB approval to commence Phase I trial in Australia in February 2022.

## 5. HBM9378

- a. Obtained the IND approval from NMPA for moderate-to-severe asthma in February 2022.

## 6. BUSINESS DEVELOPMENT

- a. Entered into a subscription agreement with Shanghai NK Cell Technology Limited (“**NK Cell Tech**”), a start-up company engaged in the research and development of novel NK cell therapies, in June 2021, with a consideration of a combination of cash and technologies.
- b. Entered into a strategic collaboration agreement in May 2021 with BioMap, an AI driven research and development platform focusing on precision medicine that is co-founded by Baidu Corporate’s founder/CEO Robin Li and former Baidu Ventures’ CEO Wei Liu. The collaboration covers scientific research, development and transformation of novel antibodies products, which will be based on the Harbour Mice® platform integrated with the advantages of BioMap in AI technology.
- c. Entered into a multi-year, multifaceted research collaboration agreement in June 2021 with Dana-Farber Cancer Institute (“**Dana-Farber**”), a teaching hospital of Harvard Medical School, to co-develop novel biotherapies in cancer treatment.



## Business Highlights

- d. Further advanced academic collaboration with Icahn School of Medicine at the Mount Sinai (“**Mount Sinai**”) in connection with an exclusive license agreement between Mount Sinai and a third party over a collection of antibodies having SARS-CoV-2 (COVID-19) neutralizing properties generated from Harbour Mice® platform, which entitled the Company to receive 25% of the proceeds Mount Sinai derives from the license.

## 7. ACADEMIC CONVENTIONS

- a. Presented HBM1020, a newly discovered fully human anti-B7H7 monoclonal antibody, at the American Association for Cancer Research (AACR) Annual Meeting in April 2021.
- b. Presented HBM7022 (CLDN18.2xCD3), a novel bispecific antibody at the Antibody Engineering & Therapeutics (AET) Conference in June 2021.
- c. Presented a speech about our unique technology in the field of cell engager bispecific antibody by Dr. Yiping Rong, the Vice President of Discovery of the Group, on the Cell Engager Summit in July 2021.
- d. Presented the first data readout of the global Phase I trial for monotherapy of HBM4003 and the abstract was published in the European Society For Medical Oncology (ESMO) 2021 in September 2021.
- e. Presented the clinical results of Phase II trial for MG of HBM9161 in the 25th World Congress of Neurology (WCN) in October 2021.

For details of any of the foregoing, please refer to the sections below and, where applicable, the Company’s prior announcements.



# Chairman's Statement

Dear Shareholders,

On behalf of the Board, it is my pleasure to share with you the second annual report of the Group. I would like to take this opportunity to walk you through the results we achieved in 2021 and our exciting milestones for 2022.

For us, 2021 has been our first financial year since listing on the Main Board of the Stock Exchange of Hong Kong in December 2020. With greater opportunities, the Company integrated more resources and made more efforts to push forward the development of our portfolio, leveraging our unique global patent protected technology platforms, sustained discovery engine, robust portfolio and worldwide collaboration network. The Company is well positioned in this new era to achieve results that will propel the company to new heights and create robust returns for our Shareholders.

We are navigating a fiercely competitive world that is going through rapid changes. Facing human being's fundamental quest for longevity and quality of life, more biotechnological breakthroughs and innovative therapeutics are demanded. More than ever, it is explicit that only those with truly impactful products can win out in next era of biotechnology.

The Company is dedicated to the research and development (“**R&D**”) and commercialization of our portfolio products to address patients' needs across the globe. We are particularly proud of everything our team accomplished in 2021 given the challenges posed by the COVID-19 pandemic – we achieved rapid advancement of our core products, further strengthened our R&D capabilities and out-licensed internally discovered molecules to top-tier companies across the world. Besides the R&D, we also launched the construction of our pilot plant, and commenced the preparation of commercialization as well in 2021.

## **ADVANCEMENT OF ROBUST PORTFOLIO AND DIFFERENTIATED PIPELINE**

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

Our core products, batoclimab (HBM9161) and tanfanercept (HBM9036), are at the late stage of clinical development with multiple on-going pivotal and non-pivotal trials. In 2021, for batoclimab, we completed Phase II clinical trial for MG in China and reported the results during the middle of the year. As the first-in-class FcRn inhibitor being developed in Greater China, we have formulated a tiered “portfolio-in-a-product” development strategy for batoclimab with an aim to submit BLA to the NMPA for the first indication in 2022. We are very excited to bring this novel therapy to patients in China and are optimistic about its market potential.

For tanfanercept, we see great potential to seize a sizeable market share in the fast-growing dry eye disease drug market in China. With an increasingly aging population and surge in screen usage time the incidence of dry eye disease has rapidly increased and we believe it may continue to do so. We aim to provide effective therapy to fight against it. With Phase III clinical trials on expected schedule, we believe this product is on track for a BLA filing in 2022.



## Chairman's Statement

In 2021, HBM4003 initiated its global clinical development program for multiple indications. As a pioneer, HBM4003 is the next-generation, fully human heavy chain only anti-CTLA-4 antibody discovered and developed through in-house efforts. It is also the first fully human heavy chain only antibody which has entered into clinical development around the world. Within three years, this flagship program has advanced from candidate selection to clinical stage and the topline data readout of Phase I study in Australia was achieved in the first half of 2021. The results of Phase I trial showed good safety profile with a strong potential on efficacy – we even place greater expectations on clinical benefits in combination therapy. In 2021, we widened the indications of combination therapy for HBM4003's global clinical development project, including Melanoma, NSCLC, HCC and NET/NEC. We plan to initiate the global registration of clinical studies in 2022.

### LEADING DRUG INNOVATION AND DISCOVERY ENGINE

Driven by our unique platforms, we recently developed new assets such as HBM9378 (a collaboration project targeting TSLP) and HBM1020 (the globally first-in-class product targeting B7H7) in 2021. We also submitted the IRB application of HBM7008 (a 4-1BB based bispecific antibody also generated from HBICE®) and the IND application of HBM9378 at the end of 2021. We aim to continuously deliver two or more IND submissions generated from our discovery engine each year from 2021 onwards.

Another example demonstrating our strong research capabilities is the discovery of HBM7008, a novel product targeting B7H4 and 4-1BB. Developed from our immune cell engager platform HBICE®, HBM7008 is, globally, the only bispecific antibody against these two targets. With excellent safety profile and strong anti-tumor efficacy in the pre-clinical study, including completed response observed in mouse tumor model, we believe HBM7008 will display a strong potential in Phase I trial as a globally first-in-class therapy.

### PLATFORM-VALUE-MAXIMIZED BUSINESS COLLABORATIONS

In 2021, we continued to expand our business collaborations with leading academic institutions and select industrial partners focusing on innovation and efficiency across the world. We believe our flexible business models built around our proprietary technologies and platforms can and will maximize our platform value by leveraging complementary advantages from the Company and our collaborators.

We established strategic collaborations with academic institutions such as Mount Sinai Health System and Dana-Farber Cancer Institute, among others to translate bench-side to bed-side in real world setting. We out-licensed the Greater China rights of three antibodies to Hualan Genetic to accelerate their development with higher capital efficiency and we expect these products will be ready for IND submission in 2022.

To give full play to the value of our unique platform technologies, we continued to explore the expandability of platform technology application scenarios which generate impactful values to the Company. We are incubating several joint ventures focusing on next-generation innovation ranging from multivalence to cell therapies, etc. Their common feature is to increase the application scenarios of our technology platform to bring incremental value creation to the Company. In other words, this “technology for equity” model allows us to integrate incremental resources for a diversified deployment of our next-generation innovation, which will continuously bring us new value growth points with minimal marginal investment.

### 2022 OUTLOOK: EXTENSIVE GLOBALIZATION AND BREAKTHROUGH INNOVATION

Looking to the future, we will keep moving towards our mission to become the leading company in driving global innovation of next generation antibody therapeutics. In 2022, we will advance the multiple clinical trials of our core products, batoclimab and tanfanercept, and prepare for their commercial launch in the near future. The first BLAs of these two products are expected to be submitted in this year. And we will further invest in HBM4003, the next-generation anti-CTLA-4 antibody, to fully advance the global clinical development project, as well as other projects generated from our discovery engine with an approach of designing molecules against novel targets or innovative molecules against known targets.

A range of products, including HBM7008 which is based on our technology platform and generated from the concept of T-cell engager and NK cell engager, will be pushed forward to clinical stage in the following years. With a combination of in-house development and business collaborations, we believe the Company will form a portfolio of products with a differentiated competitive advantage in immuno-oncology.

The platform-valued-maximized business collaborations will further drive the Company down the path of global development. We have seen very exciting value through these platform-based collaborations with top institutions around the world as our preclinical products become increasingly mature, more extensive global collaborations are expected in 2022.

With the maturity of our pre-clinical products, our pilot scale facilities were launched in 2021 and we expect to be ready for manufacturing by 2022. The internal manufacture capabilities and capacity from pilot scale to commercialization is a phased long-term plan to meet the needs of the steady growth of the Group, as well as a continued optimization based on return efficiency assessment.

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

Last but not least, on behalf of the Board and management team, I would like to thank our colleagues for their dedication and contribution. Our gratitude also extends to our Shareholders, our partners and external service providers for their continued support. We look forward to building another prosperous year in 2022 with all relevant parties.

**Jingsong Wang**

*Chairman of the Board*

24 March 2022



# Management Discussion and Analysis

## OVERVIEW

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

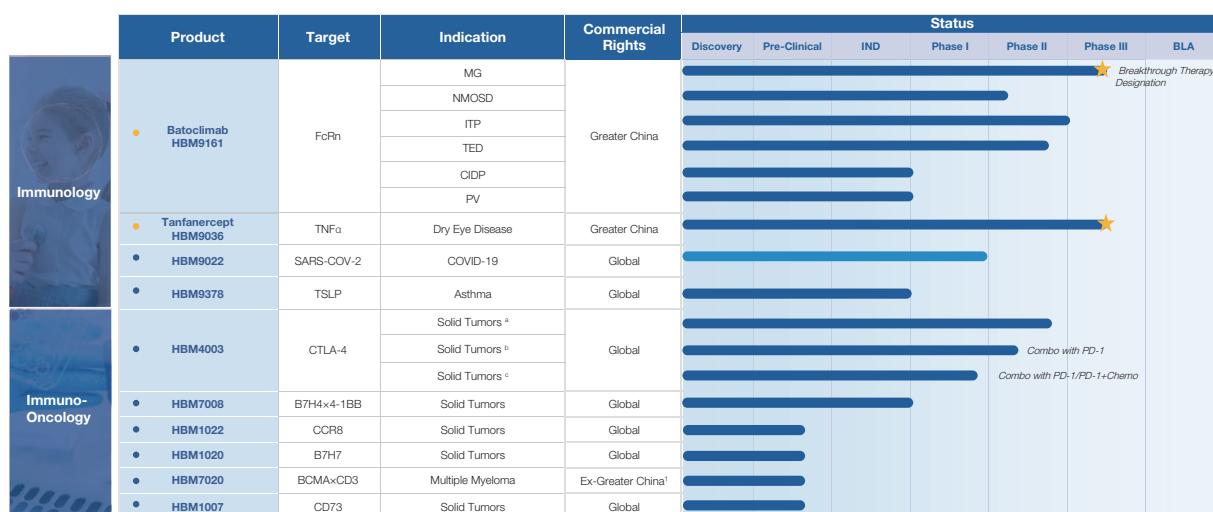
Our proprietary antibody technology platforms, Harbour Mice®, generate fully human monoclonal antibodies in the classical two heavy and two light chain (H2L2) format, as well as heavy chain only (HCAb) format. Building upon our HCAb antibodies, the HCAb-based immune cell engagers (HBICE®) are capable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

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



## PORTFOLIO:

We have 10 drug candidates focused on oncology and immunological diseases in pre-clinical to late clinical stages. The following table summarizes our product pipeline and the development status of each drug candidate in the areas indicated in the chart at the right column.



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

1. Greater China rights out-licensed to Hualan Genetics  
a. Melanoma, HCC, RCC and Other Advanced Solid Tumors  
b. Melanoma, HCC, NET/NEC and Other Advanced Solid Tumors  
c. NSCLC and Other Advanced Solid Tumors

### Notes:

ITP: Immune thrombocytopenia  
TED: Thyroid Eye Disease  
MG: Myasthenia Gravis  
NMOSD: Neuromyelitis optical spectrum disorder  
CIDP: Chronic inflammatory demyelinating polyneuropathy

PV: Pemphigus Vulgaris  
HCC: Hepatocellular carcinoma  
RCC: Renal cell carcinoma  
NSCLC: Non-Small Cell Lung Cancer  
NET/NEC: Neuroendocrine neoplasm

### BUSINESS REVIEW

Since 2021, China's healthcare reform has further deepened, and the reform of the pharmaceutical industry has gradually developed in depth and breadth amidst policy and market changes. Looking back at the overall industry landscape, the adjustment of medical insurance catalogues, medical insurance price negotiations and the new round of volume-based procurement have brought continuous challenges to drug prices, especially for the pricing of less differentiated products. Meanwhile, the exploration of medical insurance payment reform has also driven the industry to focus more on the drugs' potency-price ratio. On one hand, the newly revised "Drug Registration Regulation" (the "DRR") took effect on 1 July 2020. The DRR and its supplementary measures provide several accelerated pathways for new drug development and approval, aiming to encourage clinical value-oriented drug innovation, accelerate the filing of clinically urgent drugs and address unmet clinical needs, which will ultimately benefit more patients. On the other hand, the new policy imposes new requirements on the quality of clinical trials and the protection of patient privacy. We are also paying attention to relevant policy changes in major countries around the world to align our product development with the rules and regulations of the region where the products are registered. Overall, against the backdrop of healthcare services upgrades and acceleration of the aging of the population, industry demand is still large and growing steadily. Furthermore, the industry as a whole is still on an upward trend which brings greater market opportunities for differentiated innovative drugs. Since the promulgation of the Drug Administration Law, particularly in 2021, policies orientation has continued to encourage clinical value-oriented drug innovation. The Company has been upholding the clinical value-oriented product line layout, and the forward-looking clinical development.

With the gradual improvements of the structural adjustment of the pharmaceutical industry, a new ecosystem has formed in the industry. The Company will further optimize its strategies for research, development, product registration and patenting by focusing on the development of highly differentiated products with clear value that can meet clinical needs, planning the product cycles adequately and initiating market education and marketing cycle. We believe that the Company's pipeline products will have broad market prospects in the future.

### OUR PRODUCT DEVELOPMENT

#### Development Progress of Main Products

##### 1. *Batoclimab HBM9161*

As the first in class FcRn inhibitor being developed in Greater China, we have formulated a tiered "portfolio-in-a-product" development strategy for batoclimab with an aim to submit the BLA to NMPA for the first indication in 2022. We are very excited to bring this novel therapy to patients in China and are optimistic about its market potential. In the past year, we continued to move forward with the clinical development of batoclimab and announced the positive topline results of its Phase II trial in Chinese generalized myasthenia gravis patients. Batoclimab is also the first clinical evidence of anti-FcRn therapies in Chinese patients. During the Reporting Period, batoclimab entered into comprehensive clinical development stage:

## Management Discussion and Analysis

### MG

- a. Obtained Breakthrough Therapy Designation to therapy for MG from The China Center for Drug Evaluation in January 2021.
- b. Announced positive topline results from Phase II clinical trial for MG in July 2021, as the first clinical evidence of anti-FcRn therapies in Chinese patients, which showed a statistically and clinically meaningful efficacy of batoclimab over placebo, as well as a favorable safety and tolerability profile. Key results of the Phase II Study include: (i) analysis of primary endpoint revealed both 340 mg and 680 mg of batoclimab treatment resulted in rapid, clinically meaningful, and statistically significant improvements over placebo by MG-ADL score reduction from baseline on Day 43, a week after the last dose of batoclimab (4.4 for batoclimab, 2.2 for placebo,  $p=0.043$ ); (ii) batoclimab induced rapid, substantial and persistent clinical improvement over placebo as measured by all four predefined clinical efficacy scales: MG-ADL, QMG, MGC and MG-QoL15; (iii) 57% and 76% of patients in the treatment arm showed persistent clinical improvements ( $\geq 2$  points in MG-ADL and  $\geq 3$  points in QMG for a period of 6 consecutive weeks) versus 33% in MG-ADL and 11% in QMG in placebo; and (iv) all patients on treatments showed robust IgG reduction (decreased 57% and 74% from baseline on Day 43 in 340-mg and 680-mg groups, respectively) strongly correlated with clinical improvements.

Batoclimab treatment was shown to be overall safe and well-tolerated, with incidence of treatment-emergent adverse events (“**TEAE**”) comparable to placebo, majority of AEs characterized as mild, no serious adverse events (“**SAE**”) and no discontinuation due to AEs.

- c. Completed the first dosing in the Phase III clinical trial for MG in September 2021.

With the positive topline readout results of Phase II trial, as well as the progress of Phase III trial which we will rapidly push forward, we plan to file the BLA in 2022.

### TED

- a. Completed the first dosing in the Phase II/III seamless trial for TED in October 2021.

The topline data readout of Phase II/III trial is expected to be released in the second half of 2022 and we plan to file the BLA to NMPA in 2024.

### ITP

- a. Completed the study of Phase II clinical trial for ITP in China in the middle of 2021.
- b. Completed the data analysis of Phase II clinical trial in the second half of 2021. The results showed a favourable safety and well tolerability, a significant dose-dependent IgG reduction and the potential to improve platelet counts in ITP patients.



## Management Discussion and Analysis

We are currently evaluating the competitive landscape of ITP and further assessing our development strategy and opportunities on this indication.

### NMOSD

- a. Completed the first dosing of last patient in Phase Ib/IIa trial of NMOSD in China in June 2021.
- b. Completed the data analysis of the Phase Ib/IIa trial of NMOSD in August 2021, which showed a statistically and clinically meaningful efficacy, as well as a favorable safety and tolerability profile. No severe TEAEs and SAEs were observed in the trial and no discontinuation due to AEs. Significant clinical improvement was observed in EDSS assessment.

We plan to file the BLA to NMPA in 2023.

### PV&CIDP

- a. Obtained an IND approval to NMPA for CIDP indication in August 2021.
- b. Obtained an IND approval to NMPA for PV indication in November 2021.

With the continued evolution of the market environment, regulatory policies and competitive landscape, we will continue to evaluate our development plans and strategies for batoclimab and adjust them as appropriate. We currently have MG as the priority of our development programs and will focus on the clinical development and commercial launch of this indication.

## 2. *Tanfanercept HBM9036*

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

- a. Completed first dosing in currently ongoing Phase III trial of HBM9036 in China in March 2021 and completed half of the recruitment process by the end of 2021.
- b. Completed the first interim analysis of Phase III trial in January 2022.

We will make full efforts to accelerate the progress of Phase III trial and we plan to file the BLA to NMPA in the second half of 2022.

### 3. *HBM4003*

HBM4003 is the next-generation, fully human heavy chain only anti-CTLA-4 antibody discovered and developed through our in-house efforts. It is also the first fully human heavy chain only antibody entered into clinical development around the world. We have implemented the global development plan of multiple types of solid tumors with adaptive treatment design for HBM4003. With the exciting topline data of the Phase I trial of monotherapy, we place greater expectations on the combination therapy as the next-generation anti-CTLA-4 antibody. This flagship program advanced from candidate selection to clinical stage within three years and made significant progress:

#### Monotherapy

- a. Completed the first dosing of the part 2/dose expansion cohorts (Phase Ib/II) for a global monotherapy trial with advanced solid tumors, including Melanoma, hepatocellular carcinoma (HCC), renal cell carcinoma (RCC), in May 2021.
- b. Achieved the first data readout of the global Phase I trial for monotherapy, the abstract was published on the 2021 European Society For Medical Oncology (ESMO) Congress in September 2021.
- c. Submitted the topline data of the Phase Ib/II monotherapy trial to ASCO 2022 in February 2022.

#### Combo for Melanoma

- a. Completed the first dosing in a Phase I clinical trial of combination therapy with PD-1 for Melanoma and other advanced solid tumors in China in March 2021.
- b. Completed the first dosing of the last patient in the Phase I clinical trial of the combination therapy for Melanoma in January 2022.
- c. Completed the readout of topline data of Phase I trial, which showed promising efficacy (PR (partial response) observed in Melanoma and Urothelial Carcinoma patients) and well tolerability ( $\geq$ G3 TRAE was 13%, no fatal TRAE. No new signals or unexpected toxicities in combo therapy).
- d. Completed the dosing of the first patient in its Phase Ib/IIa trial at the stage of dose expansion in combination therapy with PD-1 antibody for Chinese patients suffering from advanced Melanoma and other solid tumors in January 2022.
- e. Submitted the topline data of the Phase I trial to ASCO 2022 in February 2022.

We expect to release the topline data of Phase I trial in the first half of 2022.



## Management Discussion and Analysis

### Combo for NSCLC

- a. Obtained the IND approval of combination therapy with PD-1/PD-1+chemotherapy for NSCLC and other advanced solid tumors in February 2021 from the NMPA and completed its first patient dosing in June.
- b. Completed the first dosing of the last patient in the Phase I clinical trial for the combination therapy with PD-1/PD-1+chemotherapy for NSCLC in February 2022.
- c. Submitted the topline data of the Phase I trial to WCLC 2022 in March 2022.

We expect to release the topline data of Phase I trial in the second half of 2022.

### Combo for HCC&NET/NEC

- a. Obtained 2 new IND approvals from NMPA for both HCC and NET/NEC, with PD-1 combination therapy in September 2021.
- b. Completed the first dosing of the two Phase I trials in January 2022.

With the rapid advancement of our clinical development globally, we are excited to see the encouraging data from the Phase I trial. We expect to see more data to be released in the first half of 2022, especially the Proof-of-Concept (“**POC**”) evidence in selective solid tumors.

#### 4. *HBM7008*

HBM7008 is a bispecific antibody targeting Tumor Associated Antigen (B7H4)x4-1BB that not only displays high potency in the T cell co-stimulation and tumor growth inhibition, and potentially may also translate to better safety due to its strict dependency of TAA-mediated crosslinking T cell activation. HBM7008 is one of the fully human bispecific antibodies developed from the HBICE® platform of the Company. HBM7008 is the only bispecific antibody against these two targets globally. We have obtained the IRB approval for the Phase I trial of HBM7008 in Australia in February 2022. With excellent safety profile and strong anti-tumor efficacy in the pre-clinical study, including completed response observed in mouse tumor model, we believe HBM7008 will display a strong potential in Phase I trial as a globally first-in-class therapy.

#### **Other development projects (including projects of collaborative development)**

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

### 1. *HBM1020*

HBM1020 is a first-in-class fully human monoclonal antibody generated from H2L2 platform, against a target in B7 family. The antibody can enhance anti-tumor immunity by blocking the immune checkpoint target. Preclinical data demonstrated its immune activation and anti-tumor functional activities.

The molecule has entered into preclinical development and we plan to file an IND in 2022.

### 2. *HBM1022*

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

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

### 3. *HBM9378*

We rely on in-house technology platforms to co-develop fully human monoclonal antibody drugs of new targets, wherein HBM9378, in collaboration with Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. (“**Kelun-Biotech**”), has entered into clinical development stage.

HBM9378 is a fully human monoclonal antibody against TSLP (thymic stromal lymphopoietin) generated from H2L2 platform. It inhibits the TSLP mediated signaling pathway by blocking the interaction between TSLP and TSLP receptor. TSLP plays important roles in DC cell maturation, T helper 2 (Th2) cell polarization and inflammation, particularly in both eosinophilic and non-eosinophilic inflammation asthma. HBM9378 has fully human sequences with less immunogenicity risk and better bioavailability compared to other TSLP target competitors. The long half-life optimization and outstanding biophysical properties support its favorable dosing and formulation advantages.

We obtained the IND approval in February 2022 and plan to initiate a Phase I trial this year.

### 4. *HBM1007*

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

HBM1007 is being studied in pre-clinical settings. We expect to file an IND for HBM1007 in 2022.





## Management Discussion and Analysis

### 5. *HBM7020*

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

HBM7020 is being studied in pre-clinical settings. We expect to file the IND submission both in China and the U.S. for HBM7020 in 2022 with our partner.

### 6. *HBM9022*

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

The Company's H2L2 Harbour Mice® platform could find and develop effective drug candidates quickly, of which the neutralizing nature of ABBV-47D11's cross-reactiveness makes it an ideal drug candidate for fighting against COVID-19. In 2021, HBM9022 completed the global Phase I trial and the data analysis showed an excellent safety profile with a potential for anti-SARS-CoV-2 activity or its mutation in its global Phase I trial, which also proved HBM9022 is an ideal candidate for combination therapy.

Considering the competitive global environment on the treatment of COVID-19, we will seek further collaboration on combination therapy with HBM9022.

## Research, Development and Technology

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

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

- Applied for nearly 65 patents, including a group of patents for the ADC development platform, and 6 have been granted invention patent license by the China National Intellectual Property Administration. These patent applications have further strengthened the protection of intellectual property rights of the Company's core products and technology platforms.



## Management Discussion and Analysis

- Presented “Structural basis for SARS-CoV-2 neutralizing antibodies with novel binding epitopes” with the group of Academician Rao Zihé and Professor Guo Yu of Nankai University on PLOS Biology.
- Presented HBM1020, a newly discovered fully human anti-B7H7 monoclonal antibody, at the American Association for Cancer Research (AACR) Annual Meeting in April 2021.
- Presented HBM7022 (CLDN18.2xCD3), a novel bispecific antibody at the Antibody Engineering & Therapeutics (AET) Conference in June 2021.
- Presented a speech about our unique technology in the field of cell engager bispecific antibody by Dr. Yiping Rong, the Vice President of Discovery of the Group, on the Cell Engager Summit in July 2021.
- Presented the first data readout of the global Phase I trial for monotherapy of HBM4003. The abstract was published in the 2021 European Society For Medical Oncology (ESMO) Congress in September 2021.
- Presented the clinical results of Phase II trial for MG of batoclimab in the 25th World Congress of Neurology (WCN) in October 2021.

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

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

### Business Development

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

The Company entered into a strategic collaboration agreement in May 2021 with BioMap, an AI driven research and development platform focusing on precision medicine that is co-founded by Baidu Corporate’s founder/CEO Robin Li and former Baidu Ventures’ CEO Wei Liu. The collaboration covers scientific research, development and transformation of novel antibodies products, which will be based on the Harbour Mice® platform integrated with the advantages of BioMap in AI technology.



## Management Discussion and Analysis

The Company entered into a multi-year, multifaceted research collaboration agreement in June 2021 with Dana-Farber Cancer Institute, a teaching hospital of Harvard Medical School, to co-discover/develop novel biotherapies in cancer treatment. Researchers from the Company and Dana-Farber will be working together to develop novel oncologic drugs, including bispecific antibodies and CAR-T cell products. In recent years, bispecific antibodies and CAR-T cell therapies are both considered as next-generation solutions in the tumor immunology. For their ability to engage two different targets, bispecific antibodies are expected to extend the possibilities of monoclonal antibody (mAb) therapeutics, and CAR-T cell therapy is an innovative immunotherapy that uses specially altered T-cells to redirect them to target cancer cells.

The Company further advanced academic collaboration with the Icahn School of Medicine at Mount Sinai ("**Mount Sinai**"), a part of the Mount Sinai Healthcare System. The collaboration relates to an exclusive licensing agreement between Mount Sinai and a third party over a collection of antibodies having SARS-CoV-2 (COVID-19) neutralizing properties generated from the Harbour Mice® platform, which entitled the Company to receive 25% of the proceeds Mount Sinai derives from the license.

With the further advanced strategic collaboration with Hualan Genetic Engineering Co., Ltd. ("**Hualan Genetic**"), in respect of three innovative monoclonal antibody and bispecific antibody drugs independently developed by the Company for therapies in various types of tumors, these three assets are expected to file the INDs in 2022.

### Manufacturing and Commercialization

As our pre-clinical products reach maturity, we planned to build internal manufacturing capability and capacity in due course. In 2021, we initiated the Clinical Supply Manufacturing Facility Project in order to support clinical development of our pipeline projects. The facility is located at Suzhou, Jiangsu Province. The facility which covers about 8,500 m<sup>2</sup>, is designed to have capacity of production scale up to 4,000L. We believe that, with our expectation on a rapid growth of our pre-clinical products in the future, the internal manufacturing capability is very important for us to support the clinical medication needs. With the initiation and fast building of our CMC team, we expect the facility to be ready for manufacturing by 2022.

Furthermore, we have commenced building an internal commercial team with in-depth knowledge, experience and expertise in sales, marketing and market access strategies across a range of therapeutical areas. During the Reporting Period, the commercial team initiated relevant works including market access and pre-launch effects to prepare for the future launch of our leading products. We believe that the internal commercial team has a deeper understanding of the Company's portfolio, which is conducive to academic promotion and channel expansion in the future.

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

### Material Investment, Acquisition and Disposals

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

To give full play to the value of our unique platform technologies, we continued to explore the expandability of platform technology application scenarios which generate impactful values to the Company. With limited investments, we are incubating several joint ventures focusing on next generation innovation varying from multivalent to cell therapies, etc. Their common objective is to increase the application scenarios of our technology platform and create the incremental value for the Company. In other words, this “technology for equity” model allows us to integrate incremental resources for the diversification deployment of our next generation innovation which will constantly bring us more new value growth points with minimal marginal investment.

### Investment in NK Cell Tech

In June 2021, the Company entered into an agreement with Shanghai NK Cell Technology Limited (“**NK Cell Tech**”), a startup company established in the PRC with globally leading technology and talents in the NK cell field, in respect of the co-development of novel NK cell therapy. The Company, via Harbour BioMed (Shanghai) Technology Development Co., Ltd (“**HBM Shanghai**”), a subsidiary of the Company, as the co-founder, made an investment in NK Cell Tech. Pursuant to the shareholders' agreement entered into by the parties, HBM Shanghai subscribed for 15.8% of the equity interest in the registered capital of NK Cell Tech for a consideration of cash and technology sublicense agreement. Upon completion of the subscription, the Company, through its subsidiary, held 15.8% of the total equity interest of NK Cell Tech and has the right to appoint a person as a director of the Board. The investment in NK Cell Tech is redeemable ordinary shares with preferential rights. This investment shows the expandability of our platform technology application scenarios which generate impactful values to the Company in the diversified deployment of next generation innovation. It opens up a new channel for our platform technology value creation and conversion. As of 31 December 2021, the Company, through its subsidiary, held 15.0% of the total equity interest of NK Cell Tech as a result of another private equity fund's investment in NK Cell Tech.

The consideration of the subscription was RMB32,660,000 in the form of cash and RMB3,400,000 in the form of technology sublicense agreements. As at 31 December 2021, the fair value of the investment is US\$5.84 million, which represented 2.07% of the Company's total assets. During the Reporting Period, the Group recorded unrealized gain of US\$0.18 million of its investment in NK Cell Tech.

Save as disclosed above and in this report, we have no current plan for material investment, acquisition and disposals.



## Management Discussion and Analysis

### Impact of and response to COVID-19

In 2021, we did not have any suspected or confirmed cases of COVID-19 at our sites or among our employees. To prevent the spread of COVID-19 in our offices and research facilities, we have implemented a comprehensive disease prevention program to protect our employees from COVID-19 infection. The measures we have taken include:

During severe outbreak period –

- a. The Company's management set up an epidemic prevention management team and hold regular meetings to guide epidemic prevention measures;
- b. Track the travel history and health status of employees and their immediate family members/household members;
- c. Send guidance notices such as epidemic prevention guidelines to employees regularly;
- d. Perform declaration and registration on employees who return to work each day;
- e. Temperature check and registration before employees enter the office premises;
- f. Provide masks and alcohol disinfectant wipes for employees;
- g. Require employees to reduce the number of physical meetings and use video and telephone conferencing as much as possible, and sit apart from each other in offline meetings with open windows and ventilation;
- h. Place disinfectant instant hand sanitizer in office/laboratory venues to strengthen disinfection and ventilation measures;
- i. Require employees to sit apart from each other while having meals in the offices;
- j. Reduce visitor arrivals, check health code verification and check temperature for limited visitors, and request visitors to wear masks, among other epidemic prevention measures.

During normal period –

- a. Strengthen reminders and requirements for employees' personal protection through email, WeChat groups, bulletin boards, etc.;
- b. Provide masks and alcohol disinfectant wipes for employees;
- c. Temperature check before employees enter the office premises;

- d. Arrange instant hand sanitizer and other epidemic prevention materials in office, regular disinfection and ventilation;
- e. Carry out registration and temperature check for visitors;
- f. Arrange COVID-19 nucleic acid tests for employees according to the epidemic situation.

During the Reporting Period, the impact of the epidemic on the Company's business was relatively insignificant. The Company's offices and laboratories in Shanghai and Suzhou, China, Rotterdam, the Netherlands and Boston, the U.S. have taken effective measures in response to the epidemic, such as telecommuting and site disinfection. As of the publication date of this report, all of the Company's offices and laboratories are in good operating condition. The epidemic has minimal impact on the Company's overseas operations and there was no significant delay, suspension or termination due to the epidemic. In 2022, the Company will continue to closely monitor the epidemic and take proactive and effective measures to ensure the smooth operation of its global business, R&D and operations.

### Prospects and Outlook

Despite the challenges posed by the global COVID-19 epidemic, the Company is well prepared in terms of research and development and operations. We expect the epidemic to have a relatively limited impact on our operations in 2022. The Company's achievements and growth momentum in 2021 give us confidence that we will be able to successfully address the complex market environment and provide innovative therapeutic drugs for immune diseases and cancer patients in the near future.

Since its establishment, we have been committed to developing innovative therapies for patients around the world and have become an innovative biopharmaceutical company with core technological advantages and a differentiated portfolio. In 2022, the Company will further accelerate the progress of its portfolio. We will advance the multiple clinical trials of our core products, batoclimab and tanfanercept, and get prepared for their commercial launch in the near future. We will further invest in HBM4003, HBM7008 and other projects generated from our discovery engine with an approach of designing molecules against novel targets or innovative molecules against known targets. In addition, we expect to file INDs for at least two new products, and we will continue to identify new quality candidates through Harbour Mice® and HBICE®, our highly effective drug discovery engine.

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



# Management Discussion and Analysis

## FINANCIAL REVIEW

### OVERVIEW

For the year ended 31 December 2021, the Group recorded a revenue of US\$4.3 million, and a loss of US\$137.9 million. Other income and gains were US\$6.0 million for the year ended 31 December 2021, as compared with US\$5.3 million for the year ended 31 December 2020. The research and development costs of the Group were US\$107.1 million for the year ended 31 December 2021, as compared with US\$55.2 million for the year ended 31 December 2020. The administrative expenses were US\$40.1 million for the year ended 31 December 2021, as compared with US\$46.3 million for the year ended 31 December 2020. The loss on fair value change of convertible redeemable preferred shares was nil for the year ended 31 December 2021 and US\$213.7 million for the year ended 31 December 2020.

### REVENUE

Our total revenue was US\$4.3 million for the year ended 31 December 2021, as compared with US\$14.1 million for the year ended 31 December 2020. We currently have no products for commercial sale. Our revenue primarily consists of molecule license fee, technology license fee and platform-based research fee. The aforementioned fees are subject to change on a case-by-case basis.

### COST OF SALES

Our cost of sales consists of mice feeding costs and transportation costs, which decreased from US\$0.4 million for the year ended 31 December 2020 to US\$0.1 million for the year ended 31 December 2021.

### OTHER INCOME AND GAINS

Other income and gains primarily consist of interest income, government grants recognized and other miscellaneous income, which increased from US\$5.3 million for the year ended 31 December 2020 to US\$6.0 million for the year ended 31 December 2021, primarily due to an increase of bank deposit interest income and government subsidy and grants.

### RESEARCH AND DEVELOPMENT COSTS

Our research and development expenses increased significantly from US\$55.2 million for the year ended 31 December 2020 to US\$107.1 million for the year ended 31 December 2021. This increase was primarily attributable to the combined impact of (i) an increase in materials and third-party contracting costs from US\$25.0 million for the year ended 31 December 2020 to US\$61.9 million for the year ended 31 December 2021 due to our increased investments in key clinical programs and molecule assets in discovery and pre-clinical stages; (ii) an increase in employee cost from US\$22.7 million for the year ended 31 December 2020 to US\$28.5 million for the year ended 31 December 2021, mainly caused by an increase in the headcount of our research scientists and development clinician to support in driving our R&D programs.



## Management Discussion and Analysis

For the year ended December 31				
	2021 US\$ in thousands		2020 US\$ in thousands	
Upfront and milestone fees	7,598	7.1%	1,000	1.8%
Employee costs	28,472	26.6%	22,724	41.1%
Materials	9,935	9.3%	4,304	7.8%
Third-party contracting costs	51,983	48.5%	20,657	37.5%
Depreciation and amortization	5,113	4.8%	4,105	7.4%
Others	4,002	3.7%	2,454	4.4%
	107,103	100.0%	55,244	100.0%

### ADMINISTRATIVE EXPENSES

Our administrative expenses decreased from US\$46.3 million for the year ended 31 December 2020 to US\$40.1 million for the year ended 31 December 2021, primarily attributable to (i) US\$6.6 million listing expenses of the Company which were incurred for the year ended 31 December 2020; (ii) a decrease in employee cost from US\$33.6 million for the year ended 31 December 2020 to US\$28.0 million for the year ended 31 December 2021 caused by the decrease of share-based payment expenses in relation to our administration headcount; and (iii) partially offset by increased expenses of consulting and professional services.

For the year ended December 31				
	2021 US\$ in thousands		2020 US\$ in thousands	
Employee costs	28,046	70.0%	33,640	72.7%
Professional expenses	8,749	21.8%	3,786	8.2%
Depreciation and amortization	1,696	4.2%	1,128	2.4%
Listing expenses	–	0.0%	6,580	14.2%
Others	1,576	4.0%	1,160	2.5%
	40,067	100.0%	46,294	100.0%

### LOSS ON FAIR VALUE CHANGE OF CONVERTIBLE REDEEMABLE PREFERRED SHARES

For the year ended 31 December 2021, we did not have any fair value loss of convertible redeemable preferred shares, as compared to US\$213.7 million of the fair value losses of convertible redeemable preferred shares for the year ended 31 December 2020, primarily attributable to all preferred shares that were automatically converted into ordinary shares on a 1:1 basis immediately upon completion of the share subdivision pursuant to the shareholders' resolution passed on 23 November 2020 as a result of the successful IPO of the Company on 10 December 2020. Since then, the Company has had no outstanding preferred shares.

## Management Discussion and Analysis

### LOSS FOR THE YEAR

As a result of the above factors, the loss for the year of the Group decreased by US\$158.7 million from US\$296.5 million for the year ended 31 December 2020 to US\$137.9 million for the year ended 31 December 2021.

### AGEING ANALYSIS OF ACCOUNTS RECEIVABLE

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

#### Ageing Analysis of Accounts Payables

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

	2021 USD'000	2020 USD'000
Within 1 month	23,358	7,740
1-3 months	2,562	197
3-6 months	26	–
6-12 months	47	23
	25,993	7,960

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

### LIQUIDITY AND SOURCE OF FUNDING

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

#### Key Financial Ratios

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

	As of 31 December	
	2021	2020
Current ratio <sup>(1)</sup>	5.87	14.45
Gearing ratio <sup>(2)</sup>	N/A <sup>(3)</sup>	N/A <sup>(3)</sup>

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

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

(3) As at 31 December 2021 and 31 December 2020, the Group's cash and bank balances exceeded the financial liabilities. As such, no gearing ratio as of 31 December 2021 and 31 December 2020 was presented.

## MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the year ended 31 December 2021.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSET

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

## PLEDGE OF ASSETS

As of 31 December 2021, the Group had no pledge of assets.

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as of 31 December 2021 (as of 31 December 2020: nil).

## FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2021, the Group mainly operated in China and the majority of the transactions were settled in Renminbi (“RMB”), whereas the funding source of the Company was United States dollars (“US\$”), the functional currency of the Company. Our financial assets and liabilities are subject to foreign currency risk as a result of certain bank deposits, trade and other receivables and trade and other payables denominated in non-functional currency. Therefore, the fluctuations in the exchange rate of functional currency against non-functional currency could affect our results of operations. We have not entered into any hedging transactions to manage the potential fluctuation in foreign currency as of 31 December 2021.

## BANK LOANS AND OTHER BORROWINGS

As of 31 December 2021, we had bank loans of US\$12.1 million and lease liabilities of US\$7.4 million.

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

	Less than 1 year US\$ in thousands	Between 1-5 years US\$ in thousands	Total US\$ in thousands
As of 31 December 2021			
Lease liabilities	2,594	4,826	7,420
Bank borrowing – unsecured*	797	10,479	11,276
As of 31 December 2020			
Lease liabilities	1,447	278	1,725

\* The bank borrowings carry interest at rates ranging from 4.10% to 4.60% (2020: Nil) per annum.

## Management Discussion and Analysis

### EMPLOYEES AND REMUNERATION

As of 31 December 2021, 370 of our employees were located in the PRC, 14 were located in the United States, and one was located in the Netherlands. The following table sets forth the total number of employees by function as of 31 December 2021:

Function	Number of Employees	% of Total Employees
Research and Development	256	66.5
General and Administrative	129	33.5
Total	385	100.0

The total remuneration cost incurred by the Group for the year ended 31 December 2021 was US\$56.5 million (including share-based payment expenses and certain one-time compensation expenses amounting to US\$20.5 million), as compared to US\$56.4 million (including share-based payment expenses amounting to US\$36.9 million) for the year ended 31 December 2020.

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

# Directors and Senior Management

## EXECUTIVE DIRECTORS

**Dr. Jingsong Wang, M.D., Ph.D.** (王勁松), aged 57, is an executive Director, the chief executive officer and chairman of the Board. Dr. Wang is also a director of HBM Holdings BVI and HBM Therapeutics, as well as the legal representative and chief executive officer of HBM Shanghai, HBM Suzhou, HBM Guangzhou and HBM Beijing. Dr. Wang is the principal founder of the Group and joined the Group in July 2016.

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

Dr. Wang has served as an independent director of Xinjiang Bai Hua Cun Pharma Tech Co., Ltd. (新疆百花村醫藥集團股份有限公司) since September 2021 and an independent non-executive director of Frontage Holdings Corporation (HKEX: 1521) since April 2018. He has also served as independent non-executive director of Silicon Therapeutics since August 2016.

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

**Mr. Xiaoxiang Chen, M.D.** (陳小祥), aged 52, is an executive Director and the chief development officer of our Company. Mr. Chen joined Wyeth in February 1998 as a manager of clinical research and regulatory affairs, subsequently serving as director of clinical research in China from February 2001. He then served as the medical lead, acting as the global medical monitor for the chronic pain therapeutic area, from June 2008 until his departure from Wyeth in October 2009. From October 2009 to November 2015, Mr. Chen served as vice president and medical head of Greater China at Boehringer Ingelheim, and then as vice president and medical head of emerging markets from December 2015 until he departed from Boehringer Ingelheim in November 2017 to join our Company.

Mr. Chen received his bachelor's degree in clinical medicine in July 1993 and his master's degree in clinical medicine in July 1996, each from Nanjing Medical University in China. Mr. Chen has also been a deputy chief and a member of the Clinical Development Expert Committee of the Chinese Society of Clinical Oncology since September 2019. During the past three years, Mr. Chen has not been a director of any listed companies.



## Directors and Senior Management

### NON-EXECUTIVE DIRECTORS

**Mr. Yu Min Qiu** (裘育敏), aged 48, is a non-executive Director and was designated by Advantech Capital, one of our earlier investors. Mr. Qiu joined the Group in December 2016.

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

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

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

**Mr. Junfeng Wang** (王俊峰), aged 48, is a non-executive Director and was designated by Legend Capital, one of our early investors. Mr. Wang joined the Group in March 2018.

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

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

- Beijing GeoEnviron Engineering & Technology, Inc. (SSE: 603588), from June 2010 to February 2019;
- Qingdao Huicheng Environmental Technology Co., Ltd. (SZSE: 300779), from September 2015 to September 2021;
- Shenzhen Colibri Technologies Co., Ltd. (SZSE: 002957) since September 2016;
- Berry Genomics Co., Ltd. (SZSE: 000710) since May 2018; and
- Beijing Kawin Technology Share-Holding Co., Ltd. (SZSE: 688687) since July 2011.

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

**Ms. Weiwei Chen** (陳維維), aged 56, is a non-executive Director. Ms. Chen had been re-designated as a non-executive Director in June 2021. Prior to that, Ms. Chen had been an independent non-executive Director since December 2020. Ms. Chen joined the Group in December 2020.

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

Ms. Chen has served as a non-executive director of Dairy Farm International Holdings Limited, traded as DFI Retail Group (London stock exchange: DFIB, Singapore stock exchange: D01), a company listed on the London Stock Exchange, with secondary listings on the Bermuda and Singapore stock exchanges, since November 2021.

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Robert Irwin Kamen, Ph.D.**, aged 77, is an independent non-executive Director. Dr. Kamen joined the Group in December 2016. He also served as a director of Harbour Antibodies from December 2007 to December 2016 prior to the acquisition of Harbour Antibodies by our Group. Dr. Kamen has served as an independent Director on our Board as well as a member of our scientific advisory board since December 2016. He provides our Group with independent consulting and advisory services and is not involved in the day-to-day management of the Group.

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





## Directors and Senior Management

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

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

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

**Dr. Xiaoping Ye, Ph.D.** (葉小平), aged 58, is an independent non-executive Director of our Company. Dr. Ye joined the Group in December 2020.

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

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

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

**Mr. Ka Chi Yau** (邱家賜), aged 64, is an independent non-executive Director. Mr. Yau joined the Group in June 2021.

Mr. Yau had worked for Ernst & Young in its Hong Kong, Toronto and Beijing offices with a primary focus in providing professional services in accounting and audit, initial public offering, and corporate restructuring before retiring in September 2015. When he was with Ernst & Young, Mr. Yau was appointed, among others, as the Professional Practice Director of Greater China from July 2007 to June 2009 and the Assurance Leader for China North Region from July 2010 to June 2014. He was appointed by the China Securities Regulatory Commission (中國證券監督管理委員會) ("**CSRC**") as a technical advisor to its Accounting Department in February 2008, after serving as a member of the 6th Session (2004), 7th Session (2005) and 8th Session (2006) of the Public Offering Review Committee in the CSRC. Prior to that, Mr. Yau was seconded as a full-time technical advisor to the Public Offering Supervision Department of the CSRC between 2001 and 2002.

Mr. Yau has served as an independent non-executive director of Yihai International Holding Ltd. (頤海國際控股有限公司) (HKEX: 1579) since June 2016, China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司) (HKEX: 2319) from October 2016 to December 2021, and China Power International Development Limited (中國電力國際發展有限公司) (HKEX: 2380) since December 2016, all of which are companies listed on the Main Board of the Stock Exchange. Mr. Yau holds a professional diploma in company secretaryship and administration from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in Hong Kong and is a member of the American Institute of Certified Public Accountants, the Illinois CPA Society and the Hong Kong Institute of Certified Public Accountants.

### SENIOR MANAGEMENT

**Dr. Jingsong Wang, M.D., Ph.D.** (王勁松), aged 57, is an executive Director, the chief executive officer of our Company and chairman of the Board of our Company. For further details, see “Executive Directors” above.

**Mr. Xiaoxiang Chen, M.D.** (陳小祥), aged 52, is an executive Director and the chief development officer of our Company. For further details, see “Executive Directors” above.

**Dr. Yingying Chen, Ph.D., MBA** (陳穎穎), aged 47, is the chief financial officer of our Company since July 2021.

Prior to joining the Group, Dr. Chen served as Managing Director and Head of Healthcare at GF Investments (Hong Kong) Company Limited and CMBC International Holdings Ltd. Prior to that, she worked at multiple global investment banks in roles of increasing responsibility and seniority, including Deutsche Bank AG, Royal Bank of Scotland and UBS in Hong Kong and in New York, where she served clients in the healthcare sector. Dr. Chen started her career as a research scientist at Pfizer Inc.’s global R&D center in Groton, Connecticut, the United States.

Dr. Chen received her PhD degree in Chemical Engineering from University of Minnesota, an MBA degree from University of Michigan, and Bachelor of Science degrees in Chemistry and Engineering Physics from Miami University.

**Dr. Hong Amy Que, Ph.D.** (關紅), aged 57, is the chief technology officer of our Company since June 2021.

Prior to joining the Group, Dr. Que worked as Senior Vice President of Quality for Innovent Biologics, Executive Director of Protein Analytical Science for WuXi Biologics, Scientist and Principal Scientist for Genentech and Pfizer Global Biologics. Dr. Que has accumulated over 25 years of experience in CMC area including process development and cGMP manufacturing of protein therapeutics. She is specialized at analytical development and quality control, and she has extensive experience in leading projects through CMC development, IND filing, clinical development, BLA/NDA filing, GMP/PAI inspection towards BLA approval, product launch and commercial manufacturing.

Dr. Que received her PhD in Bioanalytical Chemistry from Chemistry Department, Indiana University.



## Directors and Senior Management

**Mr. Weihao Xu** (徐偉豪), aged 39, is the chief strategy officer of our Company since December 2021.

Mr. Xu has more than fifteen years of experience in global biotech industry, equity investment and financial management. Mr. Xu held executive roles in several companies listed in the United States and global investment companies. Prior to joining our Company, Mr. Xu served as the chief financial officer at Alphamab Oncology (HKEX: 9966) and CASI Pharmaceuticals Inc. (NASDAQ: CASI). He also served as the chief financial officer and director for 111, Inc. (NASDAQ: YI). In the area of investment, Mr. Xu served as a Portfolio Manager in Matthews International and worked in several other international funds.

Mr. Xu received a master degree in finance and accounting from Columbia Business School.

**Dr. Xiaolu Tao, Ph.D.** (陶曉路), aged 48, is our senior vice president and head of Translational Development of our Company. Dr. Tao joined the Group in July 2020.

Prior to joining the Group, Dr. Tao served as Associate Vice President at Cstone Pharmaceuticals from 2018 till 2020. She also served as Executive Director at Simcere Pharmaceutical Groups from 2016 to 2018, establishing and heading Drug metabolism and pharmacokinetics (DMPK) and Clinical Pharmacology department for these two companies. Before starting her career in China, Dr. Tao worked in the U.S. at Akros Pharma Inc., Bristol-Myers Squibb and Novartis in the area of clinical pharmacology and pharmacometrics as Senior Scientist and subsequently. She had successfully supported IND as well as BLA/NDA filings in the U.S., EU and China for multiple programs. Dr. Tao currently is one of the The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) M12 Experts working on globally harmonized Drug-Drug interaction guideline.

Dr. Tao received her Ph.D. from Temple University School of Pharmacy, and obtained both bachelor of science and masters of science degree from China Pharmaceutical University.

**Mr. Lile Liu** (劉禮樂), aged 59, has served as our senior vice president and head of technology platform since October 2018. He also serves as head of Suzhou operations.

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

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



# Directors' Report

The Board is pleased to present its Directors' Report for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES

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

## RESULTS

The Group's loss for the year ended 31 December 2021 and the Group's financial position at that date are set out in the consolidated financial statements.

## FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2021.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2021 and the business outlook of the Group are set out in the section headed "Management Discussion and Analysis" on pages 14 to 32 of this annual report.

## KEY FINANCIAL PERFORMANCE INDICATORS

The key financial performance indicators of the Group for the year ended 31 December 2021 are set out in the section headed "Financial Highlights" on page 6 of this annual report.

## FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last four financial years are set out on page 6 of this annual report. This summary does not form part of the audited consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the Group's purchases from its largest supplier accounted for 13.0% (2020: 14.2%) of its total purchases, and the purchases from the five largest suppliers in aggregate accounted for 44.4% (2020: 40.3%) of its total purchases.

For the year ended 31 December 2021, the Group's sales to its largest customer accounted for 43.5% (2020: 44.5%) of the Group's revenue, and the sales to the five largest customers in aggregate accounted for 90.6% (2020: 95.5%) of its total revenue.



## Directors' Report

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

### SUBSIDIARIES

Details of the major subsidiaries of the Company as of 31 December 2021 are set out in note 1 to the consolidated financial statements.

### SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2021 are set out in note 26 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company did not have any distributable reserves.

### BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2021 are set out in note 23 to the consolidated financial statements.

### EQUITY-LINKED AGREEMENTS

Save for the share award schemes as set out in the section headed "Equity incentive plans" below, the Group has not entered into any equity-linked agreements, nor there were any equity-linked agreements subsisted during the year ended 31 December 2021.

### RISKS AND UNCERTAINTIES RELATING TO THE GROUP'S BUSINESS

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

- (i) Risks related to our reliance on third parties;
- (ii) Risks related to our financial positions and need for additional capital;
- (iii) Risks related to clinical development of our drug candidates;
- (iv) Risks related to obtaining regulatory approval for our drug candidates;
- (v) Risks related to commercialization of our drug candidates;
- (vi) Risks related to our intellectual property rights;

- (vii) Risks related to our industry, business and operations; and
- (viii) Risks related to doing business in China.

### **RISKS RELATED TO OUR RELIANCE ON THIRD PARTIES**

- As we rely on third parties (such as CROs and CMOs) to conduct our pre-clinical studies and clinical trials, we may have limited control over the manufacturing and clinical development of our drug candidates. In addition, if we lose our relationships with these third parties or if they do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed.
- We expect to rely on third parties to manufacture our drug candidate supplies, and we intend to rely on third parties for the manufacturing process of our drug candidates, if approved. Our business could be harmed if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices.
- We have entered into collaborations and may form or seek collaborations or strategic alliances or enter into additional licensing arrangements in the future. We may not realize the benefits of such alliances or licensing arrangements.

### **RISKS RELATED TO OUR FINANCIAL POSITIONS AND NEED FOR ADDITIONAL CAPITAL**

- We have incurred net losses in previous years and anticipate that we may continue to incur net losses for the foreseeable future and may never achieve or maintain profitability. Investors are at risk of losing substantially all of their investments in our Shares.
- We have recorded net operating cash outflows during the Reporting Period.
- We have a large balance of intangible assets and we may incur significant impairment charges which could materially impact our financial positions.
- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance. The risks involved in our business may cause prospective investors to substantially lose all of their investments in our business.
- We may need to obtain additional financing to fund our operations. If we fail to obtain such financing, we may be unable to complete the development and commercialization of our major drug candidates.
- Raising additional capital may cause dilution to the interests to the Shareholders, restrict our operations or require us to relinquish rights to our technologies or drug candidates.

Details of the Group's financial risk management are set out in note 36 to the consolidated financial statements.

### **RISKS RELATED TO CLINICAL DEVELOPMENT OF OUR DRUG CANDIDATES**

- Our approach to developing and identifying our antibodies using our antibody platforms is novel and unproven and may not result in marketable products.
- We were established in 2016 and our business, including most of our drug candidates, is in early stages of development. It may require a long time before we commercialize a drug candidate, if ever. If we are unable to advance our drug candidates to clinical development, obtain regulatory approval and ultimately commercialize our drug candidates, or experience significant delays in doing so, our business will be materially harmed.
- Clinical development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results.
- We depend substantially on the success of our drug candidates, all of which are in pre-clinical or clinical development. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our drug candidates, or experience significant delays in doing so, our business will be materially harmed.
- We may not be successful in our efforts to use and expand our technology platforms to build a pipeline of drug candidates.
- If we encounter delays or difficulties in enrolling patients in our clinical trials, our clinical development progress could be delayed or otherwise adversely affected.
- If clinical trials of our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates.

### **RISKS RELATED TO OBTAINING REGULATORY APPROVAL FOR OUR DRUG CANDIDATES**

- All material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated.
- The regulatory approval processes of the NMPA, the U.S. FDA and other comparable regulatory authorities are time-consuming and may evolve over time. If we are ultimately unable to obtain regulatory approval for our drug candidates, our business will be substantially harmed.
- The absence of patent linkage, patent term extension and data and market exclusivity for NMPA-approved pharmaceutical products could increase the risk of early generic competition with our products in China.

- Our drug candidates may cause undesirable adverse events or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following regulatory approval.
- If we are unable to obtain the NMPA approval for our drug candidates to be eligible for an expedited registration pathway as innovative or breakthrough treatment drug candidates, the time and cost we incur to obtain regulatory approvals may increase.
- Even if we receive regulatory approval for our drug candidates, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expenses and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our drug candidates.

### **RISKS RELATED TO COMMERCIALIZATION OF OUR DRUG CANDIDATES**

- Our drug candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success.
- We may not be able to identify, discover or in-license new drug candidates, and may allocate our limited resources to pursue a particular drug candidate or indication and fail to capitalize on drug candidates or indications that may later prove to be more profitable, or for which there is a greater likelihood of success.
- We face intense competition and rapid technological change and the possibility that our competitors may develop therapies that are similar, more advanced, or more effective than ours, which may adversely affect our financial condition and our ability to successfully commercialize our drug candidates.
- The manufacture of biologics is a complex process which requires significant expertise and capital investment. If we encounter problems in manufacturing our future products, our business could suffer.
- We have no experience in launching and marketing drug candidates. We may not be able to effectively build and manage our sales network, or benefit from third-party collaborators' sales networks.
- Even if we are able to commercialize any approved drug candidates, reimbursement may be limited or unavailable in certain market segments for our drug candidates, and we may be subject to unfavorable pricing regulations, which could harm our business.
- Current and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our drug candidates and affect the prices we may obtain.
- As we out-license some of our commercialization rights and engage in other forms of collaboration worldwide, including conducting clinical trials abroad, we may be exposed to specific risks of conducting our business and operations in international markets.



- If safety, efficacy, or other issues arise with any medical product that is used in combination with our drug candidates, we may be unable to market such drug candidate or may experience significant regulatory delays or supply shortages, and our business could be materially harmed.
- Illegal and/or parallel imports and counterfeit pharmaceutical products may reduce demand for our future approved drug candidates and could have a negative impact on our reputation and business.
- Lack of third-party combination drugs may materially and adversely affect demand for our drugs.

### **RISKS RELATED TO OUR INTELLECTUAL PROPERTY RIGHTS**

- If we are unable to obtain and maintain patent and other intellectual property protection for our drug candidates or technology platforms, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us. Our ability to successfully commercialize any product or technology may be adversely affected.
- Changes in either patent laws or in interpretations of patent laws may diminish the value of our intellectual property.
- We may from time to time be involved in lawsuits to protect or enforce our patents or defend against patent infringements by third parties, which could be expensive, time consuming and unsuccessful.
- We enjoy only limited geographical protection with respect to certain patents and may not be able to protect our intellectual property rights throughout the world, including in the PRC.
- Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies. Our patent protection could be reduced or eliminated for non-compliance with these requirements.
- Our owned and in-licensed patents and other intellectual property may be subject to further priority disputes or to inventorship disputes and similar proceedings. If we or our licensors are unsuccessful in any of these proceedings, we may be required to obtain licenses from third parties, which may not be available on commercially reasonable terms or at all, or to modify or cease the development, manufacture and commercialization of one or more of the drug candidates we may develop, which could have a material adverse impact on our business.
- Claims that our drug candidates or the sale or use of our future products infringe, misappropriate or otherwise violate the patents or other intellectual property rights of third parties could result in costly litigation or could require substantial time and money to resolve, even if litigation is avoided.
- Issued patents covering one or more of our drug candidates could be found invalid or unenforceable if challenged in court.

- Intellectual property litigation may lead to unfavorable publicity which may harm our reputation and cause the market price of our Shares to decline. Any unfavorable outcome from such litigation could limit our research and development activities and/or our ability to commercialize our drug candidates.
- Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our drug candidates.
- If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed. We may also be subject to claims that our employees, consultants, or advisers have wrongfully used or disclosed alleged trade secrets of their former employers or claims asserting ownership of what we regard as our own intellectual property.
- We may not be successful in obtaining or maintaining necessary rights for our development pipeline through acquisitions and in-licenses.
- Our rights to develop and commercialize our drug candidates are subject, in part, to the terms and conditions of licenses granted to us by others.
- If we fail to comply with our obligations in the agreements under which we license intellectual property rights from third parties or otherwise experience disruptions to our business relationships with our licensors, we could be required to pay monetary damages or could lose license rights that are important to our business.
- Intellectual property rights do not necessarily protect us from all potential threats to our competitive advantage.
- If our trademarks and trade names are not adequately protected, we may not be able to build name recognition in our markets of interest and our competitive position may be adversely affected.
- Terms of our future patents may not be sufficient to effectively protect our drug candidates and business.

### **RISKS RELATED TO OUR INDUSTRY, BUSINESS AND OPERATIONS**

- We face competition from entities that have developed or may develop technology platforms for the treatment of the diseases that we may target. If these entities develop technology platforms more rapidly than we do, or if their technology platforms are more effective, our ability to develop and successfully commercialize our technology platforms may be adversely affected.
- Our future success depends on our ability to attract, retain and motivate senior management and qualified scientific employees.
- We will need to increase the size and capabilities of our organization, and we may experience difficulties in managing our growth.



## Directors' Report

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

- Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.
- Any harm to our brand recognition and reputation may materially and adversely affect our business, results of operations and prospects.
- Negative publicity with respect to us, our management, employees, business partners, affiliates, or our industry, may materially and adversely affect our reputation, business, results of operations and prospects.
- We are subject to changing law and regulations regarding regulatory matters, corporate governance and public disclosure that have increased both our costs and the risk of non-compliance.

### **RISKS RELATED TO DOING BUSINESS IN CHINA**

- The biotechnology industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialization of our drugs.
- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.
- There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.
- It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.
- Our business benefits from certain financial incentives and discretionary policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.
- We may be restricted from transferring our scientific data abroad.
- Changes in U.S. and international policies, particularly with regard to China, may adversely impact our business and operating results.
- If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.
- Failure to renew our current leases could materially and adversely affect our business.
- All of our leasehold interests in leased properties in the PRC have not been registered with the relevant PRC governmental authorities as required by relevant PRC laws. The failure to register leasehold interests may expose us to potential fines.



## Directors' Report

- Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.
- Certain PRC regulations may make it more difficult for us to pursue growth through acquisitions.
- We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.
- Any failure to comply with PRC regulations regarding our share incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.
- PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to change their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC laws.
- PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of our Global Offering to make loans to our PRC subsidiaries in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.
- We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributable to a PRC establishment of a non-PRC company.

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

## ENVIRONMENTAL POLICIES AND PERFORMANCE

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

### DIRECTORS

The Directors in office during the year ended 31 December 2021 and up to the date of this annual report were:

Executive Directors: Dr. Jingsong Wang (chairman of the Board, chief executive officer of the Company), Mr. Xiaoxiang Chen (appointed on 17 September 2021), Dr. Mai-Jing Liao (resigned on 17 September 2021) and Dr. Atul Mukund Deshpande (resigned on 25 April 2021).

Non-executive Directors: Mr. Yu Min Qiu, Mr. Junfeng Wang, and Ms. Weiwei Chen (re-designated from independent non-executive Director to non-executive Director on 9 June 2021).

Independent non-executive Directors: Dr. Robert Irwin Kamen, Dr. Xiaoping Ye, and Mr. Ka Chi Yau (appointed on 9 June 2021).

### BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 33 to 38 of this annual report.

### CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

#### EXECUTIVE DIRECTORS

Dr. Jingsong Wang has entered into a service contract with the Company on 23 November 2020 and Mr. Xiaoxiang Chen has entered into a service contract with the Company on 17 September 2021. The term of appointment is with a term of three years from 30 November 2020 or until the third annual general meeting of the Company after the Listing Date or an initial term of three years from the date of appointment (as the case maybe), whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

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

#### NON-EXECUTIVE DIRECTORS

Each of Mr. Junfeng Wang and Mr. Yu Min Qiu has entered into an appointment letter with the Company on 23 November 2020. Ms. Weiwei Chen has entered into an appointment letter with the Company on 9 June 2021. The term of appointment is with a term of three years from 30 November 2020 or until the third annual general meeting of the Company after the Listing Date or an initial term of three years from the date of appointment (as the case maybe), whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.



## Directors' Report

Under her appointment letter, Ms. Weiwei Chen is entitled to receive an annual fee of US\$20,000 for her position as a non-executive Director. The other non-executive Directors are not entitled to receive any remuneration and benefits in their capacities as non-executive Directors under their respective appointment letters.

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

Each of Dr. Robert Irwin Kamen and Dr Xiaoping Ye entered into an appointment letter with the Company on 23 November 2020. Mr. Ka Chi Yau entered into an appointment letter with the Company on 9 June 2021. The term of appointment is with a term of three years from 30 November 2020 or until the third annual general meeting of the Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association) or for an initial term of three year from the date of appointment (as the case maybe). Either party may terminate the agreement by giving not less than three months' written notice.

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

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE**

Save for those transactions disclosed in note 33 to the consolidated financial statements and in the section headed "Connected Transaction" below, no Director nor any entity connected with a Director is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is of significance to the business of the Group to which the Company or any of its subsidiaries, its parent company or fellow subsidiaries was a party during or at the end of the Reporting Period.

### **MANAGEMENT CONTRACTS**

No contracts concerning the management and operation of the whole or any substantial part of the business of the Company were entered into or subsisted during the year ended 31 December 2021

### **EMPLOYEES, DIVERSITY AND REMUNERATION POLICY**

As of 31 December 2021, the Group had an aggregate of 396 full-time and part-time employees. The Company has established the remuneration committee (the "Remuneration Committee") for reviewing the Group's remuneration policy and the remuneration structure of all of the Directors and senior management of the Group taking into consideration the Group's operating results, individual performance of each of the Directors and senior management and comparable market practices.

The Company is committed to building a diverse workforce at all levels, without discrimination of any kind, to serve a diverse range of customers globally and to operate in a variety of environments. The Company makes employment decisions based on the principle of equal employment opportunity. As of 31 December 2021, the gender ratio of the workforce is shown as the following chart:

	<b>Workforce</b>	<b>Senior Management</b>
Male	151	4
Female	245	3
Total	396	7

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

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

The Group's employee remuneration policy is determined by taking into account factors such as remuneration in respect of the local market, the overall remuneration standard in the industry, the inflation level, corporate operating efficiency and employee performance. The Group conducts performance appraisals once every year for its employees, the results of which are applied in annual salary reviews and promotional assessments. The Group's employees are considered for annual bonuses according to certain performance criteria and appraisals results. Social insurance contributions and other pensions which are required by local laws are made by the Group for its employees in accordance with the relevant regulations.

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or suffer from any material labour dispute for the Reporting Period.

## EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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



### CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information during the Reporting Period and subsequent to the date of annual report for the year ended 31 December 2021 of the Company are set out below:

- Dr. Atul Mukund Deshpande resigned as an executive Director on 25 April 2021.
- Ms. Weiwei Chen was re-designated from an independent non-executive Director, the chairwoman of the Audit Committee and a member of the Remuneration Committee to a non-executive Director effective on 9 June 2021.
- Mr. Ka Chi Yau was appointed as an independent non-executive Director, chairman of the Audit Committee and member of the Remuneration Committee effective on 9 June 2021.
- Dr. Mai-Jing Liao resigned as an executive Director effective on 17 September 2021.
- Mr. Xiaoxiang Chen was appointed as an executive Director effective on 17 September 2021.

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

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

As at 31 December 2021, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or which will be required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in the Listing Rules, to be notified to the Company and the Stock Exchange are set out below:

## INTEREST IN THE COMPANY

Name of Director	Nature of interest	Number of Shares <sup>(1)</sup>	Approximate percentage of interest in the Company <sup>(2)</sup>
Dr. Jingsong Wang <sup>(3)</sup>	Interest in controlled corporations	60,334,400 (L)	7.86%
Dr. Jingsong Wang <sup>(4)</sup>	Beneficial interest	1,201,000(L)	0.15%
Dr. Robert Irwin Kamen <sup>(5)</sup>	Beneficial interest	4,128,040 (L)	0.54%
Mr. Xiaoxiang Chen <sup>(6)</sup>	Interest in controlled corporations	39,104,400(L)	5.09%
Mr. Xiaoxiang Chen <sup>(7)</sup>	Beneficial interest	226,000(L)	0.03%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) The calculation is based on the total number of 767,891,160 Shares in issue as of 31 December 2021 and rounded off to two decimal places.
- (3) As of 31 December 2021, Dr. Wang's interests in the Shares were held by HARBOURBIO LLC the membership interests of which were in turned held in three trusts of which he is the settlor. South Dakota Trust Company LLC (acting on the instructions of Dr. Wang) is the trustee of two of the trusts which together own 99.96% equity interest in HARBOURBIO LLC.
- (4) Dr. Wang has been granted 1,651,000 restricted shares pursuant to the Post-IPO Share Award Scheme which are held on his behalf by Kastle Limited.
- (5) Dr. Kamen holds 2,625,960 shares in his personal capacity, and the other 1,502,080 shares are restricted shares granted to Dr Kamen pursuant to the Pre-IPO Equity Plan being held on his behalf by Shuxin Biotech Limited ("**Shuxin**").
- (6) As of 31 December 2021, Mr. Chen's interests in 30,979,400 and 8,125,000 Shares were held by Shuxin Biotech Limited and HBM Technology Limited ("**HBM Technology**"), respectively. Mr. Chen directly owned 56.95% interests in Shuxin and indirectly owned 37.25% interests in HBM Technology, where HBM Technology was 100% owned by Bright Swift Limited ("**Bright Swift**") and Mr. Chen owned 56.95% interests in Bright Swift.
- (7) Mr. Chen has been granted 226,000 restricted shares pursuant to the post-IPO share award scheme which are held on his behalf by Kastle Limited.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at any time during the year ended 31 December 2021, there were no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouses or children under 18 years of age, nor were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouses or children under 18 years of age to acquire such rights in any other body corporate.

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

As at 31 December 2021, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares <sup>(1)</sup>	Approximate percentage of interest in the Company <sup>(2)</sup>
Golden Link Investment Limited <sup>(3)</sup>	Beneficial interest	93,561,360 (L)	12.18%
Advantech Master Investment Limited <sup>(3)</sup>	Interest in controlled corporations	93,561,360 (L)	12.18%
Advantech Capital L.P. <sup>(3)</sup>	Interest in controlled corporations	93,561,360 (L)	12.18%
Advantech Capital Partners Ltd. <sup>(3)</sup>	Interest in controlled corporations	93,561,360 (L)	12.18%
Advantech Capital Holdings Ltd. <sup>(3)</sup>	Interest in controlled corporations	93,561,360 (L)	12.18%
Pang Kee Chan Hebert <sup>(3)</sup>	Interest in controlled corporations	93,561,360 (L)	12.18%
LC Healthcare Fund I, L.P. <sup>(4)</sup>	Beneficial interest	68,601,000 (L)	8.93%
LC Healthcare Fund I GP, L.P. <sup>(4)</sup>	Interest in controlled corporations	68,601,000 (L)	8.93%
LC Fund GP Limited <sup>(4)</sup>	Interest in controlled corporations	68,601,000 (L)	8.93%
Union Season Holdings Limited <sup>(4)</sup>	Interest in controlled corporations	68,601,000 (L)	8.93%
Legend Capital Co., Ltd <sup>(4)</sup>	Interest in controlled corporations	68,601,000 (L)	8.93%
HARBOURBIO LLC <sup>(5)</sup>	Beneficial interest	60,334,400 (L)	7.86%
South Dakota Trust Company LLC	Trustee	60,334,400 (L)	7.86%
Jingsong Wang <sup>(5)</sup>	Interest in controlled corporations	60,334,400 (L)	7.86%
Jingsong Wang <sup>(6)</sup>	Beneficial interest	1,201,000 (L)	0.15%
Owap Investment Pte Ltd. <sup>(7)</sup>	Beneficial interest	50,632,400 (L)	6.59%
GIC (Ventures) Pte Ltd <sup>(7)</sup>	Interest in controlled corporations	50,632,400 (L)	6.59%
GIC Special Investments Pte. Ltd <sup>(7)</sup>	Interest in controlled corporations	50,632,400 (L)	6.59%
GIC Private Limited <sup>(7)</sup>	Interest in controlled corporations	53,632,400 (L)	6.98%
The Capital Group Companies, Inc. <sup>(8)</sup>	Interest in controlled corporations	46,811,600(L)	6.10%
Capital Research and Management Company <sup>(8)</sup>	Interest in controlled corporations	30,964,600(L)	4.03%
Capital Research and Management Company <sup>(8)</sup>	Beneficial owner	15,847,000(L)	2.06%
Capital Group International, Inc. <sup>(8)</sup>	Interest in controlled corporations	30,964,600(L)	4.03%
Capital International, Inc. <sup>(8)</sup>	Beneficial owner	28,342,000(L)	3.69%
Capital International Sarl <sup>(8)</sup>	Interest in controlled corporations	2,622,600(L)	0.34%

Name of Shareholder	Capacity/Nature of interest	Number of Shares <sup>(1)</sup>	Approximate percentage of interest in the Company <sup>(2)</sup>
Morgan Stanley Investments (UK) <sup>(9)</sup>	Interest in controlled corporations	39,941,000(L) 20,733,000(S)	5.20% 2.69%
Morgan Stanley International Limited <sup>(9)</sup>	Interest in controlled corporations	39,941,000(L) 20,733,000(S)	5.20% 2.69%
Morgan Stanley International Holdings Inc. <sup>(9)</sup>	Interest in controlled corporations	39,941,000(L) 20,733,000(S)	5.20% 2.69%
Morgan Stanley & Co. International plc <sup>(9)</sup>	Underwriter	39,941,000(L) 20,733,000(S)	5.20% 2.69%
Xiaoxiang Chen <sup>(10)</sup>	Interest in controlled corporations	39,104,400(L)	5.09%
Xiaoxiang Chen <sup>(11)</sup>	Beneficial interest	226,000(L)	0.03%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares. The letter "S" denotes the person's short position in the Shares.
- (2) The calculation is based on the total number of 767,891,160 Share in issue as of 31 December 2021 and rounded off two decimal places.
- (3) Golden Link Investment Limited is a wholly-owned subsidiary of Advantech Master Investment Limited, which is in turn a wholly-owned subsidiary of Advantech Capital L.P. ("**Advantech Capital**"). The general partner of Advantech Capital is Advantech Capital Partners Ltd., which is wholly-owned by Advantech Capital Holdings Ltd., which is in turn wholly-owned by Mr. Pang Kee Chan Hebert. Therefore, under the SFO, Advantech Master Investment Limited, Advantech Capital, Advantech Capital Partners Ltd., Advantech Capital Holdings Ltd. and Mr. Pang are deemed to be interested in the 2,339,034 Shares held by Golden Link Investment Limited.
- (4) Legend Capital Co., Ltd is deemed to be interested in the equity interests held by LC Healthcare Fund I, L.P., due to the fact that it is the sole shareholder of Union Season Holdings Limited, which is the sole shareholder of LC Fund GP Limited, which in turn is the general partner of LC Healthcare Fund I GP, L.P., which in turn is the general partner of LC Healthcare Fund I, L.P.. Legend Capital Co., Ltd is ultimately controlled by each of Zhu Linan, Chen Hao and Wang Nengguang. Therefore, under the SFO, LC Healthcare Fund I GP, L.P., LC Fund GP Limited, Union Season Holdings Limited and Legend Capital Co., Ltd are deemed to be interested in the 1,636,750 Shares (or 65,470,000 Shares after the Share Subdivision and Conversion) held by LC Healthcare Fund I, L.P..
- (5) HARBOURBIO LLC is a company incorporated in the State of South Dakota in the U.S. and is wholly owned and controlled by Dr. Jingsong Wang.
- (6) Dr. Wang has been granted 1,201,000 restricted shares pursuant to the Post-IPO Share Award Scheme which are held on his behalf by Kastle Limited.
- (7) Owap Investment Pte Ltd. is wholly-owned by GIC (Ventures) Pte Ltd and managed by GIC Special Investments Pte. Ltd, which is wholly-owned by GIC Private Limited. Therefore, under the SFO, GIC (Ventures) Pte Ltd, GIC Special Investments Pte. Ltd and GIC Private Limited are deemed to be interested in the 1,265,810 Shares (or 50,632,400 Shares after the Share Subdivision and Conversion) held by Owap Investment Pte Ltd..



## Directors' Report

- (8) Capital International, Inc. and Capital International Sarl are wholly-owned by Capital Group International, Inc., which is wholly-owned by Capital Research and Management Company and Capital Research and Management Company is wholly-owned by The Capital Group Companies, Inc.. Therefore, under the SFO, The Capital Group Companies, Inc., Capital Research and Management Company and Capital Group International, Inc. are deemed to be interested in the 2,622,600 Shares held by Capital International Sarl and 28,342,000 Shares held by Capital International, Inc.
- (9) Morgan Stanley & Co. International plc is the wholly-owned subsidiary of Morgan Stanley Investments (UK), in turns is a wholly-owned subsidiary of Morgan Stanley International Limited. Morgan Stanley International Limited is the wholly-owned subsidiary of Morgan Stanley International Holdings Inc. Therefore, under the SFO, Morgan Stanley & Co. International plc, Morgan Stanley Investments (UK), Morgan Stanley International Limited and Morgan Stanley International Holdings Inc. are deemed to be interested in the long position of 39,941,000 Shares and short position of 20,733,000 Shares.
- (10) As of 31 December 2021, Mr. Chen's interests in 30,979,400 and 8,125,000 Shares were held by Shuxin Biotech Limited and HBM Technology Limited ("**HBM Technology**"), respectively. Mr. Chen directly owned 56.95% interests in Shuxin and indirectly owned 37.25% interests in HBM Technology, where HBM Technology was 100% owned by Bright Swift Limited ("**Bright Swift**") and Mr. Chen owned 56.95% interests in Bright Swift.
- (11) Mr. Chen has been granted 226,000 restricted shares pursuant to the Post-IPO Share Award Scheme which are held on his behalf by Kastle Limited.

Save as disclosed above, as of 31 December 2021, the Directors are not aware of any other person who have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting Shares of the Company or any other member of the Group.

## EQUITY INCENTIVE PLANS

### 1. PRE-IPO EQUITY PLAN

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

The purposes of the Pre-IPO Equity Plan are:

- (a) to attract and retain the best available personnel for positions of substantial responsibility;
- (b) to provide incentives that align the interests of employees, Directors and Consultants with those of the Company's shareholders; and
- (c) to promote the success of the Company's business.

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

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

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

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

As of 31 December 2021, the aggregate number of restricted shares and restricted share units granted under the Pre-IPO Equity Plan (which remain outstanding) were 19,628,912 and 6,037,320 (RSU), respectively, including those were granted, as resolved by the Board, to 132 grantees, comprised of 121 current employees of the Group, four members of the scientific advisory board, six external researchers in the Netherlands and an external consultant (Dr. Xun Zhu (朱迅)), who have been granted share awards pursuant to the Pre-IPO Equity Plan with the number of underlying ordinary shares ranging from 10,080 to 7,600,000 and are collectively interested in 25,666,232 ordinary shares of the Company.

## 2. POST-IPO SHARE OPTION SCHEME

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

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

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

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

As at 31 December 2021, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 76,789,116 Shares (representing approximately 10% of the number of issued Shares as at the date of this annual report).

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

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

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

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

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

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

### 3. POST-IPO SHARE AWARD SCHEME

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

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

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

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

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

As at 31 December 2021, 7,686,000 Shares had been granted or agreed to be granted pursuant to the Post-IPO Share Award Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Award Scheme was 30,708,558 Shares (representing approximately 5% of the number of issued Shares as at the date of this annual report).

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

During the year ended 31 December 2021, the Company had no controlling shareholder.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, the Company and its subsidiaries have neither sold, purchased nor redeemed any of its listed securities.





## Directors' Report

### PRE-EMPTIVE RIGHTS

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

### TAX RELIEF AND EXEMPTION

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

### DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at 31 December 2021, none of the Directors or their respective associates engaged in or had any interest in any business which competes or may compete, either directly or indirectly, with the businesses of the Group.

### CONNECTED TRANSACTIONS

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

Significant related party transactions of the Group for the year ended 31 December 2021 are disclosed in note 33 to the consolidated financial statements. None of the related party transactions identified in Note 33 to the consolidated financial statements would constitute a connected transaction under Chapter 14A of the Listing Rules and the Company has complied with the requirements under Chapter 14A of the Listing Rules as and where applicable and relevant.

### CHARITABLE DONATIONS

For the year ended 31 December 2021, the Group has made a charitable donation of RMB1.00 million to the Red Cross Society of China in support of its humanitarian aid. The donation was specifically made for reconstruction of the severe flooding in Henan Province.

### SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2021, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance as known to the Directors to be pending or threatened against the Company.

### PERMITTED INDEMNITY PROVISION

For the year ended 31 December 2021, the Company has arranged appropriate liability insurance to cover the Directors for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

### POST BALANCE SHEET EVENTS

On 4 March 2022, Ms. Weiwei Chen ("Ms. Chen") and the Company entered into a renewed consultancy agreement (the "Renewed Consultancy Agreement") for a term commencing from 1 March 2022 to 31 December 2022, for the continued provision of consultancy services by Ms. Chen to the Group in relation to the business and operation of the Group, after the expiry of the consultancy agreements for the provision of the consultancy services entered into by Ms. Chen and the Company for a term for seven months commencing from 9 June 2021 to 31 December 2021 and for a term of two months ended on 28 February 2022 (the "Previous Consultancy Agreements"). The historical transaction amounts of the Previous Consultancy Agreements were RMB2,405,095.45. Ms. Chen is a non-executive Director of the Company, and therefore is a connected person of the Company according to Chapter 14A of the Listing Rules. The transactions contemplated under the Previous Consultancy Agreements and the Renewed Consultancy Agreement constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules. For details of the Renewed Consultancy Agreement and the Previous Consultancy Agreements, please refer to the Company's announcements dated 9 June 2021 and 4 March 2022.

Save as disclosed in this report, there are no significant events affecting our Company have occurred since the end of the Reporting Period to the date of this report.

### DISCLOSURE UNDER RULES 13.20 TO 13.22 OF THE LISTING RULES

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

### CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 64 to 80 of this annual report.

### USE OF NET PROCEEDS

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

## Directors' Report

Set out below is the status of use of proceeds from the Global Offering as at 31 December 2021.

Purpose	% of use of proceeds	Net proceeds (HK\$ million)	Utilised for the year ended 31 December 2020	Utilised for the year ended 31 December 2021	Unutilised amount as at 31 December 2021
Funding ongoing and planned clinical trials and other related research and development activities, preparation for registration filings and potential commercial launches in Greater China of batoclimab (HBM9161), one of our Core Products	29%	480.4	0	165.3	315.1
Funding ongoing and planned clinical trials and other related research and development activities, preparation for registration filings and potential commercial launches in Greater China of tanfanercept (HBM9036), one of our Core Products	8%	132.5	0	89.0	43.5
Funding ongoing and planned clinical trials in Greater China and Australia, preparation for registration filings and potential commercial launches of HBM4003, our anchor asset, in Greater China, the United States and other jurisdictions	23%	381.0	0	107.7	273.3
Funding the research and development of our other drug candidates seeking IND approvals and yet to commence clinical trials or those in pre-clinical studies	15%	248.5	0	99.4	149.1
Funding the discovery of innovative molecules generated from our Harbour antibody platforms	12%	198.8	0	87.6	111.2
Funding the continued improvement of our platform technologies and our pursuit of licensing and collaboration opportunities utilizing our Harbour antibody platforms	5%	82.9	0	33.2	49.7
Working capital and other general corporate purposes	8%	132.5	0	53.0	79.5
<b>Total</b>	<b>100%</b>	<b>1,656.6</b>	<b>0</b>	<b>635.1</b>	<b>1,021.5</b>

### **SUFFICIENCY OF PUBLIC FLOAT**

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

### **AUDITOR**

The consolidated financial statements of the Group for the year ended 31 December 2021 have been audited by Ernst & Young. A resolution will be proposed by the Company in the forthcoming Annual General Meeting ("AGM") to re-appoint Ernst & Young as the auditor of the Company.

On behalf of the Board  
Dr. Jingsong Wang  
Chairman  
24 March 2022



# Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2021.

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving and establishing high standards of corporate governance, which are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

In order to accomplish this, we have adopted and complied with the applicable principles and code provisions of the Corporate Governance Code (the “**CG Code**”, version up to 31 December 2021) as set out in Appendix 14 of the Listing Rules during the Reporting Period, except as disclosed in this corporate governance report.

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

The Board is of the view that throughout the Reporting Period, the Company has complied with all the applicable code provisions as set out in the CG Code, including Part 2 of Appendix 14 of the Listing Rules, except for the deviation from code provision A.2.1, details of which are set out below.

## RISK MANAGEMENT AND INTERNAL CONTROL

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

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

- We have adopted various measures and procedures regarding each aspect of our business operation, such as protection of intellectual property, environment protection and occupational health and safety.
- We have established standard operating programs that govern our activities, including an integrated procure-to-pay process, standardized accrual methods, and budgeting and tracking mechanisms.
- We provide our staff with staff handbooks that are revised from time to time. To enhance compliance awareness, we established a staff induction training program and we also provide regular internal and external compliance training to our staff as a part of the staff training program.
- With the help of our legal advisers, the Directors who are responsible for monitoring the Group's corporate governance also regularly review our compliance with all relevant laws and regulations.

- Our Audit Committee assists the Board in overseeing the effectiveness of the risk management of the internal control system. Our Audit Committee maintains a regular dialogue with the Company's external auditors and reviews the Company's financial statements. Our Audit Committee makes recommendations to the Directors on the appointment and removal of the external auditors and makes recommendations on financial reporting and supervision of the Group's internal control procedures. The Company has established a compliance team to review grants and sponsorships and other compliance initiatives.
- The Board evaluates the design and operational effectiveness of the Company's internal control system and no material weaknesses are revealed in the evaluation results.
- We have engaged a PRC law firm to regularly advise us on and keep us abreast with the PRC laws and regulations. We will continue to arrange various trainings to be provided by external advisers from time to time when necessary and/or by any appropriate accredited institution to update our Directors, senior management and relevant employees on the latest PRC laws and regulations.

We maintained strict anti-corruption policies among all our staff, personnel and distributors. We ensure that our employees comply with the requirements, including restrictions on the purchasing and business cooperation, restrictions on the promotion of drugs for unapproved uses or patient populations and restrictions on industry-sponsored scientific and educational activities.

We also established a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the Audit Committee (or any designated committee comprising a majority of independent non-executive directors) about possible improprieties in any matter related to the Company.

We currently do not have an internal audit function. We are committed to continuously monitoring and assessing the necessity to establish an internal audit function on an annual basis. During the Reporting Period, we reviewed and concluded that the current internal mechanism was adequate to enable the effectiveness of the Company's internal control and risk management systems. Furthermore, as an additional comfort, no material weakness with the Company's internal controls over financial reporting was identified during the course of audit by our external auditor.



## Corporate Governance Report

As an ongoing monitoring and assessment process, we have taken, including but not limited to, the following consideration factors into account when reviewing and concluding if an internal audit function is required:

- Limited headcounts of the Company;
- Current clinical stage of the Company with a primary focus on research and development activities;
- Relying on CRO & CDMO over our significant business operations;
- Occasional and simple revenue sources mainly from licensing without any product sales;
- Limited, simple and straight forward expenditure items; and
- External consultants, including GxP audit to CRO/CDMO, providing ongoing guidance and advice, thereby ensuring the operations of the Company meeting the legal and regulatory-compliance requirements.

We have established procedures and internal controls for the handling and dissemination of inside information. We have reviewed the effectiveness of the risk management and internal control systems which has been conducted in 2021. We consider such procedures and internal controls as effective and adequate.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors’ securities transactions. The Company has made specific enquiry on all Directors and they confirmed that they have complied with the Model Code during the Reporting Period.

The Company has also established written guidelines (the “**Employees Written Guidelines**”) no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

### BOARD OF DIRECTORS

#### RESPONSIBILITY

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

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

As stipulated in Principle A.1 of the CG Code, the Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

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

#### COMPOSITION OF THE BOARD

Our Board currently consists of two executive Directors (namely Dr. Jingsong Wang (chief executive officer and chairman of the Board) and Mr. Xiaoxiang Chen, three non-executive Directors (namely Mr. Yu Min Qiu, Mr. Junfeng Wang and Ms. Weiwei Chen) and three independent non-executive Directors (namely Dr. Robert Irwin Kamen, Dr. Xiaoping Ye and Mr. Ka Chi Yau). The biographical details of the Directors are set out in the section titled "Directors and Senior Management" on pages 33 to 37 in this annual report.

During the year ended 31 December 2021, the Board has complied with the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of at least three independent non-executive Directors and at least one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.

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

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





## Corporate Governance Report

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

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

The Board has established the Diversity Policy, which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level. Pursuant to the board diversity policy, in reviewing the suitability of a candidate to serve as a Director, the Nomination Committee will consider a number of aspects, including gender, age, cultural, educational background and professional experience. According to the policy, more than one female Director should be included as member of the Board, and members of the Board should include candidates from a diverse background, such as professionals with extensive industry experience, risk management skills and financial knowledge, so as to provide a holistic and integrated perspective and outlook to enhance corporate decision-making.

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

### **APPOINTMENT AND CONTINUOUS PROFESSIONAL DEVELOPMENT**

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

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

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

The training records of the Directors for the year ended 31 December 2021 and up to the date of this report are summarized as follows:

Name of Directors	Types of Training <sup>Note</sup>
Dr. Jingsong Wang	A, B
Dr. Mai-Jing Liao <sup>(1)</sup>	A, B
Mr. Xiaoxiang Chen <sup>(2)</sup>	A, B
Dr. Atul Mukund Deshpande <sup>(3)</sup>	A, B
Mr. Yu Min Qiu	A, B
Mr. Junfeng Wang	A, B
Ms. Weiwei Chen <sup>(4)</sup>	A, B
Dr. Robert Irwin Kamen	A, B
Dr. Xiaoping Ye	A, B
Mr. Ka Chi Yau <sup>(5)</sup>	A, B

Note:

- (1) Dr. Mai-Jing Liao resigned as an executive Director effective on 17 September 2021.
- (2) Mr. Xiaoxiang Chen was appointed as an executive Director effective on 17 September 2021.
- (3) Dr. Atul Mukund Deshpande resigned as an executive Director effective on 25 April 2021.
- (4) Ms. Weiwei Chen was redesignated from an independent non-executive Director to a non-executive Director effective on 9 June 2021.
- (5) Mr. Ka Chi Yau was appointed as an independent non-executive Director effective on 9 June 2021.

## Types of Training

- A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
- B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications (such as the Stock Exchange's letters to authorized representatives of listed issuers)

### **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

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

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

### **APPOINTMENT AND RE-ELECTION OF DIRECTORS**

Dr. Jingsong Wang entered into a service contract with our Company on 23 November 2020 and Mr. Xiaoxiang Chen entered into a service contract with our Company on 17 September 2021. The term of appointment is for an initial term of three years from 30 November 2020 or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

Each of Mr. Junfeng Wang and Mr. Yu Min Qiu has entered into an appointment letter with the Company on 23 November 2020. Ms. Weiwei Chen has entered into an appointment letter with the Company on 9 June 2021. The term of appointment is for an initial term of three years from the appointment date or until the third annual general meeting of our Company after the Listing Date or an initial term of three years from the date of appointment (as the case maybe), whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

Each of Dr. Robert Irwin Kamen and Dr. Xiaoping Ye entered into an appointment letter with the Company on 23 November 2020. Mr. Ka Chi Yau entered into an appointment letter with the Company on 9 June 2021. The term of appointment is for an initial term of three years from 30 November 2020 or until the third annual general meeting of our Company after the Listing Date or an initial term of three years from the date of appointment (as the case maybe), whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

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

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

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

### **BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS**

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

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

Code provision A.1.1 of the CG Code stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Reporting Period, the Board has held seven meetings and held one general meeting.

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

# Corporate Governance Report

The attendance record of each of the Directors at such meetings are set out in the following table:

Director	Attendance/Eligible Attendance	
	Board meeting	General meeting
Dr. Jingsong Wang	7/7	1/1
Dr. Mai-Jing Liao <sup>(1)</sup>	4/4	1/1
Mr. Xiaoxiang Chen <sup>(2)</sup>	3/3	N/A
Dr. Atul Mukund Deshpande <sup>(3)</sup>	2/2	N/A
Mr. Yu Min Qiu	7/7	1/1
Mr. Junfeng Wang	7/7	1/1
Ms. Weiwei Chen <sup>(4)</sup>	7/7	1/1
Dr. Robert Irwin Kamen	7/7	1/1
Dr. Xiaoping Ye	7/7	1/1
Mr. Ka Chi Yau <sup>(5)</sup>	4/4	1/1

Note:

- (1) Dr. Mai-Jing Liao resigned as an executive Director effective on 17 September 2021.
- (2) Mr. Xiaoxiang Chen was appointed as executive Director effective on 17 September 2021.
- (3) Dr. Atul Mukund Deshpande resigned as an executive Director of the Company effective on 25 April 2021.
- (4) Ms. Weiwei Chen was redesignated from an independent non-executive Director to a non-executive Director effective on 9 June 2021.
- (5) Mr. Ka Chi Yau was appointed as independent non-executive Director effective on 9 June 2021.

During the Reporting Period, the Chairman of the Board held one meeting with the independent non-executive Directors.

## AUTHORIZATION BY THE BOARD

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

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

### CORPORATE GOVERNANCE FUNCTIONS

The Board is aware that corporate governance is a shared responsibility of all Directors, including:

- To develop, review and implement the Company's policies and practices on corporate governance and make recommendations to the Board;
- To review and monitor the training and continuous professional development of Directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual applicable to employees and directors;
- To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- To develop, review and monitor the implementation of shareholders' communication policy to ensure its effectiveness, and to make recommendations to the Board when appropriate to help strengthen the relationship between the Company and its shareholders.

During the year ended 31 December 2021, the Company has updated the compliance manual on disclosable transactions and inside information in accordance with the Listing Rules as a guide for employees to report undisclosed inside information to the Company to ensure consistent and timely disclosure and to meet the Company's continuous disclosure obligations.

### BOARD COMMITTEE

#### NOMINATION COMMITTEE

For the year ended 31 December 2021, the Nomination Committee consists of three members, namely Dr. Jingsong Wang (executive Director), Dr. Robert Irwin Kamen (independent non-executive Director) and Dr. Xiaoping Ye (independent non-executive Director). Dr. Jingsong Wang is the chairman of the Nomination Committee.

The major duties of the Nomination Committee include the following:

- To review the structure, size and composition of the Board, and to make recommendations for any proposed change;
- To identify suitable candidates to be appointed as directors;

## Corporate Governance Report

- To make recommendations to the Board on the appointment or re-appointment of directors and succession planning; and
- To assess the independence of independent non-executive Directors.

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

During the Reporting Period, one Nomination Committee meeting was held.

Director	Attendance/ Eligible Attendance
Dr. Jingsong Wang (Chairman)	1/1
Dr. Robert Irwin Kamen	1/1
Dr. Xiaoping Ye	1/1

### NOMINATION COMMITTEE'S POLICY FOR THE NOMINATION OF DIRECTORS

#### Nomination criteria

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

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

### **NOMINATION PROCEDURES**

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

The Nomination Committee shall make recommendations to the Board;

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

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

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

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

### **REMUNERATION COMMITTEE**

As at 31 December 2021, the Remuneration Committee consists of three members, namely Dr. Jingsong Wang (executive Director), Dr. Xiaoping Ye (independent non-executive Director) and Mr. Ka Chi Yau (independent non-executive Director). Dr. Xiaoping Ye is the chairman of the Remuneration Committee. Mr. Ka Chi Yau was appointed as a member of the Remuneration Committee in place of Ms. Weiwei Chen after her redesignation from independent non-executive Director to non-executive Director effective on 9 June 2021.

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



## Corporate Governance Report

During the Reporting Period, one Remuneration Committee meeting was held.

Director	Attendance/ Eligible Attendance
Dr. Xiaoping Ye (Chairman)	1/1
Dr. Jingsong Wang	1/1
Mr. Ka Chi Yau	1/1

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

Remuneration by band of the 5 members of the senior management of the Company for the year ended 31 December 2021 are set out below.

Annual Remuneration	Number of Individual(s)
HK\$2,500,001 to HK\$3,000,000	1
HK\$3,000,001 to HK\$3,500,000	1
HK\$3,500,001 to HK\$4,000,000	1
HK\$4,000,001 to HK\$4,500,000	1
Above HK\$4,500,001	1
	5

### AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code set out in Appendix 14 to the Listing Rules. As at 31 December 2021, the Audit Committee consists of three members, namely Mr. Yu Min Qiu (non-executive Director), Dr. Xiaoping Ye (independent non-executive Director) and Mr. Ka Chi Yau (independent non-executive Director). Mr. Ka Chi Yau is the chairman of the Audit Committee and has appropriate qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules. Mr. Ka Chi Yau was appointed as the chairman of the Audit Committee in place of Ms. Weiwei Chen after her redesignation from independent non-executive Director to non-executive Director effective on 9 June 2021.

The major duties of the Audit Committee include the following:

- To review the financial statements and reports before submission to the Board and to consider any significant or unusual items raised by the internal audit department or the external auditors;
- To review the relationship with the external auditor with reference to the work performed by the auditor, its fees and terms of engagement, and to make recommendations to the Board on the appointment, reappointment and removal of the external auditor; and
- To review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control system and related programs, including the adequacy of the Company's resources, staff qualifications and experience, training programs and budget for the accounting and financial reporting function.

During the Reporting Period, three Audit Committee meetings were held.

<b>Director</b>	<b>Attendance/ Eligible Attendance</b>
Ms. Weiwei Chen (Chairwoman, resigned on 9 June 2021)	1/1
Mr. Ka Chi Yau (Chairman, appointed on 9 June 2021)	2/2
Mr. Yu Min Qiu	3/3
Dr. Xiaoping Ye	3/3

Subsequent to 31 December 2021, the Audit Committee held a meeting to review the financial reporting system, compliance process, risk management and internal control system and its process and reappointed external auditor.

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

## **DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING IN RELATION TO FINANCIAL STATEMENTS**

The Directors are fully aware of their responsibilities in relation to the preparation of the financial statements for the year ended 31 December 2021 and give a true and fair view of the affairs of the Company and the Group and of the results and cash flows of the Group.



## Corporate Governance Report

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

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

The statement of the Company's auditors regarding their reporting responsibilities on the Company's consolidated financial statements are set out in the Independent Auditor's Report on pages 83 to 87 of this Annual Report.

### JOINT COMPANY SECRETARIES

Mr. Richard Yu Fu and Mr. Wing Yat Christopher Lui, senior manager of Tricor Services Limited, an external service provider, have been appointed as the Company's joint company secretaries.

Mr. Richard Yu Fu has been designated as the primary contact person at the Company which would work and communicate with Mr. Wing Yat Christopher Lui on the Company's corporate governance and secretarial and administrative matters.

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

For the year ended 31 December 2021, Mr. Fu and Mr. Lui have undertaken not less than 15 hours of relevant professional training to update their skills and knowledge, thus in compliance with Rule 3.29 of the Listing Rules.

### AUDITOR'S REMUNERATION

The audit fees paid by the Group to the auditor in respect of audit and non-audit services for the year ended 31 December 2021 were approximately US\$0.55 million and nil, respectively.

### COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

In order to facilitate effective communication, the Company has adopted a shareholder communication policy aimed at establishing mutual relationship and communication between the Company and its Shareholders via maintaining a website at [www.harbourbiomed.com](http://www.harbourbiomed.com). The Company will post updates relating to its business operations and development, financial information, corporate governance practices and other information on its website for public access.

### SHAREHOLDERS' RIGHTS

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

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

### DIVIDEND POLICY

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

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

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

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

### **CONVENING EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS**

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

### **MAKING ENQUIRIES TO THE BOARD**

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

### **AMENDMENT TO CONSTITUTIONAL DOCUMENTS**

No changes were made to the Memorandum and Articles of Association for the year ended 31 December 2021.

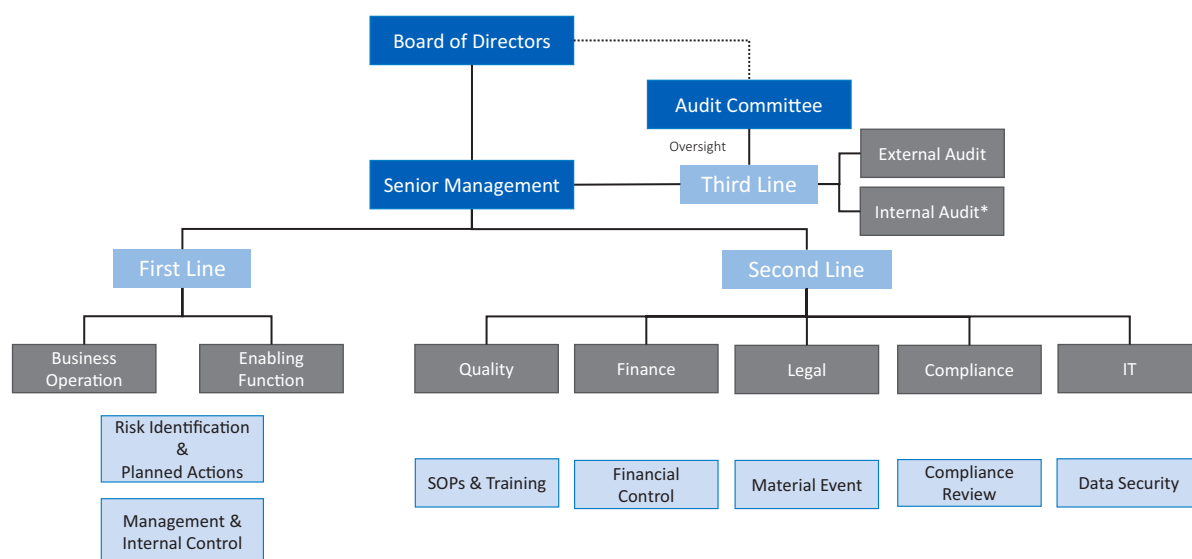
# Risk Management Report

## RISK MANAGEMENT CONCEPT

In pursuit of sustainable steady business growth, the Board acknowledges that the Group must maintain robust risk management to support the efficient portfolio development. The Board regards risk management as a proactive measure for creating efficiencies and promotes its responsibilities. The management and all staff members as well as its entire business system are fully engaged in the risk management mechanism including regular identification, assessment, effective control, escalation if needed and report.

## RISK MANAGEMENT FRAMEWORK

The Group has established a risk management framework with “three lines of defence”:



1st line of defence: Business Functions – During the course of business activities, each of the functional departments and business units, as well as personnel holding the respective business position, shall be the first responsible unit for handling matters within their terms of reference for risk identification and management.

2nd line of defence: Supervision and support for risk management – The functional departments, including the departments responsible for the functions of legal affairs, compliance, IT, and finance/HR, shall assist the front-line business departments to assume joint responsibilities for overseeing, inspecting and evaluating those works relating to the implementation of risk management.

3rd line of defence: Independent assurance – The Audit Committee under the Board shall be responsible for overseeing and reviewing the results of the risk management and external audit report.

\* For the Internal Audit function, please refer to page 66 in the report.

### RISK MANAGEMENT IDENTIFICATION AND RESPONSE MEASURES

Pursuant to the risk assessment at the beginning of 2022, the major risks of the Group in the next 12 months, which have been aligned with the ESG materiality issues of the company, are as below:

- (i) We believe the uncertainty in global monetary and fiscal policy is a major risk related to the trade environment impact, which may cause dramatic volatility in the supply chain price system and capital market system and we plan to pay our attention on market changes and restructure a more flexible strategy on the development of global immune-oncology therapy and continuous overseeing on the annual budget as well.
- (ii) Our future success depends on our ability to attract, retain and motivate senior management and qualified scientific employees. To improve our products development capability and achieve our sustainability objective on the development of human resources, we will make all efforts on people retention, establish the career success plan and enhance recruitment system.
- (iii) The regulatory approval processes of the China NMPA, the U.S. FDA and other comparable regulatory authorities may evolve over time. We believe that this factor may contribute to the uncertainty of our products development. To improve our products development capability and products & service quality, we will build a comprehensive guidance on global clinical development and enhance the data review and quality works for BLA purpose.
- (iv) Our business could be harmed with insufficient quantities of investigational product or failure at acceptable quality levels or prices during our clinical study activities. This factor spurs us to pay more attention on our products & service quality and we will enhance monitoring and management to ensure the quality & quantities of clinical supplies.

# Independent Auditor's Report



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## To the shareholders of HBM Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

### OPINION

We have audited the consolidated financial statements of HBM Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 88 to 176, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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 ("HKSA") 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.

### KEY AUDIT MATTERS

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

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



# Independent Auditor's Report

## KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
<b><i>Impairment of an indefinite-life intangible asset</i></b>	
<p>The carrying value of the indefinite-life intangible asset (technology licencing agreement) in the consolidated financial statements amounted to USD7,600,000 as at 31 December 2021.</p> <p>In accordance with IFRSs, the Group is required to perform an impairment test for the indefinite-life intangible asset at least on an annual basis. The impairment test is based on the recoverable amount of the individual asset which is determined based on fair value less costs of disposal. The impairment testing process is complex and involves significant management judgements and estimates.</p> <p>The disclosures about the impairment of the indefinite-life intangible asset are included in note 2.4 <i>Summary of significant accounting policies</i>, note 3 <i>Significant accounting judgements and estimates</i> and note 15 <i>Intangible assets</i>.</p>	<p>Our audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by management, in particular, discount rates, royalty rates and growth rates beyond the budget period used in the valuation method based on the cash flow forecast of the asset. We paid attention to the forecast used with respect to future revenues and operating results by comparing the forecasts with the business development plan of the indefinite-life intangible asset. We also evaluated the objectivity, competence and capability of the external valuer engaged by management.</p> <p>We also focused on the adequacy of the related disclosures in the consolidated financial statements.</p>
<b><i>Cut-off of research and development costs</i></b>	
<p>For the year ended 31 December 2021, the Group incurred research and development costs amounting to USD107,103,000. A large portion of the research and development costs was clinical trial expenses and service fees paid to contract research organisations ("CROs"). The research and development activities with these CROs are documented in detailed agreements and are typically performed over an extended period. Allocation of these costs to the appropriate reporting period based on the progress of the research and development projects requires estimations.</p> <p>The disclosures about the accounting policies of research and development cost recognition are included in note 2.4 <i>Summary of significant accounting policies</i> and note 3 <i>Significant accounting judgements and estimates</i>.</p>	<p>We reviewed the key terms set out in the agreements with the CROs. We evaluated the progress of the research and development projects by inquiring of project managers, reviewing supporting documents, obtaining confirmations from the CROs and checking subsequent billings and payments, on a sample basis, in order to determine the completeness, cut-off and nature of the research and development costs.</p>

### **OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT**

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

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

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

### **RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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.



## Independent Auditor's Report

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

*Ernst & Young*  
Certified Public Accountants  
Hong Kong

24 March 2022

# Consolidated Statement of Profit or Loss

Year ended 31 December 2021

	Notes	2021 USD'000	2020 USD'000
<b>REVENUE</b>	5	<b>4,308</b>	14,107
Cost of sales		<b>(137)</b>	(449)
Gross profit		<b>4,171</b>	13,658
Other income and gains	5	<b>5,965</b>	5,270
Administrative expenses		<b>(40,067)</b>	(46,294)
Research and development costs		<b>(107,103)</b>	(55,244)
Loss on fair value change of convertible redeemable preferred shares	25	<b>–</b>	(213,703)
Other expenses		<b>(619)</b>	(45)
Finance costs	6	<b>(176)</b>	(280)
<b>LOSS BEFORE TAX</b>	7	<b>(137,829)</b>	(296,638)
Income tax (expense)/credit	10	<b>(49)</b>	99
<b>LOSS FOR THE YEAR</b>		<b>(137,878)</b>	(296,539)
Attributable to:			
Owners of the parent		<b>(137,777)</b>	(296,397)
Non-controlling interests		<b>(101)</b>	(142)
		<b>(137,878)</b>	(296,539)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (USD)	12	<b>(0.19)</b>	(1.69)

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	2021 USD'000	2020 USD'000
<b>LOSS FOR THE YEAR</b>	<b>(137,878)</b>	(296,539)
<b>OTHER COMPREHENSIVE LOSS</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(261)	(656)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<b>(261)</b>	(656)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(138,139)</b>	(297,195)
Attributable to:		
Owners of the parent	(138,038)	(297,053)
Non-controlling interests	(101)	(142)
	<b>(138,139)</b>	(297,195)

# Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 USD'000	2020 USD'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	11,789	10,262
Right-of-use assets	14	7,287	1,351
Intangible assets	15	8,492	7,800
Prepayments, other receivables and other assets	17	8,083	29
Other financial assets	18	5,843	–
<b>Total non-current assets</b>		<b>41,494</b>	19,442
<b>CURRENT ASSETS</b>			
Trade receivables	16	26	1,056
Prepayments, other receivables and other assets	17	24,537	11,293
Other financial assets	18	–	153
Cash and bank balances	19	216,304	356,794
<b>Total current assets</b>		<b>240,867</b>	369,296
<b>CURRENT LIABILITIES</b>			
Trade payables	20	25,993	7,960
Other payables and accruals	21	10,439	14,784
Contract liabilities	22	1,232	1,361
Interest-bearing bank and other borrowings	23	797	–
Lease liabilities	14	2,594	1,447
<b>Total current liabilities</b>		<b>41,055</b>	25,552
<b>NET CURRENT ASSETS</b>		<b>199,812</b>	343,744
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>241,306</b>	363,186

# Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 USD'000	2020 USD'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	23	11,256	–
Lease liabilities	14	4,826	278
Deferred tax liabilities	24	1,947	1,900
Contract liabilities	22	363	–
<b>Total non-current liabilities</b>		<b>18,392</b>	<b>2,178</b>
<b>Net assets</b>		<b>222,914</b>	<b>361,008</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	26	19	19
Treasury shares	26	(8,116)	(1)
Reserves	27	231,290	361,168
		<b>223,193</b>	<b>361,186</b>
Non-controlling interests		(279)	(178)
<b>Total equity</b>		<b>222,914</b>	<b>361,008</b>

Jingsong Wang  
Director

Xiaoxiang Chen  
Director



# Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent							Non-controlling interests	Total
	Share capital	Treasury shares	Share premium*	Capital Reserve*	Exchange fluctuation reserve*	Accumulated losses*	Sub-total		
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
At 1 January 2021	19	(1)	817,871	2,989	(590)	(459,102)	361,186	(178)	361,008
Loss for the year	-	-	-	-	-	(137,777)	(137,777)	(101)	(137,878)
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	(261)	-	(261)	-	(261)
Total comprehensive loss for the year	-	-	-	-	(261)	(137,777)	(138,038)	(101)	(138,139)
Share-based payments(note 28)	-	-	3,866	4,294	-	-	8,160	-	8,160
Equity-settled share award arrangements (note 29)	-	(8,115)	-	-	-	-	(8,115)	-	(8,115)
At 31 December 2021	19	(8,116)	821,737	7,283	(851)	(596,879)	223,193	(279)	222,914

# Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent							Non-controlling interests	Total
	Share capital USD'000	Treasury shares USD'000	Share premium* USD'000	Capital Reserve* USD'000	Exchange fluctuation reserve* USD'000	Accumulated losses* USD'000	Sub-total USD'000		
At 1 January 2020	5	(1)	9,224	–	66	(162,705)	(153,411)	(36)	(153,447)
Loss for the year	–	–	–	–	–	(296,397)	(296,397)	(142)	(296,539)
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	(656)	–	(656)	–	(656)
Total comprehensive loss for the year	–	–	–	–	(656)	(296,397)	(297,053)	(142)	(297,195)
Issue of ordinary shares other than initial public offering ("IPO") (note 26)	1	(1)	–	–	–	–	–	–	–
Shares issued upon IPO	3	–	222,926	–	–	–	222,929	–	222,929
Share issue expenses	–	–	(8,930)	–	–	–	(8,930)	–	(8,930)
Automatic conversion of convertible redeemable preferred shares upon IPO	10	–	560,752	–	–	–	560,762	–	560,762
Share-based payments(note 28)	–	1	33,899	2,989	–	–	36,889	–	36,889
At 31 December 2020	19	(1)	817,871	2,989	(590)	(459,102)	361,186	(178)	361,008

\* These reserve accounts comprise the consolidated reserves of USD231,290,000 (2020: USD361,168,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 USD'000	2020 USD'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		<b>(137,829)</b>	(296,638)
Adjustments for:			
Finance costs	6	<b>176</b>	280
Foreign exchange gain, net	7	<b>(691)</b>	(1,950)
Bank interest income	5	<b>(2,269)</b>	(826)
Reversal of an amount due from a shareholder	7	<b>–</b>	(100)
Gain on fair value change of other financial assets	5	<b>(185)</b>	–
Loss on fair value change of convertible redeemable preferred shares	25	<b>–</b>	213,703
Share-based payment expenses	7	<b>8,160</b>	36,889
Depreciation of property, plant and equipment	13	<b>4,628</b>	3,857
Depreciation of right-of-use assets	14	<b>1,925</b>	1,240
Amortisation of intangible assets	15	<b>256</b>	532
		<b>(125,829)</b>	(43,013)
Decrease in trade receivables		<b>1,033</b>	549
Increase in prepayments, other receivables and other assets		<b>(13,844)</b>	(886)
Increase/(decrease) in trade payables		<b>17,597</b>	(1,196)
Decrease in contract liabilities		<b>(234)</b>	(3,068)
(Decrease)/Increase in other payables and accruals		<b>(4,330)</b>	12,227
Cash used in operations		<b>(125,607)</b>	(35,387)
Income tax paid		<b>(2)</b>	–
Net cash flows used in operating activities		<b>(125,609)</b>	(35,387)

# Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 USD'000	2020 USD'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of other financial assets		–	(153)
Proceeds from redemption of other financial assets		153	396
Interest received		2,269	826
Purchases of property, plant and equipment		(13,451)	(469)
Purchase of intangible assets		(751)	(134)
Increase in time deposits with original maturity of more than three months but less than one year when acquired		(60,000)	(94,000)
Purchases of equity investments designated at fair value through profit or loss		(5,123)	–
Net cash flows used in investing activities		(76,903)	(93,534)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank and other borrowings raised		12,040	–
Interest paid		(4)	–
Equity-settled share option arrangements	29	(8,115)	–
Principal portion of lease liabilities	14	(2,173)	(1,006)
Interest portion of lease liabilities	14	(159)	(99)
Proceeds from issue of convertible redeemable preferred shares	25	–	144,800
Transaction costs related to issue of convertible redeemable preferred shares	6	–	(181)
Proceeds from issue of shares		–	222,926
Share issue expenses		–	(8,930)
Repayment from shareholders		–	350
Net cash flows generated from financing activities		1,589	357,860
Net (decrease)/increase in cash and cash equivalents		(200,923)	228,939
Cash and cash equivalents at beginning of year		256,794	27,391
Effect of foreign exchange rate changes, net		433	464
Cash and cash equivalents at end of year		56,304	256,794

## Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 USD'000	2020 USD'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statement of financial position	19	<b>216,304</b>	356,794
Time deposits with original maturity of more than three months but less than one year when acquired	19	<b>(160,000)</b>	(100,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows		<b>56,304</b>	256,794

# Notes to the Consolidated Financial Statements

31 December 2021

## 1. CORPORATE INFORMATION

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

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

### Information about subsidiaries

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

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Harbour BioMed Holdings Limited	British Virgin Islands 8 June 2016	–	100%	–	Investment holding
Harbour BioMed Therapeutics Limited	People's Republic of China ("PRC")/ Hong Kong 19 July 2016	USD1	–	100%	Investment holding
Harbour BioMed (Shanghai) Co., Ltd.* (和铂醫藥(上海)有限責任公司)	PRC/Mainland China 26 December 2016	USD80,000,000	–	100%	Discovering and developing innovative therapeutics
Harbour BioMed (Suzhou) Co., Ltd.* (和铂醫藥(蘇州)有限公司)	PRC/Mainland China 11 September 2018	USD90,000,000	–	100%	Discovering and developing innovative therapeutics
Harbour BioMed (Guangzhou) Co., Ltd.* (和铂醫藥(廣州)有限公司)	PRC/Mainland China 26 December 2017	USD4,000,000	–	100%	Discovering and developing innovative therapeutics

# Notes to the Consolidated Financial Statements

31 December 2021

## 1. CORPORATE INFORMATION *(Continued)*

### Information about subsidiaries *(Continued)*

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
HBM Alpha Therapeutics, Inc.	United States 18 October 2018	USD500	–	74.65%	Medical and pharmaceutical research
Harbour BioMed US, Inc.	United States 11 January 2019	USD0.1	–	100%	Clinical trial
Harbour BioMed Netherlands BV	Netherlands 26 April 2019	EUR1	–	100%	Biotechnical research and development
Harbour Antibodies BV	Netherlands 27 December 2006	EUR59,398	100%	–	Developing biologic agents
Harbour Antibodies Subholding BV	Netherlands 2 May 2013	EUR1	–	100%	Developing biologic agents
Harbour Antibodies H2L2 BV	Netherlands 17 September 2013	EUR1	–	100%	Developing biologic agents
Harbour Antibodies HCAb BV	Netherlands 17 September 2013	EUR1	–	100%	Developing biologic agents
Harbour Antibodies US, Inc	United States 29 January 2016	USD1	–	100%	Discovering and developing innovative therapeutics

# Notes to the Consolidated Financial Statements

31 December 2021

## 1. CORPORATE INFORMATION *(Continued)*

### Information about subsidiaries *(Continued)*

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Harbour BioMed Zhiyuan Medical (Beijing) Co., Ltd.* (和铂志遠醫藥(北京) 有限公司)	PRC/Mainland China 2 September 2020	RMB60,000,000	–	100%	Sale of medical products
HBM MT Holdings Limited	British Virgin Islands 15 September 2020	USD1	–	100%	Investment holding
Harbour BioMed Technology development (Shanghai) Co., Ltd.* (和铂(上海)科技發展 有限公司)	PRC/Mainland China 8 January 2021	USD 20,000,000	–	100%	Discovering and developing innovative therapeutics
Harbour BioMed Zhiyuan Medical (Shanghai) Co., Ltd.* (和铂志遠醫藥(上海) 有限公司)	PRC/Mainland China 14 April 2021	RMB40,000,000	–	100%	Sale of medical products
Shanghai Boli Business Management Centre (Limited Partnership)* (上海铂笠企業管理中心 (有限合夥))	PRC/Mainland China 3 September 2021	RMB300,000	–	99%	Investment holding

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





# Notes to the Consolidated Financial Statements

31 December 2021

## 2.1 BASIS OF PREPARATION

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

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

## 2.1 BASIS OF PREPARATION *(Continued)*

### **Basis of consolidation** *(Continued)*

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39,  
IFRS 7, IFRS 4 and IFRS 16

Amendment to IFRS 16

Amendment to IFRS 16

*Interest Rate Benchmark Reform – Phase 2*

*Covid-19-Related Rent Concessions*

*Covid-19-Related Rent Concessions beyond 30 June 2021*  
(early adopted)



# Notes to the Consolidated Financial Statements

31 December 2021

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The nature and the impact of the revised IFRSs are described below:

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

As at 31 December 2021, the Group had certain interest-bearing bank and other borrowings denominated in RMB based on the Loan Prime Rate (“LPR”) which is released by National Interbank Funding Center (“NIFC”). The Group expects LPR will continue to exist and there is no impact on the Group’s LPR-based borrowings.

- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021. The amendments did not have any impact on the financial position and performance of the Group.

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework<sup>1</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
IFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to IFRS 17	<i>Insurance Contracts<sup>2,4</sup></i>
Amendments to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative information<sup>2</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>2</sup></i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>2</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>2</sup></i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>2</sup></i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>1</sup></i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract<sup>1</sup></i>
Annual Improvements to “IFRS Standards” 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41<sup>1</sup></i>

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

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

3 No mandatory effective date yet determined but available for adoption

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

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



# Notes to the Consolidated Financial Statements

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Fair value measurement**

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

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

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

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

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or the groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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



# Notes to the Consolidated Financial Statements

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Related parties**

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Property, plant and equipment and depreciation

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

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

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

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

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

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

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



# Notes to the Consolidated Financial Statements

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Intangible assets (other than goodwill)**

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

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

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

Software	2 years
Backlog	4 years
Technology licencing agreement	Indefinite

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

### ***Research and development costs***

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Leases**

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

#### *Group as a lessee*

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

#### *(a) Right-of-use assets*

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

#### *(b) Lease liabilities*

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

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

# Notes to the Consolidated Financial Statements

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Leases** *(Continued)*

#### *Group as a lessee (Continued)*

##### *(c) Short-term leases*

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

### **Investments and other financial assets**

#### *Initial recognition and measurement*

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Investments and other financial assets** *(Continued)*

#### *Initial recognition and measurement (Continued)*

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

#### *Subsequent measurement*

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

#### *Financial assets at amortised cost (debt instruments)*

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

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

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

#### *Financial assets at fair value through profit or loss*

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



# Notes to the Consolidated Financial Statements

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Derecognition of financial assets**

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

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

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

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

### **Impairment of financial assets**

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment of financial assets** *(Continued)*

#### *General approach*

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

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

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

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

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



# Notes to the Consolidated Financial Statements

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment of financial assets** *(Continued)*

#### *Simplified approach*

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

### **Financial liabilities**

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

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

The Group's financial liabilities include trade payables, other payables and accruals, convertible redeemable preferred shares and lease liabilities.

#### *Subsequent measurement*

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

#### *Financial liabilities at fair value through profit or loss*

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial liabilities** *(Continued)*

#### *Financial liabilities at amortised cost (loans and borrowings)*

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

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

### **Derecognition of financial liabilities**

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

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

### **Offsetting of financial instruments**

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

### **Treasury shares**

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

### **Cash and cash equivalents**

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

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





# Notes to the Consolidated Financial Statements

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Provisions**

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

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

### **Income tax**

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Income tax** *(Continued)*

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

### **Government grants**

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

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



# Notes to the Consolidated Financial Statements

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Revenue recognition**

#### *Revenue from contracts with customers*

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

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

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

The Group recognises revenue from the following major sources:

#### *(a) Technology license fee*

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Revenue recognition** *(Continued)*

#### *Revenue from contracts with customers (Continued)*

##### *(b) Molecule license fee*

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

##### *(c) Platform-based research fee*

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

### **Other income**

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

### **Contract balances**

#### *Contract liabilities*

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

### **Share-based payments**

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

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



# Notes to the Consolidated Financial Statements

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Share-based payments** *(Continued)*

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

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

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

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

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

### **Other employee benefits**

#### *Pension scheme*

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Borrowing costs**

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

### **Dividends**

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

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

### **Foreign currencies**

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

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

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



# Notes to the Consolidated Financial Statements

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Foreign currencies** *(Continued)*

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

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

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### **Judgements**

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

#### *Revenue from contracts with customers*

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

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES** *(Continued)***Judgements** *(Continued)***Revenue from contracts with customers** *(Continued)*

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

**Estimation uncertainty**

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

**Impairment of non-financial assets (other than goodwill)**

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Indefinite life intangible asset is tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset or valuation techniques such as the relief from the royalty method. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit using key assumptions such as the growth rate, the gross margin and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of non-financial assets are set out in notes 13, 14 and 15 to the financial statements.





## Notes to the Consolidated Financial Statements

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

#### **Estimation uncertainty** *(Continued)*

##### *Accrual of research and development costs*

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

##### *Fair value of unlisted equity investments*

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 35 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2021 was USD5,843,000 (2020: Nil). Further details are included in note 18 to the financial statements.

##### *Share-based payments arrangements*

The Group has granted share awards to its employees and other qualifying participants as mentioned in notes 29. The directors have adopted the binomial option pricing model to determine the total fair value of the options granted, which is to be expensed over the respective vesting periods. Significant judgment on parameters, such as risk-free interest rate, dividend yield and expected volatility, is required to be made by the directors in applying the option pricing model. From the option pricing model, the Group has to estimate the most likely vesting periods is 1.75 years. The fair value of share awards granted to employees and other qualifying participants determined using the Binomial Model was approximately USD3.23 million as at 31 December 2021 (31 December 2020: Nil).

### 4. OPERATING SEGMENT INFORMATION

#### **Operating segment information**

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

# Notes to the Consolidated Financial Statements

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## 4. OPERATING SEGMENT INFORMATION *(Continued)*

### Geographical information

#### (a) Revenue from external customers

	2021 USD'000	2020 USD'000
United States	2,669	6,633
Mainland China	1,524	7,250
Europe	77	133
Others	38	91
	4,308	14,107

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

#### (b) Non-current assets

	2021 USD'000	2020 USD'000
Mainland China	26,805	11,499
Europe	7,600	7,601
United States	1,246	342
	35,651	19,442

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

# Notes to the Consolidated Financial Statements

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## 4. OPERATING SEGMENT INFORMATION *(Continued)*

### Information about major customers

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

	2021 USD'000	2020 USD'000
Customer A	1,875	–
Customer B	993	–
Customer C	472	–
Customer D	335	6,277
Customer E	–	5,474
Customer F	–	1,451
	<b>3,675</b>	<b>13,202</b>

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 USD'000	2020 USD'000
<i>Types of goods or services</i>		
– Technology license fee	1,961	1,133
– Molecule license fee	2,347	12,838
– Platform-based research fee	–	136
	<b>4,308</b>	<b>14,107</b>

# Notes to the Consolidated Financial Statements

31 December 2021

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

### Revenue from contracts with customers

#### (i) *Disaggregated revenue information*

	2021 USD'000	2020 USD'000
Timing of revenue recognition		
<i>At a point in time</i>		
– Molecule license fee	2,347	12,838
– Platform-based research fee	–	136
<i>Over time</i>		
– Technology license fee	1,961	1,133
	4,308	14,107

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

	2021 USD'000	2020 USD'000
Technology license fee	536	315
Molecule license fee	–	3,462
Platform-based research fee	–	–
	536	3,777

#### (ii) *Performance obligations*

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

##### *Technology license fee*

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

##### *Molecule license fee*

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

# Notes to the Consolidated Financial Statements

31 December 2021

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

### Revenue from contracts with customers *(Continued)*

#### (ii) *Performance obligations (Continued)*

##### *Platform-based research fee*

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

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

	2021 USD'000	2020 USD'000
Amounts expected to be recognised as revenue:		
– Within one year	388	2,560
– After one year	1,440	4,966
	<b>1,828</b>	7,526

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

An analysis of other income and gains is as follows:

	2021 USD'000	2020 USD'000
Other income and gains		
– Government grants recognised*	2,820	2,440
– Interest income	2,269	826
– Foreign exchange gains, net	691	1,950
– Gains on fair value change of other financial assets	185	–
– Others	–	54
	<b>5,965</b>	5,270

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

# Notes to the Consolidated Financial Statements

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## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 USD'000	2020 USD'000
Interest on lease liabilities	159	99
Interest on bank borrowings	17	–
Transaction costs for the issue of convertible redeemable preferred shares	–	181
	176	280

## 7. LOSS BEFORE TAX

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

	Notes	2021 USD'000	2020 USD'000
Cost of sales		(137)	(449)
Depreciation of property, plant and equipment	13	(4,628)	(3,857)
Depreciation of right-of-use assets	14	(1,925)	(1,240)
Amortisation of intangible assets	15	(256)	(532)
Employee benefit expense (including directors' remuneration):			
– Wages and salaries		(46,477)	(18,884)
– Pension scheme contributions*		(1,881)	(591)
– Share-based payment expenses		(8,160)	(36,889)
Reversal of provision on an amount due from a shareholder		–	100
Loss on fair value change of convertible redeemable preferred shares	25	–	(213,703)
Listing expenses		–	(6,580)
Auditors' remuneration		(549)	(352)
Lease expenses arising from short-term leases	14	(493)	(292)
Foreign exchange gains, net		691	1,950

\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

# Notes to the Consolidated Financial Statements

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## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2021 USD'000	2020 USD'000
Fees	161	12
Other emoluments:		
– Salaries, allowances and benefits in kind	14,830	1,541
– Pension scheme contributions	18	–
– Share-based payment expenses	2,351	22,961
	17,199	24,502
	17,360	24,514

During the year, certain directors were granted restricted shares and share award in respect of their services to the Group, under the share award plan of the Company, further details of which are included in note 28 and 29 to the financial statements. The fair values of such restricted shares, which have been recognised in the statement of profit or loss over the vesting period, were determined as at the grant date and the amounts included in the financial statements for the current year are included in the above directors' and chief executive's remuneration disclosures.

### (a) Independent non-executive directors

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

	2021 USD'000	2020 USD'000
Dr. Robert Irwin Kamen	50	4
Dr. Xiaoping Ye (appointed in November 2020)	50	4
Ms. Weiwei Chen* (resigned from June 2021)	22	4
Mr. Ka Chi Yau (appointed in June 2021)	28	–
	150	12

\* Ms. Weiwei Chen has been an independent non-executive Director from December 2020 to June 2021 and was redesignated as a non-executive Director since June 2021.

# Notes to the Consolidated Financial Statements

31 December 2021

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

### (a) Independent non-executive directors (Continued)

The share-based payment expense of Dr. Robert Irwin Kamen during the year was USD303,000 (2020: USD328,000).

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

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

2021	Other emoluments				Total USD'000
	Fees USD'000	Salaries, allowances and benefits in kind USD'000	Pension scheme contributions USD'000	Share-based payment expenses USD'000	
Executive directors:					
Mr. Jingsong Wang*	-	13,264	3	-	13,267
Mr. Xiaoxiang Chen (appointed in September 2021)	-	529	9	-	538
Dr. Maijing Liao (resigned from September 2021)	-	284	6	-	290
Dr. Atul Mukund Deshpande (resigned from April 2021)	-	753	-	2,048	2,801
Non-executive directors:					
Mr. Yumin Qiu**	-	-	-	-	-
Mr. Junfeng Wang**	-	-	-	-	-
Ms. Weiwei Chen	11	-	-	-	11
	11	14,830	18	2,048	16,907



# Notes to the Consolidated Financial Statements

31 December 2021

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

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

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

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

\*\* Mr. Yumin Qiu and Mr. Junfeng Wang waived or agreed to waive their remuneration in 2020 and 2021.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2020: three directors), respectively, details of whose remuneration are set out in note 8 above. Details of the remaining three (2020: two) highest paid employees are as follows:

	2021 USD'000	2020 USD'000
Salaries, allowances and benefits in kind	1,246	688

**9. FIVE HIGHEST PAID EMPLOYEES** *(Continued)*

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

	2021	2020
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$3,500,001 to HK\$4,000,000	1	–
	<b>3</b>	<b>2</b>

During the year, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office (2020: Nil).

**10. INCOME TAX**

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

**Cayman Islands**

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

**British Virgin Islands**

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

**Hong Kong**

Hong Kong profits tax has been provided for at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, unless such profits are taxable at the half-rate of 8.25% (2020: 8.25%) that may apply for the first HK\$2,000,000 (2020: HK\$2,000,000) of the assessable profits.

# Notes to the Consolidated Financial Statements

31 December 2021

## 10. INCOME TAX *(Continued)*

### Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Mainland China are subject to corporate income tax ("CIT") at a rate of 25% (2020: 25%) on the taxable income, except the subsidiary, Harbour BioMed (Shanghai) Co., Ltd., which was certified as a High and New Technology Enterprise in 2020 and was entitled to a preferential CIT rate of 15% (2020: 15%), Harbour BioMed (Suzhou) Co., Ltd., which was certified as a High and New Technology Enterprise in 2021 and was entitled to a preferential CIT rate of 15% (2020: 25%).

### Netherlands

The subsidiaries which operate in the Netherlands are subject to profits tax at a rate of 15% (2020: 19%) for the first EUR245,000 (2020: EUR200,000) of taxable income, and the excess amount is subject to corporate income tax at a rate of 25% (2020: 25%) during the year.

### United States

The subsidiaries which operate in the US are subject to federal income tax at a rate of 21% (2020: 21%) and the Massachusetts state income tax at a rate of 8% (2020: 8%) on the taxable income.

The major components of income tax expense/(credit) of the Group are as follows:

	2021 USD'000	2020 USD'000
Current income tax	2	–
Deferred income tax (note 24)	47	(99)
Total tax expense/(credit) for the year	49	(99)

# Notes to the Consolidated Financial Statements

31 December 2021

## 10. INCOME TAX *(Continued)*

### United States *(Continued)*

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

	2021 USD'000	2020 USD'000
Loss before tax	(137,829)	(296,638)
Tax at a tax rate of 25%	(34,457)	(74,160)
Effect of different tax rates enacted by local authorities	15,885	67,254
Tax losses not recognised	20,390	8,218
Expenses not deductible for tax purposes	5,065	2,685
Additional deductible allowance for qualified research and development costs	(6,834)	(3,615)
Tax losses utilised from previous years	–	(481)
Tax expense/(credit) at the Group's effective tax rate	49	(99)

## 11. DIVIDENDS

No dividend has been paid or declared by the Company and its subsidiaries during the year (2020: Nil).

# Notes to the Consolidated Financial Statements

31 December 2021

## 12. LOSS PER SHARE

The calculation of the basic loss per share amounts is based on the loss attributable to the owners of the parent and the weighted average number of ordinary shares in issue excluding the treasury shares during the year, after giving due consideration to the share subdivision occurred on 10 December 2020 as described in note 26. The share subdivision was treated as having been in issue for the whole year and also included in the loss per share calculation of the comparative period presented so as to give a comparable result.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares into ordinary shares. As the Group incurred losses for the years ended 31 December 2021 and 2020, the potential ordinary shares were not included in the calculation of diluted loss per share as the potential ordinary shares had an anti-dilutive effect on the basic loss per share. Accordingly, the diluted loss per share amounts for the years ended 31 December 2021 and 2020 are the same as the basic loss per share amounts of the respective years.

	2021	2020
<b>Loss</b>		
Loss attributable to owners of the parent (USD'000)	(137,777)	(296,397)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year	732,377,357	175,804,418
Basic and diluted loss per share (USD per share)	(0.19)	(1.69)

# Notes to the Consolidated Financial Statements

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## 13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery USD'000	Electronic equipment USD'000	Furniture and fixtures USD'000	Leasehold improvements USD'000	Construction in process USD'000	Total USD'000
<b>31 December 2021</b>						
<b>Cost</b>						
As at 1 January 2021	12,987	481	193	4,442	–	18,103
Additions	3,093	318	161	1,508	841	5,921
Exchange differences	319	15	6	121	–	461
As at 31 December 2021	16,399	814	360	6,071	841	24,485
<b>Accumulated depreciation</b>						
As at 1 January 2021	(5,014)	(263)	(97)	(2,467)	–	(7,841)
Charge for the year	(2,751)	(163)	(54)	(1,660)	–	(4,628)
Exchange differences	(140)	(9)	(2)	(76)	–	(227)
As at 31 December 2021	(7,905)	(435)	(153)	(4,203)	–	(12,696)
<b>Net carrying amount</b>						
As at 31 December 2021	8,494	379	207	1,868	841	11,789
As at 31 December 2020	7,973	218	96	1,975	–	10,262
<b>31 December 2020</b>						
<b>Cost</b>						
As at 1 January 2020	12,006	379	178	3,977	–	16,540
Additions	185	72	3	180	–	440
Exchange differences	796	30	12	285	–	1,123
As at 31 December 2020	12,987	481	193	4,442	–	18,103
<b>Accumulated depreciation</b>						
As at 1 January 2020	(2,316)	(128)	(49)	(1,050)	–	(3,543)
Charge for the year	(2,422)	(120)	(43)	(1,272)	–	(3,857)
Exchange differences	(276)	(15)	(5)	(145)	–	(441)
As at 31 December 2020	(5,014)	(263)	(97)	(2,467)	–	(7,841)
<b>Net carrying amount</b>						
As at 31 December 2020	7,973	218	96	1,975	–	10,262
As at 31 December 2019	9,690	251	129	2,927	–	12,997

As at 31 December 2021, there were no pledged property, plant and equipment (2020: Nil).

# Notes to the Consolidated Financial Statements

31 December 2021

## 14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	2021 USD'000	2020 USD'000
<u>Right-of-use assets</u>		
Carrying amount at 1 January	1,351	1,829
Additions	7,849	786
Depreciation charge	(1,925)	(1,240)
Exchange differences	12	51
Termination	–	(75)
Carrying amount at 31 December	7,287	1,351
	2021 USD'000	2020 USD'000
<u>Lease liabilities</u>		
Carrying amount at 1 January	1,725	1,908
New leases	7,849	786
Interest during the year	159	99
Payments	(2,332)	(1,105)
Exchange differences	19	138
Termination	–	(101)
Carrying amount at 31 December	7,420	1,725
Analysed into:		
Current portion	2,594	1,447
Non-current portion	4,826	278

# Notes to the Consolidated Financial Statements

31 December 2021

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

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

	<b>2021</b>	2020
	<b>USD'000</b>	USD'000
Depreciation charge of right-of-use assets	<b>1,925</b>	1,240
Expense relating to short-term leases	<b>493</b>	292
Interest on lease liabilities	<b>159</b>	99
Total amount recognised in profit or loss	<b>2,577</b>	1,631

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

	<b>2021</b>	2020
	<b>USD'000</b>	USD'000
Within operating activities	<b>493</b>	292
Within financing activities	<b>2,332</b>	1,105
	<b>2,825</b>	1,397



# Notes to the Consolidated Financial Statements

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## 15. INTANGIBLE ASSETS

	Software USD'000	Backlog USD'000	Technology licencing agreement USD'000	Total USD'000
<b>31 December 2021</b>				
<b>Cost</b>				
As at 1 January 2021	382	1,728	7,600	9,710
Additions	943	–	–	943
Exchange differences	9	–	–	9
As at 31 December 2021	1,334	1,728	7,600	10,662
<b>Amortisation</b>				
As at 1 January 2021	(182)	(1,728)	–	(1,910)
Charge for the year	(256)	–	–	(256)
Exchange differences	(4)	–	–	(4)
As at 31 December 2021	(442)	(1,728)	–	(2,170)
<b>Net carrying amount</b>				
As at 31 December 2021	892	–	7,600	8,492
<b>31 December 2020</b>				
<b>Cost</b>				
As at 1 January 2020	232	1,728	7,600	9,560
Additions	134	–	–	134
Exchange differences	16	–	–	16
As at 31 December 2020	382	1,728	7,600	9,710
<b>Amortisation</b>				
As at 1 January 2020	(36)	(1,332)	–	(1,368)
Charge for the year	(136)	(396)	–	(532)
Exchange differences	(10)	–	–	(10)
As at 31 December 2020	(182)	(1,728)	–	(1,910)
<b>Net carrying amount</b>				
As at 31 December 2020	200	–	7,600	7,800

**15. INTANGIBLE ASSETS** *(Continued)*

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

**Impairment testing of technology licencing agreement**

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

The recoverable amount of the technology licencing agreement is determined based on the fair value less costs of disposal, and the fair value of the technology licencing agreement is determined using the relief from royalty method taking into account the nature of the asset, using cash flow projections based on financial budgets covering a 14-year period, and the growth rate used to extrapolate the cash flows beyond the 14-year period is 3% (2020: 3%), which is close to the long-term inflation rate. Management believes that using a 14-year forecast period is appropriate because it generally takes longer for a biotechnology company to use the technologies to generate therapeutics and develop them into products to reach perpetual growth mode when the market of such products is developing with substantial growth potential. Hence, financial budget covering a 14-year period is more feasible and reflects a more accurate value. The fair value measurement hierarchy of the technology licencing agreement was Level 3. Other key assumptions to the valuation model used are as follows:

	2021	2020
Discount rates	16.0%	16.0%
Royalty rates	6.0%	6.0%

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

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

# Notes to the Consolidated Financial Statements

31 December 2021

## 16. TRADE RECEIVABLES

	2021 USD'000	2020 USD'000
Within 3 months	26	1,056
	26	1,056

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

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

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

## 17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 USD'000	2020 USD'000
Prepayments (i)	26,424	5,665
Value-added tax recoverable	4,243	4,127
Other receivables	1,283	1,067
Deposits	670	463
	32,620	11,322
Less: Non-current portion		
Prepayments (i)	8,083	29
Current portion	24,537	11,293

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

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

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

# Notes to the Consolidated Financial Statements

31 December 2021

## 18. OTHER FINANCIAL ASSETS

	2021		2020	
	Categories	Carrying amount USD'000	Categories	Carrying amount USD '000
<b>Assets:</b>				
<b>Debt instruments (including hybrid contracts):</b>				
Investments in financial products (a)	<b>FVPL<sup>1</sup></b>	–	FVPL	153
Unlisted equity investments (b)	<b>FVPL</b>	<b>5,843</b>	FVPL	–
		<b>5,843</b>		153
Non-current assets		<b>5,843</b>		–
Current assets		–		153
		<b>5,843</b>		153

FVPL<sup>1</sup>: Financial assets or financial liabilities at fair value through profit or loss

- (a) The balance of 31 December 2020 represents investments in certain financial products issued by a commercial bank in Mainland China. The financial products are principal-protected and their returns are not guaranteed. The expected interest rates ranged from 1.95% to 2.05% per annum and the products can be redeemed by the Group at any time.
- (b) The unlisted equity investments represent the Group's equity interests in unlisted PRC companies.

On 10 June 2021, the Group subscribed 590,625 shares of Shanghai NK Cells Technology Limited. ("NK") and held 15.7895% interests in NK. The consideration of the subscription was RMB32,660,000 (equivalent to USD5.1 million) in the form of cash and RMB3,400,000 (equivalent to USD0.5 million) in the form of technology sublicense agreements.

The investment in NK is redeemable ordinary shares with preferential rights. The Group has the right to require and demand to redeem from the investee all of the shares held by the Group at a guaranteed predetermined fixed amount upon redemption events. The investment is accounted for as a debt instrument and is measured as a financial asset at fair value through profit or loss.

As at 31 December 2021, the Group held 15% interests in NK as a result of another private equity fund's investment in NK.

# Notes to the Consolidated Financial Statements

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## 19. CASH AND BANK BALANCES

	2021 USD'000	2020 USD'000
Cash and bank balances	216,304	356,794
Less:		
Time deposits with original maturity of more than three months but less than one year when acquired	(160,000)	(100,000)
Cash and cash equivalents	56,304	256,794
Denominated in:		
USD	182,606	342,490
RMB	32,243	10,612
Others	1,455	3,692
	216,304	356,794

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

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

# Notes to the Consolidated Financial Statements

31 December 2021

## 20. TRADE PAYABLES

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

	<b>2021</b>	2020
	<b>USD'000</b>	USD'000
Within 1 month	<b>23,358</b>	7,740
1-3 months	<b>2,562</b>	197
3-6 months	<b>26</b>	–
6-12 months	<b>47</b>	23
	<b>25,993</b>	7,960

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

## 21. OTHER PAYABLES AND ACCRUALS

	<b>2021</b>	2020
	<b>USD'000</b>	USD'000
Other payables	<b>1,808</b>	8,807
Other accrued expenses	<b>2,289</b>	2,513
Payroll and welfare	<b>5,850</b>	3,335
Other tax payables	<b>492</b>	129
	<b>10,439</b>	14,784

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

# Notes to the Consolidated Financial Statements

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## 22. CONTRACT LIABILITIES

	<b>31 December 2021 USD'000</b>	31 December 2020 USD'000	1 January 2020 USD'000
Amounts received in advance for platform-based research fee	<b>157</b>	153	144
Amounts received in advance for the technology license fee	<b>1,124</b>	901	570
Amounts received in advance for molecule license fee	<b>314</b>	307	3,715
	<b>1,595</b>	1,361	4,429
Less: non-current portion			
Amounts received in advance for the technology license fee	<b>363</b>	–	–
Current portion	<b>1,232</b>	1,361	4,429

The increase in contract liabilities as at 31 December 2021 was mainly due to the increase related to technology license fee. The decrease in contract liabilities as at 31 December 2020 was mainly due to the satisfaction of the performance obligation related to platform-based research fee and molecule license fee.

## Notes to the Consolidated Financial Statements

31 December 2021

### 23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<b>2021 USD'000</b>
Bank borrowings – unsecured	<b>12,053</b>
	<b>12,053</b>
Analysed into:	
On demand or within one year	<b>797</b>
More than one year, but not exceeding five years	<b>11,256</b>
	<b>12,053</b>
Current	<b>797</b>
Non-current	<b>11,256</b>

As at 31 December 2021, the Group's overdraft bank facilities amounted to RMB250,000,000 (31 December 2020: Nil), of which RMB76,765,000 (31 December 2020: Nil) had been utilized.

The bank borrowings carry interest at rates ranging from 4.10% to 4.60% (2020: Nil) per annum.

The directors estimate that the carrying amounts of the Group's current and non-current borrowings approximate to their fair values.



# Notes to the Consolidated Financial Statements

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## 24. DEFERRED TAX

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

	Fair value adjustments arising from acquisition of subsidiaries USD'000
<b>31 December 2021</b>	
As at 1 January 2021	1,900
Deferred tax charged to the consolidated statement of profit or loss during the year (note 10)	47
As at 31 December 2021	1,947
<b>31 December 2020</b>	
As at 1 January 2020	1,999
Deferred tax credited to the consolidated statement of profit or loss during the year (note 10)	(99)
As at 31 December 2020	1,900

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

	2021 USD'000	2020 USD'000
Tax losses	252,119	118,212
	252,119	118,212

# Notes to the Consolidated Financial Statements

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## 24. DEFERRED TAX *(Continued)*

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

	2021 USD'000	2020 USD'000
Mainland China (tax losses expire in one to five years)	238,504	110,006
Netherlands (tax losses expire in one to five years)	8,079	5,278
United States (tax losses with no expiration)	5,536	2,928
	252,119	118,212

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

## 25. PREFERRED SHARES

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing convertible redeemable preferred shares (the "Preferred Shares"). For details of the background of the Preferred Shares, please refer to note 24 to the consolidated financial statements included in the Group's annual report for the year ended 31 December 2020.

All Preferred Shares were automatically converted into ordinary shares on a 1:1 basis immediately upon completion of the share subdivision pursuant to the shareholders' resolution passed on 23 November 2020 as a result of the successful IPO of the Company on 10 December 2020 (the "Conversion Date").

The movements of the Convertible Redeemable Preferred Shares are set out below:

	Series A1 Preferred Shares USD'000	Series A3 Preferred Shares USD'000	Series B Preferred Shares USD'000	Series B2 Preferred Shares USD'000	Series C Preferred Shares USD'000	Total USD'000
As at 1 January 2020	73,654	15,711	79,894	33,000	–	202,259
Issue	–	–	–	42,000	102,800	144,800
Changes in fair value	115,691	23,956	36,412	22,506	15,138	213,703
Converted into ordinary shares	(189,345)	(39,667)	(116,306)	(97,506)	(117,938)	(560,762)
As at 31 December 2020 and 31 December 2021	–	–	–	–	–	–

# Notes to the Consolidated Financial Statements

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## 26. SHARE CAPITAL AND TREASURY SHARES

### Issued and fully paid

	31 December 2021	
	Number of shares in issue	Share capital USD'000
Ordinary shares of USD0.000025 each*	749,967,080	19
Restricted shares of USD0.000025 each**	17,924,080	–
	<b>767,891,160</b>	<b>19</b>

	31 December 2020	
	Number of shares in issue	Share capital USD'000
Ordinary shares of USD0.000025 each*	756,850,200	19
Restricted shares of USD0.000025 each	11,040,960	–
	<b>767,891,160</b>	<b>19</b>

\* This includes treasury shares as set out in the table below.

\*\* Amount less than USD1,000

# Notes to the Consolidated Financial Statements

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## 26. SHARE CAPITAL AND TREASURY SHARES *(Continued)*

### Issued and fully paid *(Continued)*

Movements in the share capital and treasury shares were as follows:

	Number of shares in issue				Total	Share capital USD'000
	Ordinary shares	Treasury shares	Restricted shares	Series A2 Preferred Shares		
At 31 December 2019 and 1 January 2020	3,038,980	1,398,737	179,595	232,200	4,849,512	5
Issue of ordinary shares (a)	–	1,030,169	–	–	1,030,169	1
Grant of restricted shares (note 28)	–	(1,768,447)	1,768,447	–	–	–
Restricted shares vested (note 28)	1,662,206	–	(1,662,206)	–	–	–
Forfeiture of restricted shares	–	9,812	(9,812)	–	–	–
Share subdivision by 1:40 (b)	183,346,254	26,140,569	10,764,936	9,055,800	229,307,559	–
Issue of ordinary shares for IPO (c)	138,221,000	–	–	–	138,221,000	3
Automatic conversion of Preferred Shares to ordinary shares (b) (note 25)	403,770,920	–	–	(9,288,000)	394,482,920	10
At 31 December 2020 and 1 January 2021	730,039,360	26,810,840	11,040,960	–	767,891,160	19
Grant of restricted shares (note 28)	–	(13,128,000)	13,128,000	–	–	–
Restricted shares vested (note 28)	5,025,200	–	(5,025,200)	–	–	–
Forfeiture of restricted shares	–	1,219,680	(1,219,680)	–	–	–
Repurchase of ordinary shares (note 29)	(7,700,000)	7,700,000	–	–	–	–
At 31 December 2021	727,364,560	22,602,520	17,924,080	–	767,891,160	19

(a) In 2020, 1,030,169 ordinary shares were issued to the Company's trust for the benefits of future employees of the Company. The trust was considered as an extension of the Company and such ordinary shares were accounted for as treasury shares.

(b) Pursuant to the shareholders' resolution passed on 23 November 2020, the Company conducted a share subdivision, pursuant to which each share in the then issued and unissued share capital was split into 40 shares of the corresponding class with par value of US\$0.000025 each effective upon the successful IPO of the Company on 10 December 2020. Immediately upon the completion of the share subdivision, all Preferred Shares were automatically converted into ordinary shares on a 1:1 basis.

(c) On 10 December 2020, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited. The total number of offer shares under the global offering was 138,221,000 with a par value of US\$0.000025 each.



# Notes to the Consolidated Financial Statements

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## 27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

### Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

### Exchange fluctuation reserve

The exchange fluctuation reserve is used to record the exchange differences arising from the translation of the financial statements of subsidiaries whose functional currency is not USD.

## 28. SHARE-BASED PAYMENTS

### 2016 Equity Incentive Plan

On 11 November 2016, the Company adopted the 2016 Equity Incentive Plan (the "2016 Plan") for the purpose of providing incentives and rewards to eligible participants who have contributed or will contribute to the Group. Under the 2016 Plan, the Company initially reserved an aggregate of 1,500,000 ordinary shares of par value of USD0.001 each for issuance.

On 11 November 2016, the Company issued and granted an aggregate of 1,263,200 restricted shares to its founders and certain employees.

The vesting schedule pursuant to the grant agreements is as follows:

- 1) On 7 December 2016 (the "Vesting Commencement Date 1"), 10% of the total number of restricted shares granted shall vest.
- 2) So long as a grantee's continuous status as a service provider has not yet terminated, 22.5% of the total number of restricted shares granted shall vest on the first anniversary of the Vesting Commencement Date 1.
- 3) So long as a grantee's continuous status as a service provider has not yet terminated, the remaining 67.5% of the total number of restricted shares granted hereunder shall vest monthly in equal instalments over the next three consecutive years from the first anniversary of the Vesting Commencement Date 1.

The Company was incorporated on 20 July 2016. On the grant date of the restricted shares, the Company had not started business operations and only had issued one ordinary share with par value of USD0.001. The fair value of the restricted shares at that date approximates to the par value, which is minimal.

In 2019, one founder and two other employees resigned from the Group and the 44,625 unvested restricted shares granted to them were forfeited.

## 28. SHARE-BASED PAYMENTS *(Continued)*

### 2016 Equity Incentive Plan *(Continued)*

On 31 July 2020, the Company granted 1,742,862 restricted shares and 243,878 restricted share units to the Group's employees, directors and consultants under the 2016 Plan. Among the 1,742,862 restricted shares:

- (a) all the restrictions with respect to 425,734 shares are removed on the grant date;
  - (b) 1,257,024 shares are subject to the vesting schedule as follows:
    - 1) restrictions with respect to 30% of the restricted shares shall be removed on the first anniversary of the grant date;
    - 2) restrictions with respect to 30% of the restricted shares shall be removed on the second anniversary of the grant date; and
    - 3) restrictions with respect to 40% of the restricted shares shall be removed on the third anniversary of the grant date;
  - (c) 22,552 shares are subject to the vesting schedule as follows:
    - 1) restrictions with respect to 7,552 restricted shares shall be removed on the grant date;
    - 2) restrictions with respect to 4,500 restricted shares shall be removed on the first anniversary of the grant date;
    - 3) restrictions with respect to 4,500 restricted shares shall be removed on the second anniversary of the grant date; and
    - 4) restrictions with respect to 6,000 restricted shares shall be removed on the third anniversary of the grant date;
- and
- (d) 37,552 shares are subject to the vesting schedule as follows:
    - 1) restrictions with respect to 7,552 restricted shares shall be removed on the grant date;
    - 2) restrictions with respect to 9,000 restricted shares shall be removed on the first anniversary of the grant date;
    - 3) restrictions with respect to 9,000 restricted shares shall be removed on the second anniversary of the grant date; and
    - 4) restrictions with respect to 12,000 restricted shares shall be removed on the third anniversary of the grant date.

# Notes to the Consolidated Financial Statements

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## 28. SHARE-BASED PAYMENTS *(Continued)*

### 2016 Equity Incentive Plan *(Continued)*

The vesting schedule of the 243,878 restricted share units granted on 31 July 2020 is as follows:

- 1) 30% of shares subject to the restricted shares units shall vest on the first anniversary of the date on which the shares of the Company are first listed on any internationally recognised stock exchange (including but not limited to The Stock Exchange of Hong Kong Limited, The New York Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange) (the "Vesting Commencement Date 2");
- 2) 30% of shares subject to the restricted shares units shall vest on the second anniversary of the Vesting Commencement Date 2; and
- 3) 40% of shares subject to the restricted shares units shall vest on the third anniversary of the Vesting Commencement Date 2.

For the above restricted shares and restricted share units granted, the employees, directors and consultants shall remain as service providers during the vesting periods.

On 20 October 2020, the Company granted 25,585 restricted shares and 7,536 restricted share units to the Group's ex-employees. On 25 December 2020, the Company granted 21,600 (after share subdivision) restricted share units to an ex-employee. On 15 June 2021, the Company granted 1,728,000 (after share subdivision) restricted shares to an ex-director. The fair values of the restricted shares and restricted share units granted on 20 October and 25 December 2020 and 15 June 2021 were US\$60.23 (before share subdivision), US\$1.29 per share/per unit and US\$1.18 per share, respectively. The restricted shares and restricted share units granted to the ex-employees are compensations for their past services provided to the Group.

On 20 July 2021, the Company granted 7,600,000 restricted shares to a Group's employee under the 2016 Plan, the vesting schedule is as follows:

- 1) restrictions with respect to 30% of the restricted shares shall be removed on the first anniversary of the grant date;
- 2) restrictions with respect to 30% of the restricted shares shall be removed on the second anniversary of the grant date; and
- 3) restrictions with respect to 40% of the restricted shares shall be removed on the third anniversary of the grant date;

# Notes to the Consolidated Financial Statements

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## 28. SHARE-BASED PAYMENTS *(Continued)*

### 2016 Equity Incentive Plan *(Continued)*

On 12 October 2021, the Company granted 3,800,000 restricted shares to a Group's employee under the 2016 Plan, the vesting schedule is as follows:

- 1) restrictions with respect to 30% of the restricted shares shall be removed on the first anniversary of the employees on board date;
- 2) restrictions with respect to 30% of the restricted shares shall be removed on the second anniversary of the employees on board date; and
- 3) restrictions with respect to 40% of the restricted shares shall be removed on the third anniversary of the employees on board date;

In this year, 20 employees resigned from the Group and 1,219,680 unvested restricted shares (after share subdivision) and 1,117,440 unvested restricted share units (after share subdivision) granted to them were forfeited, and 302,400 vested restricted shares (after share subdivision) was repurchased from 2 ex-employees with a consideration of par value of US\$0.000025 each.

The following table illustrates the number of the outstanding restricted shares and restricted share units under the 2016 Plan during the year:

	2021	2020
<b>Restricted shares:</b>		
At the beginning of the year	11,040,960	179,595
Granted during the year	13,128,000	1,768,447
Reclassification to ordinary shares of vested restricted shares	(5,025,200)	(1,662,206)
Forfeited during the year	(1,219,680)	(9,812)
Share subdivision by 1:40	–	10,764,936
At the end of the year	17,924,080	11,040,960



# Notes to the Consolidated Financial Statements

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## 28. SHARE-BASED PAYMENTS *(Continued)*

### 2016 Equity Incentive Plan *(Continued)*

	2021	2020
<b>Restricted share units:</b>		
At the beginning of the year	9,776,720	–
Granted during the year before share subdivision	–	251,414
Forfeited during the year	(1,117,440)	–
Vested during the year	(2,621,960)	(301,440)
Share subdivision by 1:40	–	9,805,146
Granted during the year after share subdivision	–	21,600
At the end of the year	6,037,320	9,776,720

The Group recognised share-based payment expenses of USD8,160,000 in 2021 (2020: USD36,889,000).

## 29. SHARE AWARD SCHEME

On 23 November 2020, the Company adopted a Share Award Scheme by a resolution passed by its shareholders (“2020 Post-IPO Share Award Scheme”) for the purpose of providing incentives and rewards to eligible participants within the Group who contribute to the success of the Group’s operation. The 2020 Post-IPO Share Award Scheme has become effective for the period of 10 years commencing on 10 December 2020. The maximum number of the Company’s shares in respect of which options may be granted pursuant to the 2020 Post-IPO Share Award Scheme is 38,394,558 shares, representing approximately 5% of the total issued Shares immediately after the Company’s listing on the Stock Exchange.

Pursuant to the rules of the share award scheme, the Company has set up the trust for the purposes of administering the share award scheme and holding the Award Shares before vested and the expiry of the effective trust period. The Company can (i) remit payment to the trust from time to time for the purchase of the Award Shares under the trust deed agreement; (ii) instruct its broker to purchase existing shares in the Company from the market, settle payment and costs and deliver the same to the trustee to hold on trust for the eligible employees; and (iii) allot and issue new shares in the Company to the trustee to hold on trust for the eligible employees.

During the year ended 31 December 2021, the Company repurchased its own ordinary shares of 7,700,000 on the Stock Exchange through the trustee at an aggregate consideration of HK\$63,298,000, equivalent to USD8,115,000, to grant these shares to any eligible employees in the future.

## Notes to the Consolidated Financial Statements

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### 29. SHARE AWARD SCHEME *(Continued)*

On 31 December 2021, the Company granted 7,686,000 share awards to the Group's eligible person under the 2020 Post-IPO Share Award Scheme. The vesting schedule is as follows:

- 1) 50% of awards shall be vested on the first anniversary of the grant date;
- 2) The remaining 50% of awards shall be vested upon the occurrence of the following events (whichever is the earlier to occur):
  - (i) the second anniversary of the grant date, and
  - (ii) the first business day falling after the first anniversary of the grant date but before the second anniversary of the grant date on which the closing price of the share as quoted on the Stock Exchange is HK\$12.38 or more.

There was no share award vested during the year ended 31 December 2021.

Movements in the number of shares held under the share award scheme are as follows:

	<b>2021</b>	
	<b>Weighted average exercise price HK\$ per share</b>	<b>Number of awards</b>
At the beginning of the year	–	–
Granted during the year	<b>8.22</b>	<b>7,686,000</b>
At the end of the year	<b>8.22</b>	<b>7,686,000</b>

# Notes to the Consolidated Financial Statements

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## 29. SHARE AWARD SCHEME *(Continued)*

The fair values of equity-settled awards granted during the reporting period were estimated as at the date of grant using a binomial model, taking into account of the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2020 Post-IPO Share Award Scheme
Expected dividend yield	0
Expected volatility	40%
Risk-free interest rate	1.13%
Expected life of options (year)	10
Weighted average exercise price	HK\$8.22

## 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of USD7,849,000 (2020: USD786,000) and USD7,849,000 (2020: USD786,000), respectively, in respect of lease agreements for its office and laboratory use.

Except for the transaction above and the transaction mentioned in note 18(b), there were no major non-cash transactions during the year.

### (b) Changes in liabilities arising from financing activities

2021

	Lease liabilities USD'000
At 1 January 2021	1,725
Changes from financing cash flows	(2,332)
New leases	7,849
Interest during the year	159
Exchange differences	19
At 31 December 2021	7,420

## Notes to the Consolidated Financial Statements

31 December 2021

### 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

#### (b) Changes in liabilities arising from financing activities (Continued)

2020

	Convertible redeemable preferred shares USD'000	Lease liabilities USD'000
At 1 January 2020	202,259	1,908
Changes from financing cash flows	144,800	(1,105)
Changes in fair value	213,703	–
New leases	–	786
Exchange differences	–	138
Interest expense	–	99
Termination	–	(101)
Converted to ordinary shares	(560,762)	–
At 31 December 2020	–	1,725

#### (c) Total cash outflow for leases

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

	2021 USD'000	2020 USD'000
Within operating activities	493	292
Within financing activities	2,332	1,105
	2,825	1,397

### 31. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 31 December 2021 and 31 December 2020.

# Notes to the Consolidated Financial Statements

31 December 2021

## 32. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2021 USD'000	2020 USD'000
Contracted, but not provided for:		
Plant and machinery	9,610	568

## 33. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2021 USD'000	2020 USD'000
Key management personnel service fees paid by the Company		
Ms. Weiwei Chen*	316	–
Dr. Robert Irwin Kamen**	74	24
	390	24

\* The fee was paid for the consultancy services in relation to the business and operation of the Group provided by Ms. Weiwei Chen. The fee was charged pursuant to the terms in the agreement signed between the Company and Ms. Weiwei Chen on 9 June 2021.

\*\* The fee was paid for the services in relation to the scientific advisory board of the Group provided by Dr. Robert Irwin Kamen. The fee was charged pursuant to the terms in the agreements signed between the Company and Dr. Robert Irwin Kamen on 16 December 2016, 5 January 2021 and 16 December 2021.

# Notes to the Consolidated Financial Statements

31 December 2021

## 33. RELATED PARTY TRANSACTIONS *(Continued)*

### (b) Outstanding balances with related parties

The Group had the following balances with related parties:

	2021 USD'000	2020 USD'000
Amounts due from shareholders		
Xiaoxi Liu-Gross	50	50
-Provision	(50)	(50)
	-	-

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. In 2019, Xiaoxi Liu resigned from the Group. Accordingly, the Group fully provided allowance on the amount due from Xiaoxi Liu of USD150,000 as management is of the opinion that the Group will no longer receive the amount. In 2020, the Group received USD100,000 from Xiaoxi Liu.

### (c) Compensation of key management personnel of the Group

	2021 USD'000	2020 USD'000
Short term employee benefits	16,485	2,774
Contributions to the pension scheme	43	3
Share-based payment expenses	4,355	25,542
	20,883	28,319

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

# Notes to the Consolidated Financial Statements

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## 34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the reporting periods were as follows:

### 2021

#### *Financial assets*

	Financial assets at fair value through profit or loss USD'000	Financial assets at amortised cost USD'000	Total USD'000
Other financial assets	5,843	–	5,843
Trade receivables	–	26	26
Financial assets included in prepayments, other receivables and other assets	–	1,953	1,953
Cash and bank balances	–	216,304	216,304
	5,843	218,283	224,126

#### *Financial liabilities*

	Financial liabilities at amortised cost USD'000	Total USD'000
Trade payables	25,993	25,993
Financial liabilities included in other payables and accruals	4,097	4,097
Interest-bearing bank and other borrowings	12,053	12,053
Lease liabilities	7,420	7,420
	49,563	49,563

# Notes to the Consolidated Financial Statements

31 December 2021

## 34. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

**2020**

### *Financial assets*

	Financial assets at fair value through profit or loss USD'000	Financial assets at amortised cost USD'000	Total USD'000
Other financial assets	153	–	153
Trade receivables	–	1,056	1,056
Financial assets included in prepayments, other receivables and other assets	–	1,530	1,530
Cash and bank balances	–	356,794	356,794
	153	359,380	359,533

### *Financial liabilities*

	Financial liabilities at amortised cost USD'000	Total USD'000
Trade payables	7,960	7,960
Financial liabilities included in other payables and accruals	11,320	11,320
Lease liabilities	1,725	1,725
	21,005	21,005

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	<b>2021</b>		<b>2020</b>	
	<b>Carrying amount USD'000</b>	<b>Fair value USD'000</b>	<b>Carrying amount USD'000</b>	<b>Fair value USD'000</b>
<b>Financial assets:</b>				
Other financial assets	5,843	5,843	153	153





## Notes to the Consolidated Financial Statements

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### **34. FINANCIAL INSTRUMENTS BY CATEGORY** *(Continued)*

**2020** *(Continued)*

*Financial liabilities (Continued)*

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, and amounts due from shareholders approximate to their carrying amounts largely due to the short term maturities of these instruments.

### **35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each year, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of investments in financial products have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

The fair values of investments in unlisted equity investments have been estimated using income approach. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair values of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximated as their carrying amounts.

# Notes to the Consolidated Financial Statements

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## 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2021

	Fair value measurement using			Total USD'000
	Quoted prices in active markets (Level 1) USD'000	Significant observable inputs (Level 2) USD'000	Significant unobservable inputs (Level 3) USD'000	
<b>Financial assets:</b>				
Other financial assets				
– Unlisted equity investments	–	–	5,843	5,843

As at 31 December 2020

	Fair value measurement using			Total USD'000
	Quoted prices in active markets (Level 1) USD'000	Significant observable inputs (Level 2) USD'000	Significant unobservable inputs (Level 3) USD'000	
<b>Financial assets:</b>				
Other financial assets				
– Investments in financial products	–	153	–	153

## Notes to the Consolidated Financial Statements

31 December 2021

### 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

#### Financial instruments in Level 3

The movements in fair value measurements within Level 3 during the year are as follows:

	2021 USD'000
At 1 January	–
Purchase – satisfied by cash (note 18)	5,123
Purchase – satisfied by sublicense agreements (note 18)	535
Total gains recognised in the statement of profit or loss	185
At year end	5,843

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

# Notes to the Consolidated Financial Statements

31 December 2021

## 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

### Financial instruments in Level 3 *(Continued)*

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Investment in equity investment of NK	Income approach	Terminal growth rate	1%	1% increase/(decrease) in terminal growth rate would result in increase/(decrease) in fair value by USD600,000/(USD560,000)
		Weighted average cost of capital (WACC)	1%	1% increase/(decrease) in weighted average cost of capital (WACC) would result in (decrease)/increase in fair value by (USD2,381,000)/USD2,297,000
		Discount of lack of marketability	1%	1% increase/(decrease) in discount of lack of marketability would result in (decrease)/increase in fair value by (USD72,000)/USD72,000



## Notes to the Consolidated Financial Statements

31 December 2021

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances, other financial assets, amounts due from shareholders, lease liabilities and convertible redeemable preferred shares. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of the Company review and agree the policies for managing each of these risks which are summarised below.

#### Interest rate risk

The Group's exposure to interest rate risk for changes in interest rates relates primarily to the Group's bank balances and bank borrowings with floating interest rates. The Group does not use derivative financial instruments to hedge its interest rate risk.

As at 31 December 2021, the sensitivity to a reasonably possible change from 100 base points in interest rate, with all other variables held constant, is immaterial to the Group's profit before tax, the impact is less than USD1 thousand.

#### Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates.

The Group's financial assets and liabilities are subject to foreign currency risk as a result of certain bank deposits, trade and other receivables and trade and other payables denominated in non-functional currency. Therefore, the fluctuations in the exchange rate of functional currency against non-functional currency could affect the Group's results of operations. The Group does not enter into any hedging transactions to manage the potential fluctuations in foreign currencies.

The following table demonstrates the sensitivity at the end of each year to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair values of monetary assets and liabilities) and equity (due to changes in foreign currency exchange reserve).

# Notes to the Consolidated Financial Statements

31 December 2021

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Foreign currency risk *(Continued)*

2021

	Fluctuation in foreign exchange rate %	(Decrease)/ increase in loss before tax USD'000	(Decrease)/ increase in equity USD'000
If USD weakens against EUR	5	(16)	(16)
If USD strengthens against EUR	(5)	16	16
If USD weakens against RMB	5	(55)	3,706
If USD strengthens against RMB	(5)	55	(3,706)

2020

	Fluctuation in foreign exchange rate %	(Decrease)/ increase in loss before tax USD'000	(Decrease)/ increase in equity USD'000
If USD weakens against EUR	5	376	376
If USD strengthens against EUR	(5)	(376)	(376)
If USD weakens against RMB	5	(538)	109
If USD strengthens against RMB	(5)	538	(109)

### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, financial assets included in prepayments, other receivables and other assets and amounts due from shareholders arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. As at 31 December 2021, the Group had certain concentrations of credit risk as 91% (2020: 94%) of the Group's trade receivables were due from the customers with top five balances.

# Notes to the Consolidated Financial Statements

31 December 2021

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Credit risk *(Continued)*

#### Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			Total USD'000
	Stage 1 USD'000	Stage 2 USD'000	Stage 3 USD'000	Simplified approach USD'000	
Trade receivables	-	-	-	26	26
Financial assets included in prepayments, other receivables and other assets					
– Normal*	1,953	-	-	-	1,953
Cash and bank balances – Not yet past due	216,304	-	-	-	216,304
	218,257	-	-	26	218,283

# Notes to the Consolidated Financial Statements

31 December 2021

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Credit risk *(Continued)*

#### Maximum exposure and year-end staging *(Continued)*

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 USD'000	Stage 2 USD'000	Stage 3 USD'000	Simplified approach USD'000	Total USD'000
Trade receivables	–	–	–	1,056	1,056
Financial assets included in prepayments, other receivables and other assets					
– Normal*	1,530	–	–	–	1,530
Cash and bank balances – Not yet past due	356,794	–	–	–	356,794
	358,324	–	–	1,056	359,380

\* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.



# Notes to the Consolidated Financial Statements

31 December 2021

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group monitors its risk to a shortage of funds by considering the maturities of both its financial liabilities and financial assets.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group aims to maintain sufficient cash and cash equivalents to meet its liquidity requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2021			
	On demand or less than 12 months USD'000	1 to 5 years USD'000	More than 5 years USD'000	Total USD'000
Lease liabilities	2,594	4,826	–	7,420
Interest-bearing bank borrowings	797	10,479	–	11,276
Trade payables	25,993	–	–	25,993
Financial liabilities in other payables and accruals	4,097	–	–	4,097
	33,481	15,305	–	48,786

# Notes to the Consolidated Financial Statements

31 December 2021

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Liquidity risk *(Continued)*

	31 December 2020			
	On demand or less than 12 months USD'000	1 to 5 years USD'000	More than 5 years USD'000	Total USD'000
Lease liabilities	1,447	278	–	1,725
Trade payables	7,960	–	–	7,960
Financial liabilities in other payables and accruals	11,320	–	–	11,320
	20,727	278	–	21,005

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

# Notes to the Consolidated Financial Statements

31 December 2021

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes lease liabilities, trade payables and financial liabilities included in other payables and accruals, less cash and bank balances. Adjusted capital includes convertible redeemable preferred shares and equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2021 USD'000	2020 USD'000
Interest-bearing bank and other borrowings	12,053	–
Lease liabilities	7,420	1,725
Trade payables	25,993	7,960
Financial liabilities included in other payables and accruals	4,097	11,320
Less: Cash and bank balances	(216,304)	(356,794)
Net debt	(166,741)	(335,789)
Equity attributable to owners of the parent	223,193	361,186
Adjusted capital	223,193	361,186
Adjusted capital and net debt	56,452	25,397
Gearing ratio	N/A	N/A

\* As at 31 December 2021 and 2020, the Group's cash and bank balances exceeded the financial liabilities. As such, no gearing ratio as at 31 December 2021 and 2020 was presented.

# Notes to the Consolidated Financial Statements

31 December 2021

## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 USD'000	2020 USD'000
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries	13,110	13,110
<b>Total non-current assets</b>	13,110	13,110
<b>CURRENT ASSETS</b>		
Prepayments, other receivables and other assets	884	22
Amounts due from subsidiaries	298,421	172,241
Cash and bank balances	172,880	321,808
<b>Total current assets</b>	472,185	494,071
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	515	1,558
Amount due to subsidiaries	857	607
<b>Total current liabilities</b>	1,372	2,165
<b>NET CURRENT ASSETS</b>	470,813	491,906
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	483,923	505,016
<b>Net assets</b>	483,923	505,016
<b>EQUITY</b>		
Share capital	19	19
Treasury shares	(8,116)	(1)
Reserves	492,020	504,998
<b>Total equity</b>	483,923	505,016

# Notes to the Consolidated Financial Statements

31 December 2021

## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium USD'000	Capital reserve USD'000	Accumulated losses USD'000	Total USD'000
<b>Balance at 1 January 2020</b>	9,224	–	(58,927)	(49,703)
Loss for the year	–	–	(256,935)	(256,935)
Shares issued upon IPO	222,926	–	–	222,926
Share issue expenses	(8,930)	–	–	(8,930)
Automatic conversion of convertible redeemable preferred shares upon IPO	560,752	–	–	560,752
Share-based payments	33,899	2,989	–	36,888
<b>At 31 December 2020 and 1 January 2021</b>	<b>817,871</b>	<b>2,989</b>	<b>(315,862)</b>	<b>504,998</b>
Loss for the year	–	–	(21,138)	(21,138)
Share-based payments	3,866	4,294	–	8,160
<b>At 31 December 2021</b>	<b>821,737</b>	<b>7,283</b>	<b>(337,000)</b>	<b>492,020</b>

## 38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2022.

# Definitions

“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 23 November 2020 with effect from the Listing Date, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“Companies Law of Cayman”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“China” or “the PRC”	the People’s Republic of China, and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“China/PRC NMPA”	National Medical Products Administration of the People’s Republic of China
“BLA”	Biologics License Application
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, or “the Company”	HBM Holdings Limited (和铂醫藥控股有限公司), a company with limited liability incorporated in the Cayman Islands on 20 July 2016
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“conversion”	conversion of each preferred share to ordinary share on a one-to-one basis immediately upon completion of the Share Subdivision
“Director(s)”	the director(s) of our Company
“Dr. Wang”	Dr. Jingsong Wang, M.D., Ph.D. (王勁松), an executive Director, the chief executive officer and chairman of the Board of our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering



## Definitions

“Governmental Authority”	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organisation, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Harbour Antibodies”	Harbour Antibodies B.V., a limited liability company incorporated in the Netherlands on 27 December 2006 and a direct wholly-owned subsidiary of the Company
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Laws”	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees, or rulings of any Governmental Authority (including the Stock Exchange and the Securities and Futures Commission of Hong Kong) of all relevant jurisdictions
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	10 December 2020, the date on which the Shares were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange

“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company conditionally adopted on 23 November 2020, with effect from the Listing Date, as amended from time to time
“Nomination Committee”	the nomination committee of the Board
“Post-IPO Share Award Scheme”	the post-IPO share award scheme adopted by the Company on 23 November 2020
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Company on 23 November 2020
“Pre-IPO Equity Plan”	the share incentive plan approved and adopted by our Company on 11 November 2016, as amended on 26 October 2017, 6 August 2018, 19 September 2019 and 24 June 2020
“Pre-IPO Investor(s)”	the Series A1 Preferred Shareholders, Series A3 Preferred Shareholders, Series B Preferred Shareholders, Series B2 Preferred Shareholders and Series C Preferred Shareholders
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	from 1 January 2021 to 31 December 2021
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.000025 each following the Share Subdivision and the Conversion
“Share Subdivision”	the subdivision of each share in the Company’s issued and unissued share capital with par value of US\$0.001 each into 40 shares of the corresponding class with par value of US\$0.000025 each
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“U.S. FDA”	U.S. Food and Drug Administration





## Definitions

“United States”, “U.S.” or “US”	United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars”, “U.S. dollars”, “US\$” or “USD”	United States dollars, the lawful currency of the United States
“%”	per cent