东曜药业
TOT BIOPHARM

2020
Annual Report

東曜藥業股份有限公司
TOT BIOPHARM International Company Limited

(Incorporated in Hong Kong with limited liability)

Stock Code：1875

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Ms. Yeh-Huang, Chun-Ying *(Vice Chairman of the Board)*
Dr. Liu, Jun *(Chief Executive Officer)*

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Mr. Fu, Shan *(Chairman)*
Dr. Kung, Frank Fang-Chien
Mr. Kang, Pei
Mr. Qiu, Yu Min

INDEPENDENT NON-EXECUTIVE DIRECTORS
Ms. Hu, Lan
Dr. Sun, Lijun Richard
Mr. Chang, Hong-Jen

AUDIT AND CONNECTED TRANSACTIONS REVIEW COMMITTEE
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Mr. Qiu, Yu Min
Mr. Chang, Hong-Jen

REMUNERATION COMMITTEE
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Mr. Kang, Pei
Dr. Sun, Lijun Richard

NOMINATION COMMITTEE
Mr. Fu, Shan *(Chairman)*
Ms. Hu, Lan
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STRATEGY COMMITTEE
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Ms. Yeh-Huang, Chun-Ying
Dr. Liu, Jun
Mr. Chang, Hong-Jen
Dr. Sun, Lijun Richard

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Mr. Lui, Wing Yat Christopher *(Associate member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute in the United Kingdom)*

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LEGAL ADVISER
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Strategic Financial Relations (China) Limited

COMPLIANCE ADVISER
Somerley Capital Limited

CEO STATEMENT

Dear Shareholders,

The year of 2020 was a crucial year for TOT BIOPHARM in which we consolidated our achievements through a decade of development and continued to strive for new progress. I am very honored to have the trust of the Board to serve as CEO and continue to lead the team in jointly promoting the achievement of the Group's strategic objectives. TOT BIOPHARM boasts prominent first-mover advantages of its strategic planning, and is gradually poised for the coordinated development of R&D and commercial production of innovative drugs.

INDUSTRY AND BUSINESS REVIEW

The year of 2020 was full of challenges. Amidst fierce market competition, TOT BIOPHARM has achieved multiple targets during the year, and manifested more prominent competitive advantages. We actively promoted the launch process of drug candidates, and accelerated the upgrade of strategic development by further strengthening our advantages in the antibody drug conjugates (ADCs) field. TAA013, an anti-HER2 ADC drug for the treatment of HER2+ advanced breast cancer, has successfully entered Phase III clinical trial, with a leading position in China in terms of our R&D progress. At the same time, TOT BIOPHARM has established an R&D and commercialization platform integrating monoclonal antibody (mAb) and ADC drugs. In short, medium and long-term development, we will continue to enhance its production capacity planning and rapidly expand its contract development and manufacturing (CDMO)/contract manufacturing (CMO) business, so as to meet international and domestic clinical and commercial needs, and create new momentum for the future development of the Group.

In recent years, as China attaches great importance to innovation and R&D in the pharmaceutical industry, governmental agencies such as the National Medical Products Administration (NMPA), the State Council and the National Health Commission have introduced the drug priority review and approval system, marketing authorization holder (MAH) system, breakthrough therapeutic drug review and other policies, which involve R&D, review, production and post-marketing payment of innovative drugs. These policies shorten the review cycle and accelerate the process of launching innovative drugs, which greatly encourage the development of innovative pharmaceutical enterprises. At the same time, with the continuous promotion and normalization of national volume-based procurement and negotiation on medical insurance for innovative drugs, while keeping medical insurance fees under control, the inclusion of innovative drugs in the National Reimbursement Drug List (NRDL) is accelerated to greatly improve the accessibility of innovative drugs, which is conducive to the rapid increase in the demand for drugs and will continue to benefit innovative drug enterprises.

Since its establishment, TOT BIOPHARM has been unswervingly optimistic about the promising prospect of the innovative pharmaceutical market in China. TOT BIOPHARM has improved its R&D capabilities and focused on long-term development by deploying multiple product pipelines, such as mAbs, ADCs, oncolytic virus and small molecular drugs, and its R&D capabilities and commercial production capabilities for innovative drugs went hand in hand. By virtue of our three self-developed R&D technology platforms, the Group has leading R&D capabilities for innovative drugs such as biological drugs. While satisfying the commercial production of independent R&D projects, the Group also pre-deploys our commercial production platform for biological drugs with international standards, especially the ADC drugs, and speeds up the planning of CDMO/CMO business with the principle of opening up, collaboration and win-win.

Projects under research and their commercialization are accelerated, and our core product is about to enter the harvest phase

In 2020, fighting a fierce battle against COVID-19, all the staff of TOT BIOPHARM overcame difficulties together. A number of key anti-tumor drugs have successfully entered pivotal clinical stages, ranking us among the top echelon in China with encouraging R&D achievements.

- TAB008 (anti-VEGF mAb) (non-squamous non-small-cell lung cancer (nsNSCLC)): As the Group's most advanced biological drug candidate and core product, it has met the primary endpoints of its Phase III clinical trial in April 2020, and the marketing application was submitted, and was accepted in September 2020. As the first bevacizumab biosimilar in China with new drug marketing application (NDA) accepted by NMPA in accordance with the new version of the Administrative Measures for Drug Registration, TAB008 is expected to be approved for marketing in 2021.

- TAA013 (anti-HER2 ADC) (HER2+ advanced breast cancer): It has successfully entered Phase III clinical trial. It is formed by the bonding of trastuzumab and emtansine (microtubule inhibitor) through a stable thioester bond (Trastuzumab-MCC-DM1). It aims to become an alternative to Roche's marketed drug Kadcyla (trastuzumab emtansine). Currently, TAA013 is the first T-DM1 ADC product entering Phase III clinical trial in China, with the first patient enrolled in July 2020.

- TOZ309 (temozolomide): A generic drug of chemical drug temozolomide, its marketing application has been submitted and the pre-approval registration inspection has been completed by relevant national drug administration authorities. It is expected to be approved for marketing in 2021.

- The Phase III clinical trial application (IND) of TAB014 recombinant humanized anti-vascular endothelial growth factor (VEGF) monoclonal antibody vitreous injection was submitted to the U.S. Food and Drug Administration (FDA) (FDA has granted authorization for the Phase III clinical trial application (IND) in January 2021).

- A GMP-compliant ADC commercial production workshop was constructed and the adjustment and testing of the drug substance production facility and equipment have been completed.

Building a domestic leading, international first-class ADC full industry chain platform, and becoming a leader in the domestic ADC field

In 2020, ADC drug development has attracted much attention and set off an upsurge, which is mainly due to its unique drug action mechanism that combines the toxicity of the high-activity small-molecule cells and the targetedness of monoclonal antibodies. Compared with traditional chemical drugs and biological drugs, ADC drugs have obvious advantages in improving the safety and efficacy of tumor treatment, and meanwhile it imposes extremely high requirements on commercial production capacity. This research field is also considered to be one of the important directions for the development of monoclonal antibody drugs (especially in the field of tumor targeted therapy) in the next decade. According to market forecasts, the global ADC market will reach US$12.9 billion in 2024, representing a CAGR of approximately 35% from 2018 to 2024, with a great potential for market development.

However, due to high technical difficulty of the R&D of ADC drugs, very few drugs can enter the clinical stage. Only 10 ADC drugs were launched globally, two of which were imported drugs sold in China, and about 95% of the R&D projects are in an early clinical stage. In 2013, TOT BIOPHARM has already started to conduct the research for ADC drugs. Fortunately, after years of cumulative efforts, our first self-developed ADC drug TAA013 has entered Phase III clinical trial in 2020 and enrollment of patients has commenced, currently with leading R&D progress in China.

Meanwhile, we have been actively building a commercial production platform for ADC drugs and have during the year completed the construction of the ADC commercial drug substance facility, which is expected to become one of the few ADC commercial production workshops in China that meet GMP production requirements, laying a foundation for the commercial production of ADC drugs.

Creating a commercial production platform with high competitiveness and actively expanding CDMO/CMO business

With industry-leading commercial production planning, the Group established a large-scale production workshop for biological drugs and mAb drugs with international standards back in 2018, with a designed production capacity of 16,000L. Our self-developed innovative cell amplification technology (PB-Hybrid Technology) enables a direct scale-up from a 25L WAVE reactor to a 2,000L bioreactor, and we have successfully produced multiple batches of drugs for clinical trials, such as TAB008 and TAA013. In 2020, the construction of the ADC drug substance facility was completed, and an ADC formulation workshop was planned simultaneously, laying a solid foundation for commercial development.

In the meantime, given the increasing demands of CDMO/CMO markets at home and abroad coupled with the shortage of industrial resources, TOT BIOPHARM enjoys prominent advantages by virtue of its highly competitive commercial production platform and technology platform. As a biotechnology company focusing on innovative drugs, we possess a well-developed technology platform and a well-rounded management team with expertise in R&D, clinical trials, registration and approval to commercial production. We have extensive experience in the process development of core technology and in production, especially in terms of ADC drugs with high technological barriers. In this regard, we have completed several new-generation ADC drug projects in collaboration with multiple strategic partners, and earned the recognition and trust in the industry, giving us full confidence in the development of CDMO/CMO business.

In 2020, with the strong support of the Board, we actively developed our CDMO/CMO business, and simultaneously launched R&D and capacity expansion plans for biological drugs by increasing resource investment and talent deployment. By establishing long-term partnerships with various partners, we can provide more customers with satisfactory and efficient solutions and services through the sound management systems of TOT BIOPHARM.

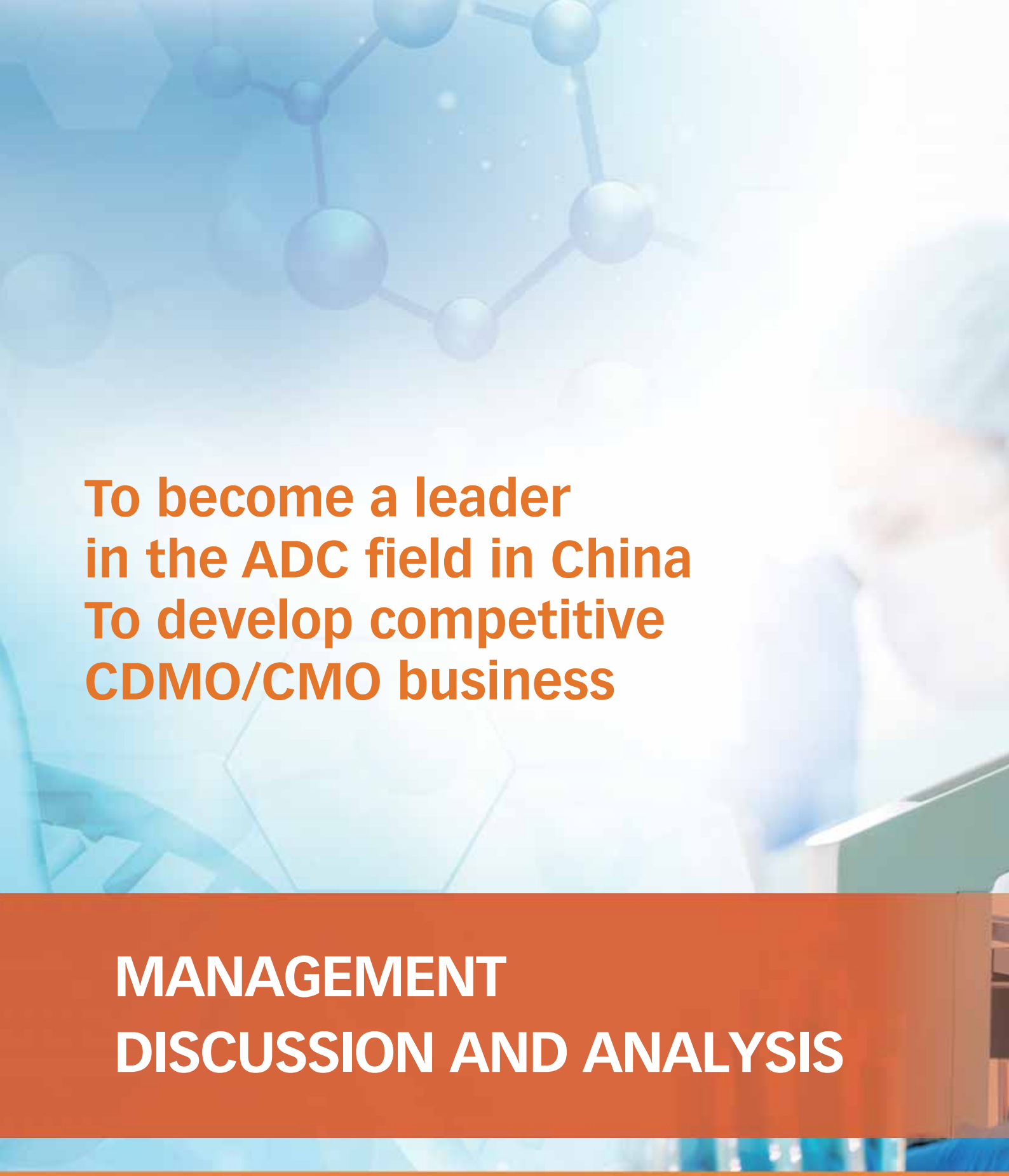
OUTLOOK

The year of 2021 is full of expectations. Our R&D efforts are about to bear fruit, and many major milestones are expected to be achieved. Our core products, biological drug TAB008 and chemical drug TOZ309, are expected to be approved for marketing, thereby benefiting a large number of cancer patients. We will continue to focus on our R&D efforts of ADC drugs with higher degrees of innovation and sophistication, strengthen the domestic and overseas licensing of our drug candidates, and accelerate our international strategy deployment. In addition, we will actively work with global leading partners to jointly promote the marketing of innovative drugs. In 2021, the CDMO/CMO business is poised for take-off. We will achieve our project cooperation with more comprehensive, granular and high-standard requirements, and continue to expand our production capacity and business volume, to create new sources of revenue growth for the Company.

Looking forward, with the rapid development and fierce competition in China's biological drug industry, we will constantly improve and upgrade our standards of international management, increase our investment in the R&D efforts of innovative drugs, rapidly expand our deployment of commercial production capacity, and strengthen our construction of an international R&D team, so as to provide endless power for our development in the next decade, offer a favourable development platform for the growth of our employees, and create greater value for our shareholders.

Dr. Liu, Jun
Chief Executive Officer and Executive Director

23 March 2021



To become a leader
in the ADC field in China
To develop competitive
CDMO/CMO business

MANAGEMENT DISCUSSION AND ANALYSIS

Vision: To improve the well-being and life quality of patients with cancer around the world with innovative technologies


High technological barrier and high economic value
Production workshop for drug substance and formulation of ADC
Independent R&D and production
Production capacity of mAb up to 16,000L
A full industry value chain
ADC pilot workshop at OEB-5 level

INDUSTRY OVERVIEW

The oncology drug market in China has grown rapidly in recent years. According to a Frost & Sullivan report, the sales volume of oncology drugs increased from US$16.9 billion in 2015 to US$28.1 billion in 2019, representing a CAGR of 13.5%; and it is expected to reach US$56.5 billion in 2024 and US$101.8 billion in 2030, respectively, representing an average CAGR of approximately 15.0%. The enormous oncology market in China has created opportunities for the development of innovative pharmaceutical technology companies with the support of the national policy of encouraging innovative drugs, and more domestic innovative oncology drugs will be marketed to meet the huge market demand in the future.

TOT BIOPHARM OVERVIEW

Focusing on the innovative oncology drugs and therapies, TOT BIOPHARM has a fully integrated platform of drug discovery, product development, pre-clinical and clinical development, as well as commercial production. Currently, we have a comprehensive portfolio of drug candidates targeting various types of cancers, which includes various product pipelines, such as monoclonal antibodies (mAbs), antibody drug conjugates (ADCs), oncolytic virus and small molecular drugs. We are committed to the commercial production strategic deployment with well-rounded production capacity and processes, and have a 16,000L mAb drugs production workshop and a commercial production workshop for ADC drug substance. We always adhere to our corporate vision of improving the quality of life of cancer patients worldwide with innovative technologies. We are committed to building a leading brand name of oncology treatments trusted by patients and their families as well as medical professionals.

In the past year, we focused on our core resources, accelerated the progress of five key products, and enhanced our innovative product pipeline with two innovative biological candidates.

At present, we have 13 drug candidates, including monoclonal antibody drugs such as TAB008 (anti-VEGF mAb), TAB014 (anti-VEGF mAb) and TAY018 (anti-CD47 mAb), and ADCs such as TAA013 (anti-HER2 ADC), which are indicated for various cancers with high incidence, such as non-small-cell lung cancer, breast cancer, gastric cancer, esophageal cancer and cervical cancer.

Product Pipeline

Type	Drug Candidate	Indication(s)	Pre-Clinical / Phase I / Phase II / Phase III / NDA[1]
Antibody drug conjugate	TAA013 (anti-HER2)	HER2-positive breast cancer	Phase III
	TAE020 (new target)	Acute myeloid leukemia	Pre-Clinical
Monoclonal antibody/ Recombinant protein	TAB008[2] (anti-VEGF)	nsNSCLC	Phase III
	TAB014[3] (anti-VEGF)	Wet age-related macular degeneration (wAMD)	Phase III; IND authorized by FDA to directly enter Phase III
	TAY018 (anti-CD47)	Non-Hodgkin's lymphoma, myelodysplastic syndrome, acute myeloid leukemia, solid tumors	Pre-Clinical
	TAC020 (new target)	Various solid tumors	Pre-Clinical
	TEP118 (modified version of hyaluronidase)	Biliary cancer, gallbladder tumors, metastatic cancer, NSCLC, gastric cancer	Pre-Clinical
Chemical drug	TOZ309 (temozolomide)	Malignant brain tumor	Submitted ANDA[4]
	TOM312 (megestrol acetate)	Cancer and HIV-associated cachexia	BE; Submitted Taiwan ANDA
	TIC318 (carboplatin)	Epithelial-derived ovarian cancer, small-cell lung cancer, head and neck squamous cell carcinoma, testicular tumors, malignant lymphoma, cervical cancer, bladder cancer, NSCLC	Pre-Clinical
Oncolytic virus	TVP211 (genetically modified vaccinia virus)	Solid tumors	Pre-Clinical
Liposome chemical drug	TID214 (liposomal docetaxel)	Solid tumors	Pre-Clinical
	TIO217 (liposomal oxaliplatin)	Gastrointestinal tumors	Pre-Clinical

Notes:
(1) NDA is applicable to the application of new drugs and Category 5.1 imported drugs
(2) TAB008 is a bevacizumab biosimilar and is TOT BIOPHARM's most advanced biological drug candidate. Bevacizumab has been approved for the treatment of NSCLC, mCRC and malignant brain tumor in China. Additional indications of bevacizumab approved in the United States or the EU include renal cell carcinoma, cervical cancer, ovarian cancer, breast cancer, liver cancer, etc.
(3) TAB014 is an ophthalmic formulation of bevacizumab, with the right of commercialization in Mainland China, Hong Kong and Macau licensed out
(4) ANDA is applicable to the application of generic drugs and Category 5.2 imported drugs

Cautionary statement required by Rule 18A.05 of the Listing Rules: The Company cannot guarantee that it will be able to develop, or ultimately market, TAB008 and TAA013 successfully. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the securities of the Company.

Commercialization Planning

TOT BIOPHARM adheres to the business philosophy of the integration of innovative R&D and commercial production, and constantly improves its production capacity and scale construction.

In 2012, the construction of Stage I Plant was completed, which was equipped with a 500L pilot workshop for biological drugs and workshops for oral form and injection form of small molecular anti-cancer drugs, and commercial production facilities for nanoliposome drugs. In 2018, the construction of Stage II Plant was completed, which had a 16,000L capacity for monoclonal antibody production. In September 2020, the construction of drug substance production facility was completed for the commercial production of ADCs, and the clinical drug production of multiple batches of ADC drugs was completed. In 2020, the production workshop for chemical drugs has completed the GMP compliance inspection, which laid a foundation for the commercial production of chemical drugs.

In the next three years, the Group will continue to expand the scale of commercial production with bioreactors of different specifications and to achieve tens of thousands of liters of production capacity. On the basis of meeting the marketing demands for our own products, we seize the market opportunities of commercial production to intensify the investment in the construction of commercial production. Leveraging our well-developed process development capability, we accelerate the expansion of CDMO/CMO business. Through our independent operation, we connect all links of the upstream and downstream of the industry to provide customers with comprehensive, safe and high-quality services.

BUSINESS REVIEW

Paving the way for the next decade of strategic development of TOT BIOPHARM, the Group constantly improves the governance framework, and continues to drive the achievement of strategic objectives of the Group. The Group is committed to develop TOT BIOPHARM into an ADC leader in China, and synchronously promote the rapid expansion of CDMO/CMO business and accelerate the international strategic collaboration to further strengthen the was competitive advantages of the Group.

Soon-to-be-commercialized Drugs

- TAB008 (anti-VEGF mAb) (non-squamous non-small-cell lung cancer (nsNSCLC)): The new drug application was submitted under the new version of the Administrative Measures for Drug Registration, and was accepted in September 2020. It is expected to be marketed in 2021.

- TOZ309 (temozolomide capsules (20mg, 100mg)): The pre-approval registration inspection in respect of the temozolomide generic drug, which is a chemical drug, was completed. It is expected to be approved for marketing in the first half of 2021.

- TOM312 (megestrol acetate): We have completed the commercial-scale formulation process validation through continuous technological optimization, and have successfully submitted the abbreviated new drug application (ANDA) in Taiwan.

Clinical Trial Progress and Achievement

- TAB008 (anti-VEGF mAb) (non-squamous non-small-cell lung cancer (nsNSCLC)): Its Phase III clinical results have reached the endpoints. The study results were published in an E-Poster at European Society for Medical Oncology Asia Congress (ESMO ASIA) in November 2020.

- TAA013 (anti-HER2 ADC) (HER2-positive breast cancer): Phase III clinical trial was initiated in June 2020 with the first patient enrolled in July, and it is currently at the stage of clinical recruitment. The Phase I clinical results in December 2020 were published in an E-Poster at the San Antonio Breast Cancer Symposium (SABCS).

- TAB014 (anti-VEGF mAb) (wet age-related macular degeneration (wAMD)): We have completed the pivotal Phase III clinical trial and the consultation with the Center for Drug Evaluation (CDE) of the National Medical Products Administration, and directly carried out the Phase III clinical trial exempting from the domestic Phase II clinical trial. At the same time, we submitted the investigational new drug (IND) application in respect of the Phase III clinical trial application of TAB014 to the US FDA, based on the data from the Phase I clinical trial of TAB014 conducted in China and relevant clinical literature data. This IND application is a direct application for authorization to conduct Phase III clinical trial (being exempted from Phase II clinical trial).

- TOM312 (megestrol acetate) (cancer and HIV-associated cachexia): We have submitted the abbreviated new drug application (ANDA) in Taiwan. The clinical protocol of the bioequivalency study (BE study) was approved by the Ethics Committee of Research Center. Meanwhile, the BE study in human will be carried out in Mainland China. We plan to complete relevant studies in 2021.

- TIC318 (carboplatin) (epithelial-derived ovarian cancer, small cell lung cancer, head and neck squamous cell carcinoma, testicular tumors, malignant lymphoma, cervical cancer, bladder cancer and NSCLC): We have completed commercial-scale formulation process validation in the high-activity drug injection workshop.

Key Products in Clinical Trial

- *Core product TAB008 – the New Drug Application submitted and accepted*

  TAB008 is the TOT BIOPHARM's independently developed bevacizumab biosimilar for the treatment of nsNSCLC. The new drug application (NDA) submitted under the new version of the Administrative Measures for Drug Registration and was accepted in September 2020. The pre-approval registration inspection was completed at the beginning of 2021 and the drug is planned to be marketed in 2021, which will be the first marketed biological drug of the Group.

  The study compares TAB008 and bevacizumab combined with paclitaxel and carboplatin chemotherapy for the first-line treatment of advanced or recurrent nsNSCLC. The primary endpoint compares the efficacy of TAB008 and Avastin by evaluating the objective response rate (ORR) of two groups of patients within the first 18 weeks of treatment (i.e. six three-week cycles). A total of 549 patients were enrolled in the clinical, including 277 patients and 272 patients (of which one patient without medication was not included in the full analysis set after randomization) in the TAB008 group and brand-name drug research group, respectively, and there is no significant difference of baseline characteristics between the two groups. The clinical results show that TAB008 has similar efficacy, safety, immunogenicity and pharmacokinetics profiles for the first-line treatment of advanced or recurrent nsNSCLC after locally treatment with the brand-name formulation of bevacizumab.

- *TAA013 – successfully entered Phase III clinical trial with dosing in the first patient completed*

  TAA013 is currently the first ADC product of T-DM1 entering Phase III clinical trial in China's market. It is an ADC candidate containing trastuzumab and emtansine (Trastuzumab-MCC-DM1), aiming to become an affordable alternative drug to Kadcyla for the treatment of HER2-positive breast cancer. In July 2020, we successfully dosed in the first patient in the Phase III clinical trial which is the stage of recruitment, and we plan to launch the drug in the market in 2023. According to a Frost & Sullivan report, the market size of ADC products for HER2-positive breast cancer in China is expected to increase from US$2.6 million in 2020 to US$228.9 million in 2024, representing a CAGR of 207.4%, and it is expected to reach US$414.9 million in 2030.

  In December 2020, the Phase I clinical results of TAA013 were published in an E-Poster at the San Antonio Breast Cancer Symposium (SABCS). This study is an open-label, single-arm, "3+3" dose escalation study with five dosage groups, including 0.6mg/kg, 1.2 mg/kg, 2.4 mg/kg, 3.6 mg/kg and 4.8 mg/kg, for the treatment of HER2-positive breast cancer patients who have previously gone through disease progression after trastuzumab treatment, to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamic profiles of TAA013. The study results show that TAA013 is safe and well tolerated, and the preliminary efficacy has been seen in HER2-positive breast cancer patients who received multiline anti-HER2 targeted drug therapy.

- *TOZ309 – pre-approval registration inspection completed*

  TOZ309, a generic drug for temozolomide capsule, is used as a chemical drug for the treatment of malignant brain gliomas and is used as a first-line medication for the treatment of newly diagnosed and recurrent brain gliomas. The pre-approval registration inspection was completed in December 2020. The GMP compliance inspection of the chemical drugs production workshops located in Suzhou, Jiangsu Province was completed, laying the foundation for the commercial production of small molecules in the future. It is expected that the TOZ309 will be approved for marketing in 2021.

- *TOM312 – BE research approved by Ethics Committee*

  TOM312 is a generic drug candidate for Megace (megestrol acetate oral suspension) for the treatment of cancer and HIV-associated cachexia. We have completed the development of key processes and technologies as well as process validation, and achieved large-scale batch commercial production capacity. The BE clinical protocol of TOM312 was approved by the Ethics Committee of Research Center, and we plan to complete all clinical research work in 2021.

Business Highlights

TOT BIOPHARM, a biopharmaceutical high-tech enterprise specializing in the R&D and production of new anti-tumor drugs, is headquartered in Suzhou Industrial Park, Suzhou City, Jiangsu Province, China, and is equipped with R&D centers and manufacturing facilities. We have an early R&D center in Zhangjiang Hi-Tech Park, Shanghai and a regulation and clinical medicine center in Beijing. The three self-developed technology platforms of the Group have the commercial production capacity for mAbs and ADCs and a sound international quality management system and registration team, which lay a foundation for accelerating the progress of R&D, international market plan and CDMO/CMO business.

- *Our three integrated technology platforms*

  (1) Therapeutic mAb and ADC technology platform: The platform is capable of performing a wide range of functions, from screening cell clones and building cell banks to chemistry, manufacturing and controls (CMC) development, pilot production, scale-up production, purification, filling and packaging. To maximize the synergy of the development of antibody drugs, in addition to mAbs, the Group also further develops ADCs by linking the antibody to the cytotoxic agent. In September 2020, after the construction of ADC drug substance production facility was completed and put into operation, we became one of the few companies in China that has integrated commercial production capabilities for mAbs and ADCs. Accordingly, TOT BIOPHARM will open up its platform, strengthen collaboration, accelerate product R&D, and develop competitive CDMO/CMO business.

(2) **Gene engineering-based therapeutic technology platform:** This platform integrates anti-tumor immunotherapy, gene therapy and viral therapy and functions as an R&D and manufacturing platform for the tumor-targeted recombinant oncolytic virus vector system. The Group has a dedicated R&D team in Zhangjiang Hi-Tech Park, Shanghai focusing on early discovery and enhancing the Group's capability to collaborate with other innovative oncology drug companies. The Group has developed TVP211, an oncology drug based on vaccinia virus, and continues to use this drug for platform verification. With integrated R&D capabilities, patents and state-of-the-art laboratories for molecular biology, cytology, and virology as well as our first-class facilities, more R&D and production of oncolytic virus products will be conducted.

(3) **Innovative drug delivery technology platform:** An advanced targeted liposome drug delivery system is developed on this platform. Liposomes are increasingly used as a delivery system due to their biocompatibility, biodegradability, low toxicity, and aptitude to trap both hydrophilic and lipophilic drugs and simplify site-specific drug delivery to tumor tissues. Commercial-scale production of liposomes as a drug delivery system is difficult due to the sophistication of the technologies involved, and so far, only around 10 liposome drug products have been launched globally. We have developed commercial-scale, GMP-compliant manufacturing capability for liposome drugs. The production lines utilize aseptic isolators to produce OE-B-5 chemical injections while ensuring quality consistency. In addition, this system is concentrated and located on the target tissue, the target organ, or target cells with sustained release of the active molecules. The Group has accumulated extensive practical experience, in the future, we will also focus on the research and technology development of liposome drug delivery systems for small molecule chemical and nucleic acid drugs with special preparations and complex formulations.

- *Our competence in ADC drug R&D leads the Chinese market*

Compared to conventional chemotherapy and mAbs, ADCs have superior efficacy. With the help of an antibody, an ADC can specifically target tumor cells and deliver the cytotoxic drug conjugated to such antibody into tumor cells, possessing both the high-efficiency cancer cell killing power of chemical drugs and the targeting ability of biological drugs.

TAA013, as a self-developed ADC drug of TOT BIOPHARM, has completed the enrollment of the first participant in Phase III clinical trial in July 2020. As the most advanced ADC product under the generic name (INN) of T-DM1 currently in China's market, TAA013 demonstrates a sharp competitive edge in the market.

In terms of technology, we have core conjugation process technologies and have successfully established several stable production processes for ADC drug substance and formulations to ensure stability and a high degree of batch-to-batch consistency of products; we have a complete ADC analysis technology platform and independent analysis capabilities in respect of ADC critical metric attributes to ensure the successful development of ADC processes and the high quality of products; we have achieved technical breakthroughs in the regulation of glycoforms, enabling precise control of the composition of each glycoform to make them similar to the brand-name drug candidate Kadcyla (赫賽萊).

In terms of commercial production, we possess one of the few domestic GMP-compliant ADC commercial production workshops that integrate mAb and ADC drug substance and drug preparation. We have an ADC pilot workshop that meets the OEB-5 level and a GMP-compliant large-scale commercial drug substance production facility, which were put into operation in September 2020.

In terms of team composition, we have R&D professionals specializing in ADC conjugation process technologies and an analysis team specializing in of complex ADC molecular structures. We have completed the R&D and production of several new-generation ADC drugs of strategic partners with extensive practical experience and successful cases.

- *Commercial production advantages and CDMO/CMO strategic collaboration*

  With a comprehensive commercial production platform of high international standards and a strict project control system, we increased resource investment, actively promoted CDMO/CMO business, and developed diversified strategic collaboration with domestic and foreign pharmaceutical companies to provide customers with high-standard and high-quality CDMO/CMO services.

  The Group's commercial production technologies demonstrate a sharp competitive edge in cost-effectiveness. Its self-developed perfusion-batch combined process flows, PB-Hybrid Technology, can realize commercial production from 25L to 2,000L without going through the 10L, 100L and 200L steps in the cell culture process, thereby streamlining process flows and reducing production risks, while at the same time shortening production cycles, lowering production costs, and greatly improving production capacity and cost advantages. Leveraging our edges in platform and commercial production capabilities, we will continuously enhance external collaboration.

In terms of monoclonal antibody drugs, antibody drug conjugates and chemical drugs, the Company provides fully-integrated services and possesses teams ranging from R&D, process development, clinical trials, registration application to commercial production. For the year of 2020, the Company has reached commercial collaboration with several innovative pharmaceutical companies to provide CDMO/CMO services for new drug R&D partners, including the CDMO collaboration with Kintor Pharmaceutical Limited (9939.HK) to continuously provide clinical supplies manufacturing and technical support for its core product Proxalutamide (普克魯胺) in China and the United States. At the same time, we provide Kintor with clinical supplies manufacture for the novel coronavirus (COVID-19) overseas (including the United States, Brazil, etc.). With the provision of CDMO/CMO services to new drug R&D partners, we are pursuing diversified collaboration opportunities while increasing the Company's cash flows.

- *Comprehensive international quality management system and drug registration team*

  TOT BIOPHARM has established a comprehensive quality management system that complies with the required standards of the International Conference on Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH). The system covers the entire product life cycle from R&D to process development, clinical drug production, commercial drug production, material and product supplier management, as well as post-marketing tracking. We have obtained ISO14000 Environmental Management System certification and possess practical experience including new drug research, clinical application and marketing application. We have a professional quality control team which has remarkably completed a series of quality-related work in drug R&D, investigational new drug (IND) applications, clinical sample production and commercial production of products.

We have specialized regulatory affairs offices at our Suzhou headquarters and in Beijing, with knowledge of domestic and foreign drug regulations and practical experience in registration applications. We maintain good communication with relevant medical regulatory bodies in China, the United States and Europe, pay close attention to changes in domestic and international regulatory registration and filing policies, and conduct targeted research and analysis work to make full preparation for successful marketing and internationalization of products in the future.

During the reporting period, we have completed the communication with the Center for Drug Evaluation (CDE) of the National Medical Products Administration and with the U.S. Food and Drug Administration (FDA) on the clinical implementation strategy of TAB014. With dual IND submissions in both China and the United States, we have laid the foundation for expanding the international market. In September 2020, the new drug marketing application (NDA) for bevacizumab injection (TAB008) was submitted in accordance with the requirements of the new Drug Administration Law and the Administrative Measures for Drug Registration and has been accepted. According to the new regulations, the approval time will be greatly shortened, and the marketing process will be accelerated.

At the same time, fully appreciating that the proprietary nature of and protection afforded to our drug candidates and prescription processes are an important part of the strategies for product development and commercialization of new drugs, the Group attaches particular importance to patent protection. We have filed patent applications for certain drugs and drug candidates such as TAA013, TOZ309 and TOM312 in China while proactively seeking additional patent protection overseas.

Our response to COVID-19 and fulfillment of social responsibilities

2020 was particularly unusual because of the outbreak of COVID-19. In the face of the global outbreak of COVID-19, the Group promptly took precautionary and control measures and implemented business continuity plan to reduce the impact of the pandemic on R&D, clinical trials and production. Through the unremitting efforts of the employees and management team during the pandemic, the Group resumed full operation on 10 February 2020. At the same time, in view of the continued spread of the pandemic across the world, after the Board and management team carefully assessed internal and external risk factors and considered the potential objective factors such as the increase in price of raw materials and the prolongation of equipment procurement cycles caused by the pandemic, TOT BIOPHARM has launched various plans and measures in advance to ensure stable business operations.

Meanwhile, with the strong support of the Board, we actively fulfilled our social responsibilities. We donated money and goods to the Hubei Charity Federation and relevant medical institutions, provided epidemic prevention supplies for employees and their families, and formulated flexible and caring measures for employees commuting to ensure their health and safety.

Reallocation of Listing Proceeds

During the reporting period, in order to cater for the strategic development and business model adjustments of TOT BIOPHARM, the Group reallocated unused listing proceeds and converged our resources to build a domestic leading ADC R&D and production platform and develop the CDMO/CMO business with competitive advantages.

The Group will continue to accelerate the progress of the Phase III clinical trial of TAA013, enhance its R&D and production platform technologies for ADC products, and expand its ADC product pipelines. The Group seeks to join hands with well-known domestic pharmaceutical companies by proactively negotiating licensing or collaboration schemes for the marketing rights in respect of several soon-to-be-commercialized product pipelines including TAB008, TOZ309, TAA013 and others. The Group adjusts its focus of R&D resource allocation to concentrate its resources on the R&D projects in respect of product pipelines that possess greater market superiority, and to reduce the resources devoted to non-core product pipelines. The Group fully leverages its existing production processes and production capacity advantages to, on the basis of meeting the supply of soon-to-be-commercialized products, further strategically expand its high-value-added potential business opportunities and invest more resources in commercial development, facilities as well as ingredients and excipients to an appropriate extent.

Prospects and Strategies

In the future, the Group will continue to converge its resources, increase the expansion of commercial production capacities, fully realize the advantages of its commercial production platform and accelerate the expansion of CDMO/CMO business while fulfilling the production demands for its own products. With a global outlook, the Group will actively promote its internationalization strategy, and is committed to opening up the global commercial rights of drug candidates. Through powerful collaboration, the Group aims to increase its market share rapidly and achieve stable cash flow.

In 2021, we will continue to focus on resources and advance the following development strategies:

Accelerate the expansion of production capacity and actively deploy CDMO/CMO business: In 2021, our key product TAB008 will be commercialized soon, and we will establish long-term partnerships with multiple suppliers to promote the rapid growth of the CDMO/CMO business of TOT BIOPHARM. According to market demand, we will introduce new different specifications of bioreactors based on the existing 16,000L production capacity of mAb drugs to ultimately achieve tens of thousands of liters of production capacity, aiming to become a domestic mAb and ADC commercial production platform with high competitiveness and provide customers with high-quality and comprehensive services.

Continue to strengthen the construction of the ADC R&D and commercial platform: We actively promote the enrollment of Phase III clinical patients in respect of TAA013 by internal and external collaboration and communication. We converge resources and promote collaboration to constantly launch and enrich our ADC product pipelines. Leveraging TOT BIOPHARM's outstanding strengths in the ADC field, we simultaneously deploy our ADC commercial platform, which will be equipped with hydro-acupuncture and lyophilized preparations workshops, and are committed to developing TOT BIOPHARM into a company with pilot and commercial drug substance and formulation production workshops of ADC drugs meeting international standards.

Embrace openness and win-win collaboration to promote domestic and international commercial collaboration for drug candidates: At present, TOT BIOPHARM has multiple product pipelines such as biological drugs, ADC drugs and chemical drugs, and is soon entering upon a new phase of commercialization with huge market potential. TOT BIOPHARM has been adhering to the principle of openness, collaboration and win-win, and exploring future commercial development strategies with various domestic and foreign partners. With a one-stop, whole-industry-chain platform which encompasses R&D, clinical trials, regulatory applications, manufacturing and commercialization, TOT BIOPHARM actively seeks strategic collaboration domestically and internationally. We will receive milestone payments through the transfer of domestic and foreign sales rights. Through diversified collaboration models, we share resources, accelerate the progress of product R&D and marketing, and rapidly increase our domestic and foreign market share to enhance our market competitiveness. Leveraging our unique advantages in R&D and production, we strengthen CDMO/CMO business collaboration to provide pharmaceutical companies with production capacity and technological requirements which they are lacking in, and help customers shorten production time and reduce production costs in a cost-effective manner.

FINANCIAL SUMMARY

HKFRSs Results

The following table sets forth the net loss and total consolidated loss for the periods indicated:

Item	For the year ended 31 December		
	2020 RMB'000	2019 (RMB'000)	**Increase/ Decrease** %
Revenue	**22,491**	45,308	-50%
Cost of revenue	**(6,961)**	(11,316)	-38%
Research and development expenses	**(235,196)**	(191,078)	23%
Selling expenses	**(25,953)**	(31,544)	-18%
General and administrative expenses	**(46,855)**	(95,091)	-51%
Other gains, net	**3,802**	14,117	-73%
Operating loss	**(288,672)**	(269,604)	7%
Non-operating income and expenses, net	**174**	(29,696)	NA
Net loss	**(288,498)**	(299,300)	-4%
Other consolidated loss	**(3,254)**	(13,930)	-77%
Net loss and total consolidated loss	**(291,752)**	(313,230)	-7%

Non-HKFRSs Measures and their Adjustment

To supplement the Group's consolidated financial statements which are presented in accordance with the HKFRSs, the Group uses EBITDA, adjusted net loss and adjusted EBITDA for the year and other adjusted figures as additional ways to measure our financial performance. This is not a presentation required by the HKFRSs or in accordance with the HKFRSs. The Group believes that these adjusted measures provide useful information to the shareholders and potential investors in understanding and evaluating the Group's consolidated operating results in the same manner as the Group's management does.

The adjusted net loss for the year refers to the net loss for the year, excluding the effect of certain non-cash items and one-off items, namely listing and financing expenses, valuation loss of convertible preferred shares, foreign exchange gains/losses and share-based compensation expenses. The adjusted net loss for the year is not defined in the HKFRSs.

The adjusted EBITDA for the year refers to the EBITDA for the year (which is net loss for the year excluding interest expenses and depreciation and amortization expenses for the year), excluding the effect of certain non-cash items and one-off items, namely listing and financing expenses, valuation loss of convertible preferred shares, foreign exchange gains/losses and share-based compensation expenses. The adjusted EBITDA for the year is not defined in the HKFRSs.

The use of these non-HKFRSs measures have limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of, the Group's operating results of or financial condition as reported under the HKFRSs. The adjusted figures presented by the Group may not be comparable to benchmarks of a similar measures presented by other companies. However, the Group believes that these non-HKFRSs measures is able to eliminate the potential impact of items that the management does not consider to be indicative of the Group's operating performance and can reflect the Group's normal operating results, thus facilitating the comparison of operating performance from period to period and from company to company to an appropriate extent.

The following table sets forth the reconciliation from net loss to EBITDA for the periods indicated:

Item	For the year ended 31 December 2020 RMB'000	2019 RMB'000
Net loss	**(288,498)**	(299,300)
Add:		
Interest expenses	**1,706**	2,291
Depreciation and amortization	**32,082**	27,351
EBITDA	**(254,710)**	(269,658)

The following table sets forth the reconciliation between net loss to adjusted net loss and EBITDA to adjusted EBITDA for the periods indicated:

Item	For the year ended 31 December 2020 RMB'000	2019 RMB'000
Net loss	**(288,498)**	(299,300)
Add:		
Listing and financing expenses	**0**	42,315
Share-based compensation expenses	**15,832**	23,557
Valuation loss of convertible preferred shares	**0**	29,085
Foreign exchange gains	**0**	(2,396)
Adjusted net loss	**(272,666)**	(206,739)
EBITDA	**(254,710)**	(269,658)
Add:		
Listing and financing expenses	**0**	42,315
Share-based compensation expenses	**15,832**	23,557
Valuation loss of convertible preferred shares	**0**	29,085
Foreign exchange gains	**0**	(2,396)
Adjusted EBITDA	**(238,878)**	(177,097)

The adjusted net loss for 2020 was RMB272,666,000, representing an increase of RMB65,927,000 as compared to the adjusted net loss for 2019 of RMB206,739,000. The adjusted EBITDA for 2020 was RMB238,878,000, representing an increase of RMB61,781,000 as compared to the adjusted EBITDA for 2019 of RMB177,097,000. Such increases were primarily attributable to the commencement of Phase III clinical trial for the TAA013 ADC project of the Company in 2020 and the impact of the national volume-based procurement policy on the sales derived from the distribution of brand-name drug S-1.

Overview

In 2020, the Group recorded a revenue of RMB22,491,000, as compared to RMB45,308,000 in 2019; and a net loss of RMB288,498,000 in 2020, as compared to a net loss of RMB299,300,000 in 2019. The Group's research and development expenses in 2020 were RMB235,196,000, as compared to RMB191,078,000 in 2019. The Group's general and administrative expenses in 2020 were RMB46,855,000, as compared to RMB95,091,000 in 2019. The selling expenses in 2020 were RMB25,953,000, as compared to RMB31,544,000 in 2019.

Operating Revenue and Cost of Revenue

The Group's diversified revenue was mainly derived from our strategic business partners, including commissions for marketing services in connection with the commercialization of S-1 and revenue for providing CDMO and CMO services to other biotechnology companies, etc.

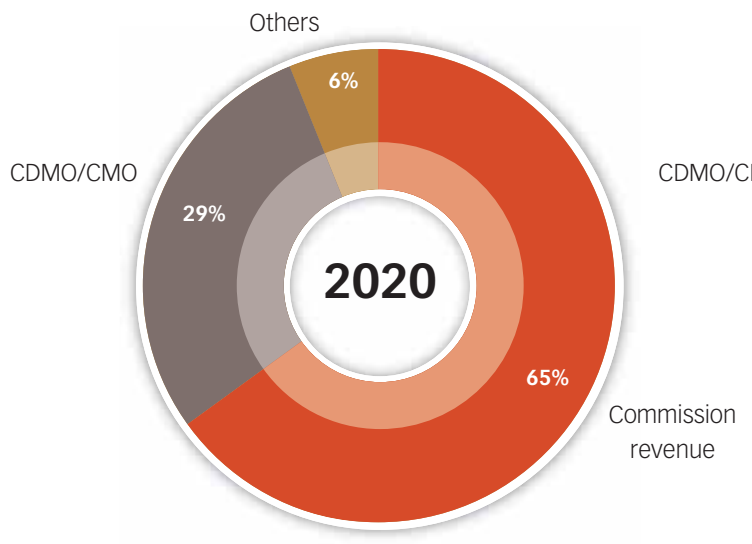
The Group's commission revenue in 2020 was RMB14,703,000, representing a decrease of RMB15,119,000 from RMB29,822,000 in 2019, primarily attributable to the impact of the national volume-based procurement policy on the sales derived from the distribution of brand-name drug S-1.

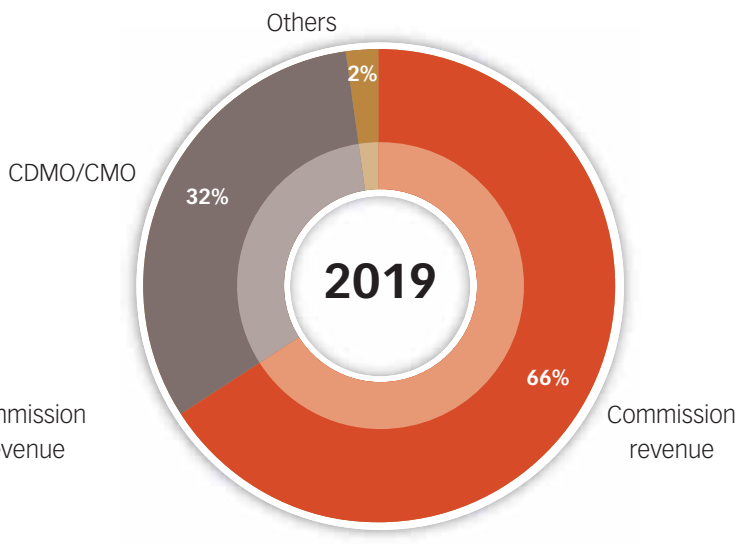
The Group's revenue from CDMO and CMO services in 2020 was RMB6,423,000, representing a decrease of RMB8,143,000 from RMB14,566,000 in 2019, primarily attributable to the alignment with our customers' planned R&D schedules. The provision of materials, labor and expenses, etc. necessary for CDMO and CMO services also decreased along with the variation in business activities.

Research and Development Expenses

The Group's research and development expenses primarily consist of expenses for clinical trials, salaries and benefits for research and development staff, depreciation and amortization expenses, research and development materials and consumables and third-party contracting costs for clinical and non-clinical research, etc.

The Group's research and development expenses in 2020 were RMB235,196,000, representing an increase of RMB44,118,000 from RMB191,078,000 in 2019, mainly attributable to the commencement of Phase III clinical trial for the TAA013 project of the Company in 2020 after the completion of Phase I clinical trial that resulted in an increase in demand for active pharmaceutical ingredients (APIs), excipients and consumables by related contract research (CROs) and those for the preparation of clinical drugs.





The following table sets forth a breakdown of the Group's research and development expenses by nature for the periods indicated:

	For the year ended 31 December	
	2020 RMB'000	2019 RMB'000
Clinical trials (exclude employee benefit expenses)	**74,915**	54,710
Employee benefit expenses	**58,840**	52,908
R&D materials and consumables	**31,331**	21,038
Depreciation and amortization	**28,205**	22,959
Utilities	**11,790**	10,892
Other third-party research contracting costs	**8,241**	5,757
Others	**21,874**	22,814
Total	**235,196**	191,078

Selling Expenses

The Group's selling expenses primarily consist of salaries and benefits for marketing staff, conference fees, marketing and promotion expenses, and travelling expenses, etc.

The Group's selling expenses in 2020 were RMB25,953,000, representing a decrease of RMB5,591,000 from RMB31,544,000 in 2019, mainly attributable to the overall economic slowdown as a result of the outbreak of COVID-19 in 2020 which led to the suspension or postponement of various marketing events.

General and Administrative Expenses

The Group's general and administrative expenses primarily consist of salaries and benefits for management and administrative staff, listing expenses, legal advisory fees, and expenses for professional services related to audit and tax.

The Group's general and administrative expenses in 2020 were RMB46,855,000, representing a decrease of RMB48,236,000 from RMB95,091,000 in 2019, primarily attributable to the inclusion of listing expenses in the expenses for the same period in 2019.

Other Gains, Net – Government Grants

The Group's government grants consist of incentives, interest subsidies and other subsidies for research and development activities, which were mainly incentives granted by the government according to the clinical development of our drug candidates.

The Group's government grants in 2020 were RMB2,736,000, representing a decrease from RMB13,390,000 in 2019, primarily attributable to IPO-related grants received in 2019 and the impact of government policies in each year.

Other Gains, Net – Net Foreign Exchange Gains

The Group recorded net foreign exchange gains of RMB324,000 in 2020, representing a decrease of RMB2,072,000 from net foreign exchange gains of RMB2,396,000 in 2019, primarily attributable to greater gains realized from the conversion of a larger portion of the funds raised from the listing in 2019 into RMB at a relatively high exchange rate that year.

Finance Income

The Group's finance income is primarily interest income on bank deposits.

The Group's finance income in 2020 was RMB1,880,000, representing an increase of RMB200,000 from RMB1,680,000 in 2019.

Finance Costs

The Group's finance costs are primarily interest expenses on bank borrowings for operational needs.

The Group's interest expenses on bank borrowings in 2020 were RMB1,185,000, representing a decrease of RMB334,000 from RMB1,519,000 in 2019, primarily attributable to the funds raised from the IPO in 2019 and the repayment of bank borrowings in the first half of 2020, which resulted in a relatively low level of average bank borrowings in 2020.

Fair Value Change in Financial Instruments Issued to Investors

The Group's financial instruments issued to investors were the convertible preferred shares issued in 2018, which were automatically converted into ordinary shares of the Company upon the IPO on 8 November 2019.

The fair value change in the financial instruments issued to investors was determined mainly with reference to the total equity value of the Group as determined by an independent valuer. In 2020, the Group had no financial instrument issued to investors, while the fair value loss in financial instruments issued by the Group to investors amounted to RMB29,085,000 in 2019.

Income Tax Expenses

During 2020 and 2019, the Group did not incur any income tax expense because the Group did not generate any taxable income during these two years.

Loss for the Year

In view of the abovementioned factors, the Group recorded a net loss of RMB288,498,000 in 2020, representing a decrease of RMB10,802,000 from RMB299,300,000 in 2019.

Net Assets

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Total current assets	**249,227**	614,363
Total non-current assets	**391,956**	402,999
Total assets	**641,183**	1,017,362
Total current liabilities	**52,743**	146,786
Total non-current liabilities	**6,083**	12,299
Total liabilities	**58,826**	159,085
Net assets	**582,357**	858,277

The Group's net assets as at 31 December 2020 were RMB582,357,000, representing a decrease of RMB275,920,000 from net assets of RMB858,277,000 as at 31 December 2019, primarily attributable to the net loss for the year of 2020.

Liquidity, Financial Resources and Cash Movement

As at 31 December 2020, the Group's cash and cash equivalents were RMB225,533,000, representing a decrease of RMB313,647,000 from RMB539,180,000 as at 31 December 2019, mainly attributable to the cash outflows related to operating loss, capital expenditures and the repayment of bank borrowings.

In 2020, the Group's net cash outflows for operating activities were RMB263,116,000, representing an increase of RMB11,787,000 from net cash outflows of RMB251,329,000 in 2019, primarily attributable to employee benefit expenses and the progress of research and development projects. The Group's net cash inflows from investing activities were RMB12,526,000, as compared to net cash outflows of RMB51,102,000 in 2019, primarily attributable to the redemption of principal-guaranteed structured deposits with licensed commercial banks and a decrease in capital expenditures. The Group's net cash outflows for financing activities were RMB61,707,000, as compared to net cash inflows of RMB583,022,000 in 2019, primarily attributable to the proceeds from the IPO in 2019 and the repayment of bank borrowings in 2020.

Indebtedness and Key Liquidity Ratios

As at 31 December 2019, the Group had bank borrowings amounting to RMB60,000,000, which were repaid in 2020.

Therefore, the Group had no bank borrowing as at 31 December 2020. Accordingly, gearing ratio was not applicable to the Group as at 31 December 2020.

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

	As at 31 December	
	2020	2019
Current ratio[1]	**4.7**	4.2
Quick ratio[2]	**4.6**	4.1
Debt to asset ratio[3]	**0.1**	0.2

Notes:

(1) Current ratio is calculated by dividing current assets by current liabilities as at the same date.

(2) Quick ratio is calculated by dividing current assets less inventories and by current liabilities as at the same date.

(3) Debt to asset ratio is calculated by dividing total liabilities by total assets as at the same date.

The Group's current ratio and quick ratio increased slightly from 2019 to 2020 and its debt to asset ratio decreased from 0.2 as at 31 December 2019 to 0.1 as at 31 December 2020, primarily attributable to the repayment of short-term bank borrowings in 2020.

Significant Investment

As at 31 December 2020, the Group did not hold any significant investment.

Material Acquisitions and Disposals

During 2020, the Group did not have any material acquisition and disposal of subsidiaries, consolidated affiliated entities, associates or joint ventures.

Pledge of Assets

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

Contingent Liabilities

As at 31 December 2020, the Group had no significant contingent liabilities.

Foreign Exchange Risk

Certain bank balances and cash, trade receivables, other receivables and other payables are denominated in foreign currencies of respective group entities which are exposed to foreign exchange risk. Foreign exchange risk also arises from future commercial transactions and recognized assets and liabilities denominated in a currency other than the functional currency of the relevant group entity. The Group has entities operating in USD, NTD and RMB, and the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future when necessary.

Employees and Remuneration

As at 31 December 2020, the Group had a total of 366 employees. The following table sets forth the total number of employees by function as at 31 December 2020:

Function	Number of employees	% in total
Research and development	202	55.2%
Sales and marketing	62	16.9%
General and administration	37	10.1%
Manufacturing	65	17.8%
Total	366	100.0%

For the year ended 31 December 2020, the remuneration of the senior management of the Company other than Directors (as disclosed in the section headed "Biographies of directors and senior management" in this annual report) included salaries, wages, bonuses, and share-based compensation expenses, and fell within the following bands:

Remuneration band	Number of senior management members
RMB1,000,001 to RMB1,500,000	1
RMB1,500,001 to RMB2,000,000	2
RMB2,000,001 to RMB2,500,000	1
RMB2,500,001 to RMB3,000,000	2

In 2020, the Group incurred employee benefit expenses of RMB106,382,000, as compared to RMB101,067,000 in 2019. The employee benefit expenses of the Group include wages, bonuses, contributions to employee provident fund and social security funds, payments for other benefits and share-based compensation expenses, etc. In accordance with applicable laws of the PRC, the Group has made contributions to social security insurance funds, including basic pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, and housing provident funds for our employees. In accordance with applicable laws of Taiwan, we have made contributions to social security insurance funds.

Impact of COVID-19

As disclosed in the section headed "Management discussion and analysis – Business Review – Our response to COVID-19 and fulfillment of social responsibilities" on page 14 of this annual report, the Group took various precautionary and control measures and implemented business continuity plan to reduce the impact of COVID-19 on R&D, clinical trials and production.

As at the date of this report, the Group has not experienced and currently do not expect any material impact from COVID-19 on its R&D, clinical trials and production.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors	Ms. Yeh-Huang, Chun-Ying *(Vice Chairman of the Board)* Dr. Liu, Jun *(Chief Executive Officer)*
Non-executive Directors	Mr. Fu, Shan *(Chairman)* Dr. Kung, Frank Fang-Chien Mr. Kang, Pei Mr. Qiu, Yu Min
Independent Non-executive Directors	Ms. Hu, Lan Dr. Sun, Lijun Richard Mr. Chang, Hong-Jen
Senior Management	Mr. Liu, Donglian Dr. Liu, Ming Mr. Yao, Jau-Chang Mr. Chen, Xiaobao Mr. Lin, Chun-Ming Mr. Wu, Chih-Yuan

EXECUTIVE DIRECTORS

Ms. Yeh-Huang, Chun-Ying (黃純瑩女士), aged 62, joined the Group on 5 July 2010 and was appointed as an executive Director and the vice chairman of the Board on 19 January 2016 and 15 October 2020, respectively. She is also a member of the Strategy Committee. Ms. Yeh-Huang served as the general manager of the Group between 5 July 2010 and 15 October 2020. She is now responsible for the oversight and promotion of strategy formulation, development, branding and public relations of the Group.

From April 1986 to December 2015, Ms. Yeh-Huang worked at TTY Biopharm, during which she became an executive vice president of the oncology science business development unit in April 2011. As the head of TTY Biopharm's oncology science business development unit, she was responsible for product development, clinical research, marketing and sales. She also managed cancer translation centers and medical academies and was responsible for the expansion of oncology science business market construction and team management in China and Vietnam. She was a pharmacist of Taipei Veterans General Hospital from July 1983 to August 1985.

Ms. Yeh-Huang obtained a bachelor's degree in pharmacy from Taipei Medical College (now known as Taipei Medical University) in Taiwan in June 1982 and obtained her Taiwan license of pharmacist in June 1983.

Dr. Liu, Jun (劉軍博士), aged 53, joined the Group on 17 October 2016 and was appointed as an executive Director, chief scientific officer and chief executive officer on 26 October 2018, 12 March 2019 and 15 October 2020, respectively. He is also a member of the Strategy Committee of the Company. Dr. Liu, Jun served as vice general manager of the Company between 17 October 2016 and 15 October 2020, and as chief operating officer of the Company between 21 April 2020 and 15 October 2020. He is now responsible for the research and development, operations management and business development of the Group.

Prior to joining the Group, Dr. Liu, Jun was the executive director of biologics research and development department in Shanghai ChemPartner Co., Ltd. between July 2010 and October 2016. Prior to that, he was employed by Bayer US LLC between April 2005 and July 2010 working with Bayer Healthcare as a senior scientist in the United States.

Dr. Liu, Jun obtained a Ph.D. in bioanalytical chemistry from the University of California, Davis in the United States in December 2002 and a bachelor's degree in chemistry from the University of Science & Technology of China in Hefei, Anhui Province, the PRC in July 1991.

NON-EXECUTIVE DIRECTORS

Mr. Fu, Shan (付山先生), aged 53, joined the Group on 19 January 2016 as a non-executive Director and was appointed the chairman of the Board on 28 September 2018. He is also the chairman of the Nomination Committee and the Strategy Committee. He has previously used the Chinese name "Fu Shan (傅山)".

Mr. Fu has since October 2013 been a managing partner, a co-CEO and the Greater China CEO of Vivo Capital LLC, which is an investment management firm that primarily invests in the field of biotechnology and healthcare. Between June 2008 and October 2013, Mr. Fu worked as a senior managing director in the Beijing branch of Blackstone (Shanghai) Equity Investment Management Company Limited. He has been a non-executive director of InnoCare Pharma Limited (Hong Kong Stock Exchange: 9969) since February 2018, and a director of Sinovac Biotech Ltd. (NASDAQ: SVA) since July 2018.

NON-EXECUTIVE DIRECTORS *(cont'd)*

Mr. Fu obtained a master's degree in history and a bachelor's degree in history, both from Peking University in Beijing, the PRC, in July 1991 and July 1988, respectively.

Dr. Kung, Frank Fang-Chien (孔繁建博士), aged 72, joined the Group on 19 January 2016 as a non-executive Director. Dr. Kung was a founder and has since 1997 been a managing partner of Vivo Capital LLC, which is an investment management firm that primarily invests in the field of biotechnology and healthcare. He was a co-founder and was from 1983 to 1995 the president and CEO of Genelabs Technologies, Inc. (NASDAQ: GNLB), a biopharmaceutical company engaged in the discovery and development of infectious disease therapies. He has been a director of Amyris, Inc. (NASDAQ: AMRS) since November 2017.

Dr. Kung obtained a Ph.D. in molecular biology from the University of California, Berkeley in the United States in December 1976, and a bachelor's degree in chemistry from National Tsinghua University in Hsinchu City, Taiwan in 1970.

Mr. Kang, Pei (康霈先生), aged 62, joined the Group on 11 January 2011 as a non-executive Director. He is also a member of the Remuneration Committee. He has been the executive director of Chengwei Investment Management Advisory (Shanghai) Co., Ltd. (an entity under venture capital firm Chengwei Ventures LLC) since March 2003. Mr. Kang worked in various IBM Asian Pacific entities from January 1983 to May 2000, and his last position held was an executive in the financial service sector. He was a director of Transn IOL Technology Co., Ltd. (National Equities Exchange and Quotations of the PRC: 835737) from August 2015 to July 2019. Mr. Kang was a non-executive director of AAC Technologies Holdings Inc. (Hong Kong Stock Exchange: 2018) from February 2007 to May 2010.

Mr. Kang obtained a bachelor's degree in labor relations from Chinese Culture University in Taipei, Taiwan in June 1980.

Mr. Qiu, Yu Min (裘育敏先生), aged 48, joined the Group on 26 September 2018 as a non-executive Director. He is also a member of the Audit and Connected Transactions Review Committee. He has been a partner of private equity fund Advantech Capital since October 2017. From January 2016 to September 2017, he was an executive director at Advantech Capital. He served at private equity fund New Horizon Capital as an executive director from January 2015 to December 2015 and as a director from May 2013 to December 2014. From May 2010 to April 2013, he was a vice president of investment management firm GL Capital. 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 a manager. He worked at Vancouver Coastal Health Authority until 2007. From September 1994 to July 2002, Mr. Qiu worked with the Administrative Bureau of the Great Hall of the People in the PRC. He has been a non-executive director of Alphamab Oncology (Hong Kong Stock Exchange: 9966) since 3 July 2019, and a non-executive director of HBM Holdings Limited (Hong Kong Stock Exchange: 2142) since 7 December 2016.

Mr. Qiu obtained an MBA degree from the University of British Columbia in Vancouver, Canada in May 2004 and a bachelor's degree in engineering from East China University of Technology in Shanghai, the PRC in July 1994. He was certified as a Chartered Financial Analyst in October 2007 by the CFA Institute and a Certified Management Accountant in 2006 by the Institute of Management Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Hu, Lan (胡蘭女士), aged 49, joined the Group on 12 March 2019 as an independent non-executive Director. She is the chairlady of the Audit and Connected Transactions Review Committee and a member of the Nomination Committee.

Ms. Hu has more than 20 years of experience working at international accounting firms, through which she has gained accounting and financial management expertise. Ms. Hu was a partner of the consulting services department of PricewaterhouseCoopers between July 2008 and June 2018. During this period, she led financial due diligence projects for corporate and financial buyers, with a focus on analyzing the financial statements, reviewing the profit forecasts and reviewing the internal control reports of target companies. Prior to that, she worked at PricewaterhouseCoopers from July 2002, and previously at Arthur Andersen from July 1994. During these periods, she served as a public accountant and was responsible for auditing and reviewing the financial statements of listing applicants and listed companies. She has been an independent non-executive director of InnoCare Pharma Limited (Hong Kong Stock Exchange: 9969) since March 2020.

Ms. Hu obtained an MBA degree from University at Buffalo, the State University of New York in the United States in February 2005 and a bachelor's degree in accounting from Beijing Machinery and Industrial Institute in Beijing, the PRC in July 1994. She gained her Chinese Institute of Certified Public Accountants qualification in March 1997.

Dr. Sun, Lijun Richard (孫利軍博士), aged 58, joined the Group on 12 March 2019 as an independent non-executive Director. He is also a member of the Remuneration Committee, the Nomination Committee and the Strategy Committee.

Dr. Sun has more than 20 years of experience in drug discovery and development, having been named as an inventor of more than 100 awarded US patents that include drug discoveries related to cancer, autoimmune diseases and inflammatory diseases since 1999. He has also authored 35 peer-reviewed publications on biotechnology.

Dr. Sun has worked at the Department of Surgery of the Beth Israel Deaconess Medical Center as the Director of the Center for Drug Discovery and Translational Research, with an academic appointment at Harvard Medical School as Associate Professor, from 2012. He joined Silicon Therapeutics as the senior vice president and head of discovery in May 2017. He worked in Theracrine, Inc. in 2011. He worked as a Vice President in Synta Pharmaceuticals Corp. from 2009. From 1998 to 2002, he worked at Shionogi BioResearch Corp. and filed multiple patents for the company as an inventor.

Dr. Sun received his master of science degree from Georgetown University in Washington, D.C., the United States in August 1992, and Ph.D. degree from Emory University in Georgia, the United States in May 1996. He was also a research fellow at the Emory University School of Medicine in 1997.

Mr. Chang, Hong-Jen (張鴻仁先生), aged 64, joined the Group on 12 March 2019 as an independent non-executive Director. He is also a member of the Audit and Connected Transactions Review Committee and the Strategy Committee. He is also the chairman of the Remuneration Committee. He has over 15 years of experience in biotech investment.

Mr. Chang has served as the President of Taiwan Research-based Biopharmaceutical Manufacturers Association from May 2017, an adjunct professor of Institute of Public Health, National Yang-Ming University from August 2018, the Chairman of YFY Biotech Management Co., Ltd. from July 2005, the Chairman of MiCareo Taiwan Co., Ltd. from July 2011, and the Chairman of EUSOL Biotech Co., Ltd. (Taipei Exchange: 6652) from October 2009. He was a director of Mycenax Biotech Inc. (Taipei Exchange: 4726) from June 2014 to May 2018, a director of TWi Biotechnology, Inc. (Taipei Exchange: 6610) from June 2015 to June 2018, and a director of Taiwan Liposome Company Ltd. (Taipei Exchange: 4152) from June 2007 to June 2019, and has been a director of Excelsior Biopharma Inc. (Taipei Exchange: 6496) from June 2015, and a director of TaiGen Biopharmaceuticals Holdings Limited (Taipei Exchange: 4157) from April 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(cont'd)*

Mr. Chang worked in the Department of Health of Taiwan's Executive Yuan from February 2001 to November 2004, where his last position held was as the Deputy Minister.

Mr. Chang obtained his bachelor of medicine degree from National Yang-Ming Medical College in Taiwan in June 1982, master of public health degree from National Taiwan University in Taiwan in June 1984, and master of science in health services administration degree from Harvard University in the United States in June 1987.

SENIOR MANAGEMENT

Mr. Liu, Donglian (劉冬連先生), aged 52, joined the Group in August 2011, and was appointed as a senior director in August 2016 and the vice general manager in October 2017, responsible for the development and production of biological drugs.

Prior to joining the Group, Mr. Liu served as the chief technology officer of Shanghai Enpei Biotechnology Co., Ltd. from January 2003 to July 2011, during which he was responsible for EPO (erythropoietin) process optimization and rabies vaccine process development. Between August 1994 and December 1998, he served as the vice manager of biological research and development department of Shanghai Huaxin High Biotechnology Co., Ltd., during which he was in charge of EPO process development and IND (investigational new drug) application.

Mr. Liu obtained a master's degree in entomology and a bachelor's degree in biology, both from the Central China Normal University in Wuhan, Hubei Province, the PRC, in June 1994 and July 1991, respectively.

Dr. Liu, Ming (劉敏醫師), aged 60, was appointed as the chief medical officer and a vice general manager in September 2017, responsible for overseeing the strategic planning of clinical trials, design and execution of experiments and drug safety matters. She has previously used the English name "Jacqueline Ming Liu".

Prior to joining the Group, Dr. Liu, Ming served at BeiGene USA, Inc. as a consultant of clinical development from January 2016 to April 2017. Between September 2007 and January 2016, she worked at TTY Biopharm, during which she was appointed as a director and then a senior director of its translational research center in January 2011 and April 2012, respectively, and was named as an inventor of a patent in the field of biotechnology. Between March 1994 and April 2007, she served at the Institute of Cancer Research, Taiwan National Health Research Institute as a research physician. Between September 1986 and January 1992, she was an internal medicine resident in Taipei Veterans General Hospital in Taiwan. She obtained a South African Medical Practitioner's License from South African Medical and Dental Council in 1983 and a Medical Practitioner's License from the Department of Health of Taiwan's Executive Yuan in 1986. She was qualified as an internal medicine specialist, a hematology specialist and a medical oncology specialist in Taiwan in 1989, 1992 and 1992, respectively, and obtained the ISO/IEC 17025 lab director certificate in 2008.

Dr. Liu, Ming obtained a bachelor's degree in medicine and surgery from the University of the Witwatersrand in Johannesburg, South Africa in December 1983.

SENIOR MANAGEMENT *(cont'd)*

Mr. Yao, Jau-Chang (姚朝昶先生), aged 51, joined the Group in April 2018 as a vice general manager in charge of the Group's financial management, investment and financing matters.

Prior to joining the Group, Mr. Yao was a director in PricewaterhouseCoopers Taiwan between October 2010 and April 2018, and focused on the biotechnology and technology industries. He served at Wonderland Nurserygoods Co., Ltd. as a senior manager of finance from January 2008 to August 2009. He was the senior manager of assurance services in PricewaterhouseCoopers Taiwan from March 2006 to February 2007. He served as a manager of finance and accounting in Zyxel Communications Corporation from October 2004 to January 2006. He was a finance and accounting manager of Quanta Computer Inc. from November 2002 to October 2004, and served as an assurance services manager in TN Soong & Co between July 1995 and October 2002.

Mr. Yao obtained his bachelor's degree in accounting and master's degree in accounting, both from Soochow University in Taiwan, in June 1991 and June 1993, respectively. He was certified as a Certified Public Accountant (CPA) in July 1995 by the Securities and Futures Bureau of Taiwan's Ministry of Finance, and a Certified Internal Auditor (CIA) in May 2000 by the Institute of Internal Auditors.

Mr. Chen, Xiaobao (陳小寶先生), aged 39, joined the Group in June 2016 as a senior director of the chemical drug business. Prior to joining the Group, Mr. Chen was a manager of research and development department of PUMC Pharmaceutical Co., Ltd. from July 2003 to August 2014, during which he was responsible for the product development, registration affairs and project management. From September 2012 to August 2014, he was also the project manager of Neovia Oncology under PUMC Pharmaceutical Co., Ltd.

Mr. Chen obtained a bachelor's degree in pharmaceutical sciences from Peking University School of Pharmaceutical Sciences in Beijing, the PRC in July 2003 and a master's degree in engineering majoring in project management from Peking University in July 2016.

Mr. Lin, Chun-Ming (林俊明先生), aged 47, joined the Group in May 2013, and was appointed as a senior director of the sales and marketing department in April 2017, responsible for formulating marketing strategies, promotion and product sales.

Prior to joining the Group, Mr. Lin worked at TTY Biopharm from May 2002 to December 2015, mainly responsible for sales and marketing matters in the oncology science business development unit.

Mr. Lin obtained a bachelor's degree in pharmacy from Taipei Medical College (now known as Taipei Medical University) in Taiwan in June 1996.

Mr. Wu, Chih-Yuan (吳志遠先生), aged 48, joined the Group in January 2016, and was appointed as a senior director of strategy and business development in April 2019. Prior to joining the Group, Mr. Wu was a director of TTY Biopharm's oncology science business development unit from February 2014 to December 2015. He was a director of market advisory department in Taiho Pharmaceutical of Beijing Co., Ltd. from January 2009 to September 2011. Mr. Wu worked at TTY Biopharm's marketing department between August 2002 and November 2008, assuming positions such as group product manager.

Mr. Wu obtained a bachelor's degree in pharmacy from National Taiwan University in Taiwan in June 1995.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving and establishing high standards of corporate governance.

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

The Company has adopted the principles and code provisions of the CG Code contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices.

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 year ended 31 December 2020, the Company has complied with all the applicable code provisions as set out in the CG Code, except as disclosed in this report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

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

The Company has also established written guidelines including the Code of Conduct and Ethics and the Insider Dealing Policy (collectively, 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. For the purpose of effective execution of the Employees Written Guidelines, the Company also provided internal and external training sessions to senior managers and other employees. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

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

Principle A.1 of the CG Code stipulates that 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.

Board Composition

As of the date of this report, the Board comprises nine Directors, consisting of two executive Directors, four non-executive Directors and three independent non-executive Directors as follows:

Executive Directors

Ms. Yeh-Huang, Chun-Ying *(Vice Chairman of the Board)*
Dr. Liu, Jun *(Chief Executive Officer)*

Non-executive Directors

Mr. Fu, Shan *(Chairman)*
Dr. Kung, Frank Fang-Chien
Mr. Kang, Pei
Mr. Qiu, Yu Min

Independent Non-executive Directors

Ms. Hu, Lan
Dr. Sun, Lijun Richard
Mr. Chang, Hong-Jen

The biographical information of the Directors are set out in the section headed "Biographies of directors and senior management" on pages 24 to 27 of this annual report.

Save and except that both Mr. Fu, Shan and Dr. Kung, Frank Fang-Chien represent Vivo Capital on the Board, none of the members of the Board is related to one another.

BOARD OF DIRECTORS *(cont'd)*

Board Meetings and Directors' Attendance Records

Code provision A.1.1 of the CG Code stipulates that regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Code provision A.2.7 of the CG Code stipulates that the chairman of the Board should at least annually hold meetings with independent non-executive Directors without the presence of other directors. Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors during the year.

A summary of the attendance records of the Directors at the Board meetings held during the year is set out below:

Name of Directors	Attendance
Ms. Yeh-Huang, Chun-Ying *(Vice Chairman of the Board)*	9/9
Dr. Liu, Jun *(Chief Executive Officer)*	9/9
Mr. Fu, Shan *(Chairman)*	9/9
Dr. Kung, Frank Fang-Chien	9/9
Mr. Kang, Pei	9/9
Mr. Qiu, Yu Min	9/9
Ms. Hu, Lan	9/9
Dr. Sun, Lijun Richard	9/9
Mr. Chang, Hong-Jen	8/9 (Note)

Note: The board meeting of the Company held on 21 April 2020 was attended by Mr. Chang's alternate. For the purpose of Mr. Chang's attendance record, his alternate's board meeting attendance did not count as Mr. Chang being present for that board meeting.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Fu, Shan and Dr. Liu, Jun respectively. The roles of the Chairman and Chief Executive Officer are separate and exercised by different individuals. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

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

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

BOARD OF DIRECTORS *(cont'd)*

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas Code provision A.4.2 of the CG Code states that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The non-executive Directors including independent non-executive Directors of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

Under the Amended and Restated Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but greater than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Amended and Restated Articles of Association also provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. The retiring Directors shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

The Directors shall disclose to the Company details of other offices held by them (if any).

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

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

BOARD OF DIRECTORS *(cont'd)*

Continuous Professional Development of Directors

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

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company. Besides, in preparation for the Global Offering, all Directors have received formal and comprehensive training on Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2020, the Company organized training sessions conducted by qualified professionals for all Directors and the Directors complied with the code provision A.6.5 of the CG Code. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual, legal and regulatory updates and seminar handouts were provided to the Directors for their reference and studying.

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

Name of Directors	Type of Training Note
Executive Directors	
Ms. Yeh-Huang, Chun-Ying *(Vice Chairman of the Board)*	A, B
Dr. Liu, Jun *(Chief Executive Officer)*	A, B
Non-executive Directors	
Mr. Fu, Shan *(Chairman)*	A, B
Dr. Kung, Frank Fang-Chien	A, B
Mr. Kang, Pei	A, B
Mr. Qiu, Yu Min	A, B
Independent Non-executive Directors	
Ms. Hu, Lan	A, B
Dr. Sun, Lijun Richard	A, B
Mr. Chang, Hong-Jen	A, B

Note:

Types of Training

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

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

BOARD COMMITTEES

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

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit and Connected Transactions Review Committee

The Audit and Connected Transactions Review Committee consists of three members, namely Ms. Hu, Lan (independent non-executive Director), Mr. Qiu, Yu Min (non-executive Director) and Mr. Chang, Hong-Jen (independent non-executive Director), majority of whom are independent non-executive Directors. Ms. Hu, Lan is the chairlady of the Audit and Connected Transactions Review Committee and she holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference of the Audit and Connected Transactions Review Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Audit and Connected Transactions Review Committee include:

- making recommendations to the Board on the appointment, reappointment and removal of external auditors, approving the remuneration and terms of engagement of external auditors, and dealing with any issues in relation to resignation or dismissal of external auditors;
- reviewing and monitoring external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, discussing with auditors on the nature and scope of the audit work and reporting obligations before the audit commences;
- developing and implementing policies with respect to the non-audit work provided by external auditors;
- examining the completeness of the Group's financial statements and the Group's quarterly, interim and annual reports, and reviewing critical financial reporting judgments contained therein;
- overseeing the Group's financial reporting, risk management and internal control systems;
- managing matters related to connected transactions;
- reviewing and approving the Group's connected transactions and other related matters to the extent authorized by the Board; and
- providing information for the independent non-executive Directors and auditors to perform their annual review of the connected transactions.

During the year ended 31 December 2020, the Audit and Connected Transactions Review Committee held four meetings to, among other things, review, consider and approve the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

During the year ended 31 December 2020, the Audit and Connected Transactions Review Committee also had meetings with the external auditors no less than twice without the presence of the Executive Directors.

BOARD COMMITTEES *(cont'd)*

Audit and Connected Transactions Review Committee *(cont'd)*

The attendance records of the members of the Audit and Connected Transactions Review Committee are as follows:

Name of Members of the Audit and Connected Transactions Review Committee	Attendance
Ms. Hu, Lan	4/4
Mr. Qiu, Yu Min	4/4
Mr. Chang, Hong-Jen	4/4

Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. Chang, Hong-Jen (independent non-executive Director), Mr. Kang, Pei (non-executive Director) and Dr. Sun, Lijun Richard (independent non-executive Director). Mr. Chang, Hong-Jen is the chairman of the Remuneration Committee.

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

The primary functions of the Remuneration Committee include:

- making recommendations to the Board on the compensation remuneration packages of individual executive Directors and senior management and on the compensation of non-executive Director;
- making recommendations to the Board on the management's remuneration proposals;
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration;
- developing policies and structure for remuneration of all Directors, senior management and employees including salaries, incentive schemes and other share option schemes, and making recommendations to the Board; and
- making recommendations to the Board on disclosure with respect to Directors' remuneration included in the annual report.

During the year ended 31 December 2020, the Remuneration Committee held one meeting to, among other things, make recommendations to the Board on the compensation remuneration packages of individual executive Directors and senior management and on the compensation of non-executive Directors, make recommendations to the Board on the management's remuneration proposals, develop policies and structure and make recommendations to the Board on the adoption of Restricted Share Award Scheme and make recommendations to the Board on disclosure with respect to Directors' remuneration included in the annual report.

Details of the remuneration of the senior management by band are set out in the section headed "Management discussion and analysis – Employees and Remuneration" on page 23 of this annual report.

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

Name of Members of the Remuneration Committee	Attendance
Mr. Chang, Hong-Jen	1/1
Mr. Kang, Pei	1/1
Dr. Sun, Lijun Richard	1/1

BOARD COMMITTEES *(cont'd)*

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Fu, Shan (non-executive Director), Ms. Hu, Lan (independent non-executive Director) and Dr. Sun, Lijun Richard (independent non-executive Director). Mr. Fu, Shan is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The primary functions of the Nomination Committee include:

- reviewing the structure, size and composition of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become Board members and making recommendations to the Board;
- assessing the independence of independent non-executive Directors; and
- making recommendations to the Board on the appointment and succession planning of Directors.

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

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 December 2020, the Nomination Committee held three meetings to, among other things, review the structure, size and composition of the Board and assess the independence of independent non-executive Directors.

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

Name of Members of the Nomination Committee	Attendance
Mr. Fu, Shan	3/3
Ms. Hu, Lan	3/3
Dr. Sun, Lijun Richard	3/3

BOARD COMMITTEES *(cont'd)*

Strategy Committee

The Strategy Committee consists of five members, namely Mr. Fu, Shan (non-executive Director), Ms. Yeh-Huang, Chun-Ying (executive Director), Dr. Liu, Jun (executive Director), Mr. Chang, Hong-Jen (independent non-executive Director) and Dr. Sun, Lijun Richard (independent non-executive Director). Mr. Fu, Shan is the chairman of the Strategy Committee.

The primary functions of the Strategy Committee include:

- reviewing and making recommendations to the Board on the long-term strategic development plans of the Company;
- reviewing and making recommendations to the Board in relation to any significant capital operations (including but not limited to the alternation of the registered issued share capital; issuance of bonds or other securities; the merger, separation, dissolution or transformation of company structure of the Company or any of its wholly owned or holding subsidiaries; the Company's profit distribution plan and plans for loss recovery), asset management projects, the Company's annual financial budget plan, and final accounts;
- reviewing and making recommendations to the Board on any financing investment projects relating to issuance of securities by the Company or any of its wholly owned or holding subsidiaries;
- reviewing the Group's major investment and financing proposals in accordance with the Amended and Restated Articles of Association and overseas investment management measures, and making recommendations to the Board;
- making recommendations to the Board on any major matters that would affect the Company's development;
- implementing and supervising the above items, reviewing, evaluating and making recommendations on any major changes made to these items, for the Board's approval; and
- other matters authorized by the Board.

During the year ended 31 December 2020, the Strategy Committee did not hold any meeting.

Board Diversity Policy

The Company has adopted a Board 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 as an essential element in maintaining the Company's competitive advantage.

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

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

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and can provide professional advice to the Company to support its long-term development strategies.

The Nomination Committee will also review the Board Diversity Policy annually, as appropriate, to ensure its effectiveness.

BOARD COMMITTEES *(cont'd)*

Director Nomination Policy

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

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2020, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

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

During the year ended 31 December 2020 and up to the date of this report, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this report.

ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2020 is set out in the table below:

Name of Directors	Attendance/Number of Meetings					
	Board	Audit and Connected Transactions Review Committee	Remuneration Committee	Nomination Committee	Strategy Committee	Annual General Meeting
Executive Directors						
Ms. Yeh-Huang, Chun-Ying	9/9	–	–	–	–	1/1
Dr. Liu, Jun	9/9	–	–	–	–	1/1
Non-executive Directors						
Mr. Fu, Shan	9/9	–	–	3/3	–	1/1
Dr. Kung, Frank Fang-Chien	9/9	–	–	3/3	–	1/1
Mr. Kang, Pei	9/9	–	1/1	–	–	1/1
Mr. Qiu, Yu Min	9/9	4/4	–	–	–	1/1
Independent Non-executive Directors						
Ms. Hu, Lan	9/9	4/4	–	3/3	–	1/1
Dr. Sun, Lijun Richard	9/9	–	1/1	3/3	–	1/1
Mr. Chang, Hong-Jen	8/9 (Note)	4/4	1/1	3/3	–	1/1

During the year ended 31 December 2020, one meeting was held between the chairman and the independent non-executive Directors without the presence of other Directors.

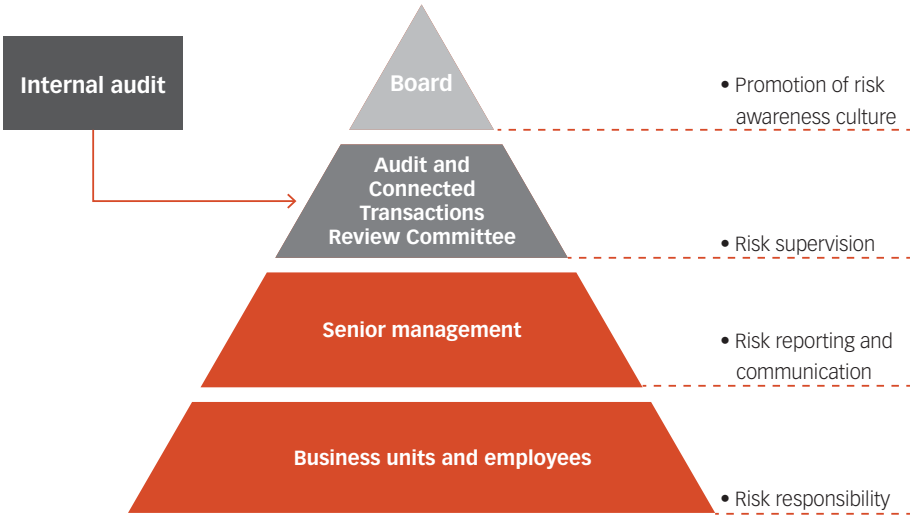
Note: The board meeting of the Company held on 21 April 2020 was attended by Mr. Chang's alternate. For the purpose of Mr. Chang's attendance record, his alternate's board meeting attendance did not count as Mr. Chang being present for that board meeting.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Company has established a risk governance structure to identify, evaluate, resolve, monitor and communicate key risks, such as strategic risk, financial risk, operational risk and compliance risk, so as to ensure the effectiveness of its internal risk control.

Based on such risk governance structure, the Company's risk management and internal control systems as well as the roles and responsibilities of various stakeholders are as follows:



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

The Audit and Connected Transactions Review Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has engaged external professional agency for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Company has published internal management standard to comply the code of professional ethics and company regulations. The Company will establish an internal audit function to examine key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit and Connected Transactions Review Committee.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales, intellectual property, production safety, financial reporting, authorization management, information security and information technology.

RISK MANAGEMENT AND INTERNAL CONTROLS *(cont'd)*

The Company conducted internal control assessment regularly with external consultants to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by relevant division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit and Connected Transactions Review Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit and Connected Transactions Review Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2020, and has conducted in-depth communication with the Board and the Audit and Connected Transactions Review Committee on the framework and priorities of the Company's corporate risk management and internal control for 2021.

The Board, as supported by the Audit and Connected Transactions Review Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2020, and considered that such systems are effective and adequate. The annual review also covered the financial reporting, internal audit function and staff qualifications, experiences and relevant resources. As of the date of this report, there are no material internal control findings.

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

The Company has developed its disclosure policies, signed confidentiality agreements with employees and established information disclosure approval procedures, which together provide a general guide and management principles to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the independent auditor's report on pages 61 to 64 of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid/payable to PricewaterhouseCoopers, the external auditor of the Company, and other PricewaterhouseCoopers network firms, for the year ended 31 December 2020 is set out below:

Service Category	Fees Paid/Payable (RMB'000)
Audit services	2,825
Non-audit services (including tax and other advisory services)	250
	3,075

COMPANY SECRETARY

Mr. Yao, Jau-Chang, vice general manager of the Company, and Mr. Lui, Wing Yat Christopher, manager of Tricor Services Limited, an external service provider, have been appointed as the Company's joint company secretaries.

Mr. Yao, Jau-Chang has been designated as the primary contact person at the Company which would work and communicate with Mr. Lui, Wing Yat Christopher 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 2020, Mr. Yao, Jau-Chang and Mr. Lui, Wing Yat Christopher have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels, such as general meetings, analyst presentations, disclosure pursuant to the Listing Rules, corporate website and social media platforms.

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

Convening an Extraordinary General Meeting

Extraordinary general meetings may be convened by the Board on requisition of shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (as the case may be) pursuant to sections 566 and 568 respectively of the Companies Ordinance and Article 62 of the Amended and Restated Articles of Association.

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance and the Amended and Restated Articles of Association for convening a general meeting.

SHAREHOLDERS' RIGHTS *(cont'd)*

Putting Forward Proposals at General Meetings

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

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for circulating a resolution for annual general meeting.

Putting Forward Enquiries to the Board

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

Contact Details

The Company maintains a website (www.totbiopharm.com.cn) where information of the Group's businesses and projects, key corporate governance policies and announcements, financial reports and other information are available for public access. Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	The Secretariat 120 Changyang Street Suzhou Industrial Park PRC
Email:	ir@totbiopharm.com
Telephone:	86-512-6296-5286 Ext.6727

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

During the year ended 31 December 2020 and up to the date of this report, the Company has held an annual general meeting on 24 June 2020 and an extraordinary general meeting on 21 August 2020.

The forthcoming annual general meeting will be held in June 2021. The notice of annual general meeting will be sent to shareholders in accordance with the requirements set out in the Listing Rules and the Amended and Restated Articles of Association.

During the year under review, the Company has not made any changes to its Amended and Restated Articles of Association.

Policies relating to Shareholders

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

With respect to dividend policy, the Group currently intends to retain all available funds and earnings, if any, to fund the development of its business and it does not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be made at the discretion of the Directors and may be based on a number of factors, including the Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Directors may deem relevant.

DIRECTORS' REPORT

The Directors are pleased to present this Directors' Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

Unless otherwise stated, all references below to other sections, reports or notes in this annual report form part of this report.

GENERAL INFORMATION

The Company was incorporated in Hong Kong on 4 December 2009 with limited liability. The Company's Shares were listed on the Main Board of the Stock Exchange on 8 November 2019.

PRINCIPAL ACTIVITIES

The Company is a clinical-stage biopharmaceutical company dedicated to developing and commercializing innovative oncology drugs and therapies. Its mission is to build a leading brand name of oncology treatments trusted by patients and their families as well as medical professionals.

The Group has a comprehensive portfolio of oncology drug candidates, which include monoclonal antibodies (mAbs), antibody drug conjugates (ADCs), oncolytic virus products and specialty oncology drugs such as liposome drugs, targeting various types of cancers. Since the Company's inception in 2009, it has built and established a fully integrated in-house platform of discovery, process development, quality management, pre-clinical and clinical development, as well as commercial-scale manufacturing facilities and proven sales and marketing capabilities, which provides flexibility and scalability for business of the Group to expand along the innovative drug industry value chain.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of comprehensive loss on page 65 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group as required by section 388(2) of and Schedule 5 to the Companies Ordinance, including an indication of likely future developments of the Group's business and an analysis of the Group's performance using financial key performance indicators during the year ended 31 December 2020 are provided in the sections headed "CEO statement" and "Management discussion and analysis" on pages 3 to 23 of this annual report.

(a) Principal risks and uncertainties

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

- its financial position, in particular its significant net losses and net operating cash outflows;
- potential impact of outbreaks of infectious diseases (such as COVID-19) on its business operations and clinical research progress;
- its ability to development and commercialize its drug candidates, all of which are undergoing pre-clinical or clinical development;
- material aspects of the research and development and commercialization of its pharmaceutical products being heavily regulated;
- lengthy, time-consuming and inherently unpredictable regulatory approval processes of various regulatory authorities for its drug candidates;

BUSINESS REVIEW *(cont'd)*

(a) Principal risks and uncertainties *(cont'd)*

- competition in the pharmaceutical industry and in the oncology drugs market;
- its ability to obtain and maintain patent protection for its drug candidates;
- its ability to attract, train, retain and motivate qualified and highly skilled personnel; and
- its relatively new corporate governance, risk management and internal control systems which are under continuous improvement and enhancement.

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

The Company believes that risk management is essential to the Group's effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The Audit and Connected Transactions Review Committee and the Company's general management division assist the Board in monitoring material risk exposure arising internally and externally from the Group's business, including operational risks, financial risks, regulatory risks, etc, and proactively setting up appropriate risk management and internal control mechanisms to rectify any deficiencies. The Group's financial risk management objectives and policies are set out in Note 3 to the consolidated financial statements.

(b) Environmental Policies and Performance

The Group recognizes the importance of proper adoption of environmental policies which is essential to the attainability of corporate growth. The management has formulated comprehensive standards for environment, health and safety for the Group based on applicable laws, regulations and standards. The Company's environmental safety and health division is responsible for monitoring the compliance with these standards and reviewing the effectiveness of these standards. The Group will continue to improve its fulfilment of social responsibility.

In accordance with Rule 13.91 of the Listing Rules and the Environmental, Social and Governance Reporting Guide set out in Appendix 27 thereto, the Company's environmental, social and governance report will be available on our website and on the Stock Exchange's website within three months from the publication of this annual report.

(c) Compliance with the Relevant Laws and Regulations

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

BUSINESS REVIEW *(cont'd)*

(d) Employee and Emolument Policies

In compliance with Rule 3.25 of the Listing Rules and the CG Code, the Company has established the Remuneration Committee to formulate remuneration policies. The Remuneration Committee is responsible for developing policies and structure for remuneration of all Directors, senior management and employees including salaries, incentive schemes and other share option schemes, and making recommendation to the Board. The Group believes its success depends upon the provision of consistent, quality and reliable services by its employees and hence its ability to attract, retain and motivate qualified personnel is crucial. To attract high-quality employees, the Group offered competitive compensation packages. The remuneration of the employees of the Group generally includes salaries, bonuses, social security contributions and other welfare payments. In accordance with applicable PRC laws, the Group has made contributions to housing provident funds and contributions to social security insurance funds, including basic pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for its employees. In accordance with applicable Taiwan laws, the Group has made contributions to social security insurance funds. Remuneration of each employee varies by functions and titles and their own academic backgrounds, experience, skills, technical knowledge and performance.

In addition, the Group established the Pre-IPO Share Option Scheme in 2013 and has granted options to Directors, senior management and key employees for the primary purpose of providing incentives and reward to its employees. The Group further adopted the Restricted Share Award Scheme in 2020. Please refer to the paragraphs headed "Pre-IPO Share Option Scheme" and "Restricted Share Award Scheme" in this report for further details.

The remuneration of all Directors are determined by the Board having regard to the recommendation of the Remuneration Committee and with reference to the Director's contributions, experience and relevant duties and responsibilities within the Company. None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(e) Major Customers and Suppliers

Major Customers

During the year ended 31 December 2020, the Group derived its revenue primarily from commissions for marketing services provided as well as CDMO and CMO service fees. Equipped with full industry value chain capabilities, the Group adopts an open platform business model and collaborates with third party business partners at different stages of the industry value chain. The full industry value chain capabilities make the Group's open platform attractive to an industry player whose capability in certain parts of the industry value chain is complementary to the Group's.

For the year ended 31 December 2020, revenue from the five largest customers of the Group accounted for 96% of its total revenues and the largest customer of the Group accounted for 65% of its total revenues.

At no time during the year ended 31 December 2020 did the Directors, their respective close associates or any shareholder of the Company (who, to the knowledge of the Directors, owned more than 5% of the issued capital of the Company) have any interest in any of the Group's top five customers other than Lumosa Therapeutics. During the year ended 31 December 2020, Lumosa Therapeutics was an associate of Centerlab.

BUSINESS REVIEW *(cont'd)*

(e) Major Customers and Suppliers *(cont'd)*

Major Suppliers and Service Providers

Suppliers of the Group primarily include suppliers of raw materials, CROs, suppliers of machinery and equipment, suppliers of reference drugs, and construction service providers. The Group procures raw materials based on its estimation of the production needs for its research and development activities. The Group obtains raw materials for its manufacturing activities from multiple reputable suppliers who the Group believes have sufficient capacity to meet our demands. The Group selects suppliers of raw materials based on a number of factors, including their product quality, price, delivery time and manners and market reputation, and follow the procedures and standards required by law or industry practice. The Group has also established internal procedure and policies to examine the quality of the products of the suppliers before entering into any contract with them. The Group typically orders raw materials on a purchase order basis and does not enter into long-term dedicated capacity or minimum supply arrangements.

In line with industry practice and to supplement the in-house capabilities of the Group, the Group has also engaged certain CROs to conduct pre-clinical and clinical research. It selects CROs based on various factors, including their quality, reputation and research experience. The Group generally enters into master contract services agreements with the CROs it engages, which include a statement of work specifying the terms of services provided by the CROs, and pays these CROs fixed project-based fees. Under such agreements, all intellectual property rights arising from the performance of the services, including clinical trial data, will be owned by the Group. The Group also requires the CROs to conduct clinical trials in accordance with international good clinical practice (GCP) standards. Typically, the Group requires the CRO personnel handling our clinical trials to hold GCP certification or have GCP training experience.

For the year ended 31 December 2020, purchase amount from the five largest suppliers of the Group accounted for 17% of its total purchase costs and the largest supplier of the Group accounted for 4% of its total purchase costs.

At no time during the year ended 31 December 2020 did the Directors, their respective close associates or any shareholder of the Company (who, to the knowledge of the Directors, owned more than 5% of the issued capital of the Company) have any interest in any of the Group's top five suppliers.

(f) Events after Reporting Period

No important events affecting the Company have occurred from 1 January 2021 up to the date of this report.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years is set out in the section headed "Four-year financial summary" on page 133 of this annual report. This summary does not form part of the audited consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 34 to the consolidated financial statements.

The following is the list of directors of the Company's subsidiaries during the year ended 31 December 2020 and up to the date of this report:

Ms. Yeh-Huang, Chun-Ying
Dr. Liu, Jun
Mr. Fu, Shan
Dr. Kung, Frank Fang-Chien
Mr. Kang, Pei
Mr. Qiu, Yu Min
Ms. Hu, Lan
Dr. Sun, Lijun Richard
Mr. Chang, Hong-Jen

DIVIDENDS

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2020 are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended 31 December 2020 and details of the Shares issued during the year ended 31 December 2020 are set out in Note 23 to the consolidated financial statements.

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

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

DEBENTURE ISSUED

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

RESERVES

Details of movement in the reserves of the Group and the Company during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity on page 68 of this annual report and in Notes 24 and 35(a) to the consolidated financial statements.

The Company did not have distributable reserves as at 31 December 2020 calculated under Part 6 of the Companies Ordinance as it has accumulated losses.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group during the year ended 31 December 2020 are set out in the section headed "Management discussion and analysis" in this annual report and Note 28 to the consolidated financial statements.

DONATIONS

During the year ended 31 December 2020, the Group made charitable donations of approximately RMB2,083,000.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during 2020 or subsisted at the end of 2020 except for the Pre-IPO Share Option Scheme and the Restricted Share Award Scheme, further details of which are set out in the paragraphs headed "Pre-IPO Share Option Scheme" and "Restricted Share Award Scheme" in this report.

PERMITTED INDEMNITY PROVISION

Pursuant to Article 166 of the Company's Amended and Restated Articles of Association, subject to the provisions of the Companies Ordinance, every Director, company secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution of his office or otherwise in relation thereto.

The Company has purchased directors, company secretary and officers' liabilities insurance on behalf of its directors, Mr. Yao, Jau-Chang and Mr. Lui, Wing Yat Christopher (joint company secretaries) and officers.

DIRECTORS

The following is the list of Directors during the year ended 31 December 2020 and up to the date of this report (unless otherwise stated).

Executive Directors

Ms. Yeh-Huang, Chun-Ying *(Vice Chairman of the Board)* (1)
Dr. Liu, Jun *(Chief Executive Officer)* (1)

Non-executive Directors

Mr. Fu, Shan *(Chairman)*
Dr. Kung, Frank Fang-Chien
Mr. Kang, Pei
Mr. Qiu, Yu Min

Independent Non-executive Directors

Ms. Hu, Lan
Dr. Sun, Lijun Richard
Mr. Chang, Hong-Jen

Note:

(1) On 15 October 2020, Ms. Yeh-Huang, Chun-Ying was appointed as the vice chairman of the Board while she resigned as the general manager of the Company, and Dr. Liu, Jun was appointed as the chief executive officer of the Group while he resigned as the chief operating officer and vice general manager of the Company.

No Director had resigned from the office or refused to stand for re-election to the office during the year ended 31 December 2020.

In accordance with Article 111 of the Amended and Restated Articles of Association, Mr. Fu, Shan, Mr. Qiu, Yu Min and Dr. Liu, Jun will retire from office by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election.

(a) Biographies of the Directors and Senior Management

Brief biographies of the current Directors are set out in the section headed "Biographies of directors and senior management" on pages 24 to 27 of this annual report.

Except as noted in the biographies, none of the Directors have held any other directorships in any listed public companies in the last three years. Further, except as disclosed in the biographies, none of the Directors is connected with any Director, senior management, substantial shareholder or controlling shareholder of the Company and, except as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of Its Associated Corporations" in this report, none of them has any interests in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed in this annual report, there are no other matters relating to the re-election of Directors at the forthcoming AGM that need to be brought to the attention of the Shareholders of the Company nor is there any information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Save as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS *(cont'd)*

(b) Directors' Service Contracts and Letters of Appointment

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company, while each of the independent non-executive Directors has signed a letter of appointment with the Company. In preparation for the Global Offering, the term of each Director's service has been adjusted to a fixed term of three years commencing from 12 March 2019.

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

None of the Directors proposed for re-election at the forthcoming AGM 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.

(c) Independence of Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

(d) Directors' Interests in Competing Business

During the year ended 31 December 2020, none of our Directors had any interest in a business, apart from the business of the Group, which competed or was likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

(e) Directors' Interests in Transactions, Arrangements and Contracts of Significance

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries has been a party and in which a Director or an entity connected with a Director is or was materially interested, whether directly or indirectly, subsisted at the end of the year ended 31 December 2020 or at any time during the year.

(f) Directors' Rights to Acquire Shares or Debentures

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

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

As at 31 December 2020, the interests or short positions of the Directors or chief executives of the Company in any of the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in shares or underlying shares of the Company

Name of Director or chief executive	Nature of interest	Number of Shares interested[1]	Approximate percentage of interest in the Company[2]
Ms. Yeh-Huang, Chun-Ying	Beneficial owner	7,115,700 (L)	1.19%
	Interest through equity derivatives[3]	1,162,500 (L)	0.19%
	Beneficiary of a trust[4]	2,897,383 (L)	0.48%
Dr. Liu, Jun	Interest through equity derivatives[3]	1,100,000 (L)	0.18%
	Beneficiary of a trust[4]	2,741,609 (L)	0.46%

Notes:

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

(2) The calculation is based on the total number of 600,466,697 Shares in issue as at 31 December 2020 and rounded off to two decimal places.

(3) These interests represent the interests in Shares underlying the Pre-IPO Share Options (being unlisted physically-settled equity derivatives) held by Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun, respectively.

(4) These interests represent the Restricted Award Shares held by Teeroy Limited on trust for Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun, respectively.

Save as disclosed above, as at 31 December 2020, so far as it was known to the Directors or chief executives of the Company, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2020, so far as it was known to the Directors or chief executives of the Company, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in shares or underlying shares of the Company

Name of Shareholder	Nature of interest	Number of Shares interested[1]	Approximate percentage of interest in the Company[2]
Center Laboratories Inc.	Beneficial owner	179,561,700 (L)	29.90%
Mr. Pang Kee Chan Hebert[3]	Interest in controlled corporation	49,136,800 (L)	8.18%
Advantech Capital Partners II Limited[3]	Interest in controlled corporation	49,136,800 (L)	8.18%
Advantech Capital II L.P.[3]	Interest in controlled corporation	49,136,800 (L)	8.18%
Advantech Capital II Master Investment Limited[3]	Interest in controlled corporation	49,136,800 (L)	8.18%
Advantech Capital Investment V Limited[3]	Beneficial owner	49,136,800 (L)	8.18%
Chengwei Evergreen Management, LLC[4]	Interest in controlled corporation	56,573,500 (L)	9.42%
Chengwei Evergreen Capital, L.P.[4]	Interest in controlled corporation	56,573,500 (L)	9.42%
Prime Success International Limited[4]	Beneficial owner	56,573,500 (L)	9.42%
Vivo Capital LLC[5]	Interest in controlled corporation	103,245,000 (L)	17.19%
Vivo Capital VIII, LLC[5]	Interest in controlled corporation	103,245,000 (L)	17.19%
Vivo Capital Fund VIII, L.P.[5]	Beneficial owner	90,718,100 (L)	15.11%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(cont'd)*

Interests in shares or underlying shares of the Company *(cont'd)*

Notes:

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

(2) The calculation is based on the total number of 600,466,697 Shares in issue as at 31 December 2020 and rounded off to two decimal places.

(3) Advantech Capital Investment V Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands, directly held 49,136,800 Shares. Advantech Capital Investment V Limited is wholly owned by Advantech Capital II Master Investment Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, which is in turn wholly owned by Advantech Capital II L.P., a private equity fund incorporated under the laws of the Cayman Islands. The general partner of Advantech Capital II L.P. is Advantech Capital Partners II Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands. Advantech Capital Partners II Limited is wholly owned by Mr. Pang Kee Chan Hebert. For the purpose of the SFO, Advantech Capital II Master Investment Limited, Advantech Capital II L.P., Advantech Capital Partners II Limited and Mr. Pang Kee Chan Hebert are deemed to have an interest in the Shares held by Advantech Capital Investment V Limited.

(4) Prime Success International Limited directly held 56,573,500 Shares. Prime Success International Limited is a company with limited liability incorporated under the laws of Hong Kong, which is wholly owned by Chengwei Evergreen Capital, L.P., a venture capital fund incorporated under the laws of the Cayman Islands. The general partner of Chengwei Evergreen Capital, L.P. is Chengwei Evergreen Management, LLC, a limited liability company incorporated under the laws of the Cayman Islands. For the purpose of the SFO, Chengwei Evergreen Capital, L.P. and Chengwei Evergreen Management, LLC are deemed to have an interest in the Shares held by Prime Success International Limited.

(5) Vivo Capital Fund VIII, L.P. directly held 90,718,100 Shares, and Vivo Capital Surplus Fund VIII, L.P. directly held 12,526,900 Shares. Both Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P. (referred to collectively as Vivo Capital) are limited partnerships organized under the laws of the State of Delaware of the United States. The general partner of Vivo Capital is Vivo Capital VIII, LLC, which is registered in the State of Delaware of the United States. Vivo Capital LLC, registered in the State of California of the United States, serves as the management company of Vivo Capital and has a form of advisory agreement with Vivo Capital VIII, LLC. For the purpose of the SFO, Vivo Capital VIII, LLC and Vivo Capital LLC are deemed to have an interest in the Shares held by Vivo Capital.

Save as disclosed above, as at 31 December 2020, no person, other than the Directors or chief executives of the Company whose interests are set out in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of its Associated Corporations" in this report, had any interests or short positions in the Shares or underlying Shares as disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

On 20 February 2013, the Company adopted the Pre-IPO Share Option Scheme with an aim to attract and retain talent necessary for the Group's development, and to incentivize the Group's employees and enhance their cohesion and productivity, thereby creating value for the Company and its Shareholders. The Pre-IPO Share Option Scheme was subsequently amended on 11 December 2017, 20 December 2018, 12 March 2019, 16 April 2019 and 22 July 2019. No further Pre-IPO Share Options may be granted on or after the Listing Date.

Details of the movements of the Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2020 are as follows:

				Number of Shares underlying the Pre-IPO Share Options				
Date of grant	Date of vesting	Exercise period	Exercise price (per Share)	Outstanding as at 1 January 2020	Granted (during the year ended 31 December 2020)	Exercised	Cancelled/ Lapsed	Outstanding as at 31 December 2020
1. Ms. Yeh-Huang, Chun-Ying (Director)								
20 February 2013	All vested (and all were exercised prior to 1 January 2020)	Till 19 February 2023	Approximately US$0.286	0	–	–	–	0
14 December 2017	To be vested in four equal installments at each of the first four anniversaries of the date of grant (of which the first installment was exercised prior to 1 January 2020)	From the date of vesting till 13 December 2027	Approximately US$0.286	1,162,500	–	–	–	1,162,500
2. Dr. Liu, Jun (Director)								
25 December 2017	To be vested in four equal installments on 1 January 2019, 2020, 2021 and 2022	From the date of vesting till 24 December 2027	Approximately US$0.286	1,000,000	–	–	–	1,000,000
21 January 2019	To be vested in five equal installments at the fulfillment of certain R&D targets and the second, third, fourth and fifth anniversaries thereof	From the date of vesting till 20 January 2029	Approximately US$0.286	100,000	–	–	–	100,000
3. Senior management and other grantees (being employees of and consultants to the Group)								
Between 20 February 2013 and 18 June 2019	Either vested or to be vested from one to six years from the date of grant or to be vested from zero to five years from the fulfillment of certain R&D targets	Generally, from the date of vesting till the date which is one day preceding the tenth anniversary of the date of grant	Approximately US$0.286	10,361,500	–	–	550,000	9,811,500
Total				12,624,000	–	–	550,000	12,074,000

The Pre-IPO Share Option Scheme is not subject to the provisions of Chapter 17 of the Listing Rules. For further details of the Pre-IPO Share Option Scheme, please refer to pages V-36 to V-47 of the Prospectus and Note 25 to the consolidated financial statements.

RESTRICTED SHARE AWARD SCHEME

On 29 May 2020, the Company adopted the Restricted Share Award Scheme with an aim (i) to attract and retain talent necessary for the Group's development, and to incentivize the Group's employees and enhance their cohesion and productivity, thereby creating value for the Company and its Shareholders; and (ii) to compensate participants of the Pre-IPO Share Option Scheme for the dilutive effect of the Capitalization Issue in connection with the Global Offering on their Pre-IPO Share Options. On the same day, the Company entered into two trust deeds with the respective trustees to constitute the trusts in connection with the Restricted Share Award Scheme for the purpose of the grant of Restricted Award Shares to selected participants (who may be employees (including Directors) of or consultants to the Group) from time to time. The Restricted Share Award Scheme was subsequently amended on 29 July 2020. The Restricted Share Award Scheme shall remain valid and effective for a period of ten years from the date of adoption. The aggregate number of Shares which may be allotted and issued to the trustees under the Restricted Share Award Scheme may not exceed 57,000,000 Shares.

On 29 May 2020, following the adoption of the Restricted Share Award Scheme, the Board also resolved to make a grant of 31,413,796 Restricted Award Shares to 84 grantees (including two Directors) under the Restricted Share Award Scheme. Subsequently, on 28 December 2020, 30,466,697 Shares were allotted and issued to the trustees under the Restricted Share Award Scheme, representing approximately 5.07% of the total number of Shares in issue as at 31 December 2020, including 5,638,992 Shares to Teeroy Limited (holding Shares on behalf of grantees who are connected persons of the Company) and 24,827,705 Shares to Tricor Trust (Hong Kong) Limited (holding Shares on behalf of other grantees). Such Shares were allotted and issued at a subscription price of zero and therefore no proceeds were raised.

As at 31 December 2020, the remaining number of Shares capable of being allotted and issued to the trustees under the Restricted Share Award Scheme was 26,533,303 Shares. Pursuant to the terms of the Restricted Share Award Scheme, the maximum number of Shares which may be allotted and issued to the trustees under the Restricted Share Award Scheme during each financial year from 2021 onwards is 14,250,000 Shares.

RESTRICTED SHARE AWARD SCHEME *(cont'd)*

Details of the movements of the Restricted Award Shares granted under the Restricted Share Award Scheme during the year ended 31 December 2020 are as follows:

			Number of Restricted Award Shares							
Trustee	Grantee	Grant consideration (per Share)	Granted on 29 May 2020 but not yet allotted and issued to trustees	Lapsed between 29 May 2020 and 27 December 2020	Allotted and issued to trustees on 28 December 2020	Vested between 28 December 2020 and 31 December 2020	Lapsed between 28 December 2020 and 31 December 2020	Outstanding as at 31 December 2020	Earliest vesting date	Expiry date
Teeroy Limited	Ms. Yeh-Huang, Chun-Ying (Director)	US$0.28634	965,795	–	965,795	–	–	965,795	14 December 2019	13 December 2027
		US$0.28634	965,794	–	965,794	–	–	965,794	14 December 2020	13 December 2027
		US$0.28634	965,794	–	965,794	–	–	965,794	14 December 2021	13 December 2027
			2,897,383	–	2,897,383	–	–	2,897,383		
Teeroy Limited	Dr. Liu, Jun (Director)	US$0.28634	623,093	–	623,093	–	–	623,093	1 January 2019	24 December 2027
		US$0.28634	623,093	–	623,093	–	–	623,093	1 January 2020	24 December 2027
		US$0.28634	623,093	–	623,093	–	–	623,093	1 January 2021	24 December 2027
		US$0.28634	623,093	–	623,093	–	–	623,093	1 January 2022	24 December 2027
		US$0.28634	49,848	–	49,848	–	–	49,848	The date of the fulfillment of certain R&D targets	20 January 2029
		US$0.28634	49,848	–	49,848	–	–	49,848	The second anniversary of the fulfillment of certain R&D targets	20 January 2029
		US$0.28634	49,847	–	49,847	–	–	49,847	The third anniversary of the fulfillment of certain R&D targets	20 January 2029
		US$0.28634	49,847	–	49,847	–	–	49,847	The fourth anniversary of the fulfillment of certain R&D targets	20 January 2029
		US$0.28634	49,847	–	49,847	–	–	49,847	The fifth anniversary of the fulfillment of certain R&D targets	20 January 2029
			2,741,609	–	2,741,609	–	–	2,741,609		
Tricor Trust (Hong Kong) Limited	Senior management and other grantees (being employees of and consultants to the Group)	US$0.28634	25,774,804	947,099	24,827,705	–	373,855	24,453,850	Various dates, some of which are linked to the fulfillment of certain R&D targets	Various dates
Total			31,413,796	947,099	30,466,697	–	373,855	30,092,842		

The Restricted Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules, and is a discretionary scheme of the Company. For further details of the Restricted Share Award Scheme, please refer to pages 8 to 21 of the Company's circular dated 3 August 2020.

CONNECTED TRANSACTIONS

There was no connected transaction or continuing connected transaction of the Group which has to be disclosed in accordance with Chapter 14A of the Listing Rules for the year ended 31 December 2020, other than the connected transaction involving the allotment and issue of 5,638,992 Shares to Teeroy Limited in connection with the Restricted Share Award Scheme as set out in the paragraph headed "Restricted Share Award Scheme" in this report. Pursuant to Rule 14A.12(1)(b) of the Listing Rules, Teeroy Limited (acting in its capacity as the trustee holding Shares on trust for certain Directors under the Restricted Share Award Scheme) is an associate of those Directors and hence a connected person of the Company. Therefore, the allotment and issue of the aforesaid Shares to Teeroy Limited constituted a connected transaction of the Company, and was subject to the announcement, circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules. For further information, please refer to the Company's announcement dated 29 May 2020 and circular dated 3 August 2020.

Details of the related party transactions for the year ended 31 December 2020 are set out in Note 33 to the consolidated financial statements. None of the related party transactions as disclosed in Note 33 to the consolidated financial statements constitute connected transaction or continuing connected transaction of the Group which has to be disclosed in accordance with Chapter 14A of the Listing Rules.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no controlling shareholder of the Company or its subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2020.

NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, Centerlab executed a deed of non-competition in favour of the Company on 25 October 2019 (the "Deed of Non-Competition"), pursuant to which Centerlab has undertaken to the Group that for the duration of the Non-Compete Period (as defined below), it shall not, and shall use its best endeavors to procure that its respective close associates will not, solely or jointly or in cooperation with other parties, without the prior written consent of the Company: (a) hold and/or be interested in, either directly or indirectly, any shares or securities or interest in any company or other entity whose business primarily involves, directly or indirectly, research and development of innovative anti-tumor drugs (other than through contracting the Group to develop such drugs in transactions in compliance with the Listing Rules) (the "Restricted Business") in the PRC (the "Restricted Region"); or (b) otherwise engage or be involved in any Restricted Business in the Restricted Region (the "Non-Competition Undertakings").

The undertakings given by Centerlab under the Deed of Non-Competition are effective from the Listing Date and terminate on the earliest of: (i) the date on which Centerlab ceases to be a substantial shareholder of the Company as defined in the Listing Rules; (ii) the date on which the Shares cease to be listed on the Stock Exchange; and (iii) the date on which the Group ceases to engage in the Restricted Businesses (the "Non-Compete Period").

Centerlab has confirmed in writing to the Company of its compliance with the Non-Competition Undertakings for the year ended 31 December 2020.

The independent non-executive Directors have reviewed the implementation of the Non-Competition Undertakings and confirmed that, as far as they can ascertain, the Non-Competition Undertakings were complied with by Centerlab for the year ended 31 December 2020.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company, as required to be disclosed under section 543 of the Companies Ordinance, was entered into or existed during the year ended 31 December 2020.

MATERIAL LITIGATION

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

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The net proceeds raised during the Global Offering were approximately RMB448,615,000 after deduction of the underwriting fees and commissions and expenses payable by the Company in connection with the Global Offering (the "Net Proceeds").

The Net Proceeds were utilized in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus during the period from 1 January 2020 to 27 October 2020. On 27 October 2020, the Board resolved to change the use of the Net Proceeds with effect from that date. For further details, please refer to the Company's announcement dated 27 October 2020 (the "October Announcement"). Since 27 October 2020, the Net Proceeds were utilized in accordance with the proposed applications as set out in the October Announcement. During the year ended 31 December 2020, such Net Proceeds amounting to approximately RMB266,454,000 were used, and the unused amount of the Net Proceeds was approximately RMB182,161,000 as at 31 December 2020. The amount of the Net Proceeds which remain unused were being kept by the Group as deposits with licensed commercial banks. Such unused Net Proceeds are intended to be applied in accordance with the proposed applications as set out in October Announcement.

Breakdowns of the use of the Net Proceeds during the nine months ended 30 September 2020 and the three months ended 31 December 2020 are respectively set forth in the following two sub-paragraphs. As disclosed in the October Announcement, the reasons for the changes in the proposed applications of the Net Proceeds and re-allocation of the unused amount as at 30 September 2020 were as follows:

(a) The Group has adjusted its business model and seeks to join hands with well-known domestic pharmaceutical companies by proactively negotiating licensing or collaboration schemes for the marketing rights in respect of several soon-to-be-commercialized pipeline products including TAB008, TOZ309 and others (i.e. purposes (1) and (4)). Meanwhile, in terms of business strategies, purposes (2) and (6) are no longer the Group's current priorities.

(b) The Group has accelerated the progress of the Phase III clinical trial of TAA013 and enhanced its R&D and production platform technologies for ADC products, thereby ensuring that the Group will maintain its competitive edge in the domestic ADC field and be able to further pursue more self-developed pipeline products. Therefore, a greater portion of the unused amount is re-allocated to purpose (3).

(c) The Group has adjusted its focus of R&D resource allocation to concentrate its resources on the R&D projects in respect of pipeline products that possess greater market superiority, and to reduce the resources devoted to non-core pipeline products after careful evaluation. Therefore, the portion of the unused amount for purpose (4) is adjusted downwards.

(d) The Group intends to fully leverage its existing production technologies and production capacity advantages to, on the basis of meeting the supply of soon-to-be-commercialized products, further strategically expand its high-value-added potential business opportunities and invest more resources in corresponding areas such as commercial development, facilities as well as ingredients and excipients to an appropriate extent. Therefore, the portion of the unused amount for purposes (5) and (7) is adjusted upwards.

As disclosed in the October Announcement, the Board confirmed that there was no material change in the business nature of the Group as set out in the Prospectus, and considered that the above change in the use of the Net Proceeds would not have any material adverse impact on the operations of the Group and was in the best interests of the Company and its shareholders as a whole.

USE OF NET PROCEEDS FROM GLOBAL OFFERING *(cont'd)*

Use of the Net Proceeds during the nine months ended 30 September 2020

A breakdown of the use of the Net Proceeds during the nine months ended 30 September 2020 in accordance with the disclosure in the Prospectus is set forth as follows:

	Purpose	Unused amount as at 31 December 2019 (RMB'000, approximate)	Used between 1 January 2020 and 30 September 2020 (RMB'000, approximate)	Unused amount as at 30 September 2020 (RMB'000, approximate)
(1)	For ongoing and planned clinical trials, preparation for registration filings, planned commercial launches (including sales and marketing) of TAB008	100,939	69,236	31,703
(2)	For further R&D on various combination therapies involving TAB008 and other oncology treatment to cover a wider variety of indications	33,646	0	33,646
(3)	For ongoing and planned clinical trials, expansion of facilities, registration filings and potential commercial launch (including sales and marketing) of TAA013	89,723	64,279	25,444
(4)	For ongoing and planned pre-clinical and clinical trials, expansion of facilities, preparation for registration filings and potential commercial launches (including sales and marketing) of the other drug candidates in our pipeline, including but not limited to TOZ309, TOM312, TAB014 and TAD011	134,585	65,617	68,968
(5)	For non-project specific capital expenditure	67,292	15,319	51,973
(6)	For continued expansion of our product portfolio in cancer and potentially other therapeutic areas through internal research and external licenses and business development collaborations	8,972	0	8,972
(7)	For our working capital and other general corporate purposes	13,458	0	13,458
Total		**448,615**	**214,451**	**234,164**

USE OF NET PROCEEDS FROM GLOBAL OFFERING *(cont'd)*

Use of the Net Proceeds during the three months ended 31 December 2020

A breakdown of the use of the Net Proceeds during the three months ended 31 December 2020 in accordance with the disclosure in the October Announcement and an expected timeline as at the date of this report for the use of the unused amount are set forth as follows:

Purpose		Unused amount as at 30 September 2020 (after the re-allocation as disclosed in the October Announcement) (RMB'000, approximate)	Used between 1 October 2020 and 31 December 2020 (RMB'000, approximate)	Unused amount as at 31 December 2020 (RMB'000, approximate)	Expected timing for the full utilization of the unused amount
(1)	For ongoing and planned clinical trials, preparation for registration filings, planned commercial launches (including sales and marketing) of TAB008	30,000	10,250	19,750	On or before 30 June 2021 (Note)
(2)	For further R&D on various combination therapies involving TAB008 and other oncology treatment to cover a wider variety of indications	–	–	–	Not applicable
(3)	For ongoing and planned clinical trials, expansion of facilities, registration filings and potential commercial launch (including sales and marketing) of TAA013	70,000	16,263	53,737	On or before 30 June 2021
(4)	For ongoing and planned pre-clinical and clinical trials, expansion of facilities, preparation for registration filings and potential commercial launches (including sales and marketing) as well as transformation and upgrade of platform technologies of the other drug candidates in our pipeline, including but not limited to TOZ309, TOM312 and TAB014	45,000	20,906	24,094	On or before 30 June 2021
(5)	For non-project specific capital expenditure and production capacity upgrade for overall integrated applications	70,000	4,584	65,416	On or before 30 June 2021
(6)	For continued expansion of our product portfolio in cancer and potentially other therapeutic areas through internal research and external licenses and business development collaborations	–	–	–	Not applicable
(7)	For our working capital and other general corporate purposes	19,164	0	19,164	On or before 30 June 2021
Total		**234,164**	**52,003**	**182,161**	

Note:

The expected timing for the full utilization of the unused amount allocated to purpose (1) set forth above is slightly different from that disclosed in the October Announcement. This is because the schedule for the use of the remaining funds reserved for the TAB008 project needs to be arranged in accordance with the actual timing of the on-site inspection prior to product launch. As such, the expenses relating to the relevant registration, approval and preparation prior to product launch have been adjusted according to the actual progress.

PUBLIC FLOAT

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, the Group does not have other plans for material investments and capital assets.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the section headed "Corporate governance report" of this annual report.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company will be held in June 2021. A notice convening the AGM and setting out the arrangements in relation to the closure of register of members will be published and dispatched to the Shareholders in due course in accordance with the requirements of the Listing Rules.

REVIEW BY AUDIT AND CONNECTED TRANSACTIONS REVIEW COMMITTEE

The Audit and Connected Transactions Review Committee has reviewed the financial reporting processes, risk management and internal control systems of the Group and the consolidated financial statements of the Group for the year ended 31 December 2020, and is of the opinion that these statements have complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosure has been made.

AUDITOR

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution to re-appoint PricewaterhouseCoopers and to authorise the Directors to fix its remuneration will be proposed at the AGM.

By the order of the Board
Dr. Liu, Jun
Chief Executive Officer and Executive Director

Hong Kong
23 March 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of TOT BIOPHARM International Company Limited
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of TOT BIOPHARM International Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 65 to 132, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(cont'd)*

Key audit matter identified in our audit is related to assessment of impairment indicators of property, plant and equipment.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of impairment indicators of property, plant and equipment Refer to notes 4 (Critical accounting estimates and judgements) and 13 (Property, plant and equipment) to the consolidated financial statements. As at 31 December 2020, the Group's property, plant and equipment amounted to approximately RMB290,367,000. The Group is a biotechnology company which is still in the research and development stage. During the year ended 31 December 2020, the Group had an operating loss. As the property, plant and equipment are mainly used for research and development ("R&D") purposes and the production of new drugs upon launch, the failure of meeting the expected milestones according to the business plans of the R&D projects may be an impairment indicator of property, plant and equipment. We considered the assessment of impairment indicators of property, plant and equipment a key audit matter because it involved critical management judgments including the expected milestones and the outcome of the new drugs' development and whether there are any significant delays from the business plans.	Our procedures performed in relation to management's assessment of impairment indicators of property, plant and equipment mainly include the following: • Obtained an understanding of the management's internal control and assessment process of the impairment indicators of property, plant and equipment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as the management estimates involved in determining whether an impairment indicator existed at year end; • Obtained the business plans of the R&D projects prepared by management, which set out the details of the expected milestones and the outcome of the new drugs' development and understood the key basis in preparing the business plans; • Considered whether the judgements made in the expected milestones and the outcome of the new drugs' development would give rise to indicators of possible management bias; • Inquired management and inspected the relevant supporting documents to understand the progress of major R&D projects to assess whether there were any significant delays from the business plans, on a sample basis; • Discussed with management to understand the technological, market, economic and legal environment and corroborated with supporting evidence to assess whether there were any significant changes with an adverse effect on the Group; • Considered whether the carrying amount of the net assets of the Group was more than its market capitalization as at year end; • Performed physical observation of property, plant and equipment to evaluate the condition of major property, plant and equipment to determine whether there were any damaged or outdated items. Based on the audit procedures performed, we found the key judgements used by management in the assessment of impairment indicators of property, plant and equipment to be supportable by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment 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.

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

- 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.

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 signing partner on the audit resulting in this independent auditor's report is Chan Chiu Kong, Edmond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	5	**22,491**	45,308
Cost of revenue	6	**(6,961)**	(11,316)
Research and development expenses	6	**(235,196)**	(191,078)
Selling expenses	6	**(25,953)**	(31,544)
General and administrative expenses	6	**(46,855)**	(95,091)
Other gains – net	9	**3,802**	14,117
Operating loss		**(288,672)**	(269,604)
Finance income	10	**1,880**	1,680
Finance costs	10	**(1,706)**	(2,291)
Finance income/(costs) – net	10	**174**	(611)
Fair value change in financial instruments issued to investors	27	**–**	(29,085)
Loss before income tax		**(288,498)**	(299,300)
Income tax expense	11	**–**	–
Loss for the year and attributable to the equity holders of the Company		**(288,498)**	(299,300)
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity instruments at fair value through other comprehensive income	16	**85**	1,181
Items that may be reclassified to profit or loss			
Exchange difference on translation	24	**(3,339)**	(15,111)
Other comprehensive loss for the year, net of tax		**(3,254)**	(13,930)
Total comprehensive loss for the year and attributable to the equity holders of the Company		**(291,752)**	(313,230)
Loss per share for the year and attributable to the equity holders of the Company			
– Basic and diluted losses per share (RMB)	12	**(0.51)**	(0.89)

The above consolidated statement of comprehensive loss should be read in conjunction with the accompany notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**290,367**	300,230
Prepayments for property, plant and equipment	13	**416**	9,244
Right-of-use assets	15	**20,639**	28,435
Intangible assets	14	**3,229**	2,391
Financial assets at fair value through other comprehensive income	16	**8,076**	7,991
Other non-current assets	19	**69,229**	54,708
		391,956	402,999
Current assets			
Inventories	17	**8,114**	15,250
Trade and other receivables	18	**5,851**	14,406
Prepayments	19	**8,827**	10,938
Contract assets	5	**902**	2,450
Financial assets at fair value through profit or loss	20	**–**	32,139
Cash and cash equivalents	21	**225,533**	539,180
		249,227	614,363
Total assets		**641,183**	1,017,362
EQUITY			
Share capital	23	**1,874,438**	1,874,438
Other reserves	24	**49,503**	36,925
Accumulated losses		**(1,341,584)**	(1,053,086)
Total equity attributable to the equity holders of the Company		**582,357**	858,277

Consolidated balance sheet
As at 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	30	**6,083**	12,299
Current liabilities			
Borrowings	28	**–**	60,000
Accruals and other payables	29	**42,316**	81,418
Contract liabilities	5	**9,104**	2,593
Lease liabilities	30	**1,323**	2,775
		52,743	146,786
Total liabilities		**58,826**	159,085
Total equity and liabilities		**641,183**	1,017,362
Net current assets		**196,484**	467,577
Total assets less current liabilities		**588,440**	870,576

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 65 to 132 were approved by the Board of Directors on 23 March 2021 and were signed on its behalf.

Mr. Liu, Jun
Director

Ms. Yeh-Huang, Chun-Ying
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Note	Attributable to equity holders of the Company Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total equity/ (deficit) RMB'000
Balance at 1 January 2020		**1,874,438**	**36,925**	**(1,053,086)**	**858,277**
Loss for the year		**–**	**–**	**(288,498)**	**(288,498)**
Other comprehensive loss	24	**–**	**(3,254)**	**–**	**(3,254)**
Total comprehensive loss		**–**	**(3,254)**	**(288,498)**	**(291,752)**
Transactions with owners					
Share-based compensation expense	24	**–**	**15,832**	**–**	**15,832**
Total transactions with owners		**–**	**15,832**	**–**	**15,832**
Balance at 31 December 2020		**1,874,438**	**49,503**	**(1,341,584)**	**582,357**
Balance at 1 January 2019		537,859	31,449	(753,786)	(184,478)
Loss for the year		–	–	(299,300)	(299,300)
Other comprehensive loss	24	–	(13,930)	–	(13,930)
Total comprehensive loss		–	(13,930)	(299,300)	(313,230)
Transactions with owners					
Share-based compensation expense	24	–	23,557	–	23,557
Issue of shares upon exercise of share options	23	19,801	(4,151)	–	15,650
Conversion of convertible preferred shares into ordinary shares	23	817,276	–	–	817,276
Issue of new shares upon initial public offering	23	526,302	–	–	526,302
Transaction costs attributable to issue of new shares	23	(26,800)	–	–	(26,800)
Total transactions with owners		1,336,579	19,406	–	1,355,985
Balance at 31 December 2019		1,874,438	36,925	(1,053,086)	858,277

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash used in operating activities			
Net cash used in operations	31(a)	**(263,202)**	(250,805)
Interest received		**1,880**	1,680
Interest paid		**(1,794)**	(2,204)
Net cash used in operating activities		**(263,116)**	(251,329)
Cash flow from/(used in) investing activities			
Purchase of property, plant and equipment		**(20,487)**	(36,286)
Purchase of intangible assets	14	**(1,694)**	(1,054)
Proceeds from disposal of property, plant and equipment	31(b)	**358**	19
Investment in financial assets at fair value through profit or loss	20	**(365,570)**	(131,800)
Proceeds from disposal of financial assets at fair value through profit or loss	20	**399,919**	118,019
Net cash generated from/(used in) investing activities		**12,526**	(51,102)
Cash (used in)/from financing activities			
Proceeds from issue of new shares upon initial public offering		**–**	526,302
Proceeds from issue of shares upon exercise of share options		**–**	15,650
Proceeds from bank borrowings	31(d)	**–**	60,000
Payment for listing expenses		**–**	(16,847)
Repayment of bank borrowings	31(d)	**(60,000)**	(500)
Payment of lease liabilities	31(d)	**(1,707)**	(1,583)
Net cash (used in)/generated from financing activities		**(61,707)**	583,022
Net (decrease)/increase in cash and cash equivalents		**(312,297)**	280,591
Cash and cash equivalents at beginning of the year		**539,180**	256,751
Exchange (losses)/gains on cash and cash equivalents		**(1,350)**	1,838
Cash and cash equivalents at end of the year	21	**225,533**	539,180

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

TOT BIOPHARM International Company Limited (the "Company") was incorporated in Hong Kong on 4 December 2009 as a company with limited liability under the Hong Kong Law. The address of its registered office is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are primarily engaged in research and development ("R&D"), manufacturing, and marketing of anti-tumor drugs in the People's Republic of China (the "PRC").

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 November 2019.

These financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA and requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

2.1.1 Adoption of amendments to standards and interpretations

The Group has adopted the following amendment to standards and interpretations which are mandatory for the year ended 31 December 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of these amendments to standards and interpretations did not have any impact on the consolidated financial statements or result in any significant changes in the Group's significant accounting policies.

2.1.2 New standards and amendments to standards not yet adopted

Standards and amendments to standards that have been issued but not yet effective and not been early adopted by the Group during the year are as follows:

Standards	Key requirements	Effective for accounting periods beginning on or after
HKFRS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 (amendments)	1 January 2021
HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments (amendments)	1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 9, HKFRS 16, HKFRS 1 and HKFRS 41	Annual improvements HKFRS Standards 2018-2020	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

The Group has already commenced an assessment of the related impact of the above standards and amendments to standards which are relevant to the Group's operation. There are no other standards that are not yet effective and that are expected to have a material impact on the Group's financial performance and position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is United States Dollars ("USD"). However, the consolidated financial statements are presented in RMB as the major operations of the Group are within the PRC (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the consolidated statement of comprehensive loss in the period in which they arise.

Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in the consolidated statement of comprehensive loss.

All foreign exchange gains and losses are presented in the consolidated statement of comprehensive loss within "Other gains – net".

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(ii) Income and expenses for each statement of comprehensive loss are translated at average exchange rates of that period; and

(iii) All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs incurred during the construction period are capitalized.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive loss during the period in which they are incurred.

Construction in progress represents unfinished construction and equipment under construction or pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives, as follows:

Building	10-20 years
Plant and equipment	10 years
Machinery	5-10 years
Testing equipment	5-10 years
Others	5-10 years

The assets' residual values representing 5% of the original cost, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains – net" in the consolidated statement of comprehensive loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.7 Intangible assets

(a) Software

Computer software is recognized at historical cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. The Group amortized on a straight-line basis over their estimated useful lives of 5 years.

(b) Research and development expenditures

The Group incurs significant costs and efforts on research and development activities, which include expenditures on biosimilar and oncology drug. Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

(i) the technical feasibility of completing the intangible assets so that it will be available for use or sale;

(ii) the intention to complete the intangible asset and use or sell it;

(iii) the ability to use or sell the intangible assets;

(iv) the intangible asset will generate probable future economic benefits;

(v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. The Group generally considers capitalization criteria is met when obtaining regulatory approval. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in the consolidated statement of comprehensive loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any).

2.8 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

(i) Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

(ii) Those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held and cash flow characteristics. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.9.2 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.9 Financial assets *(cont'd)*

2.9.2 Measurement (cont'd)

Debt instruments (cont'd)

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Other gains – net". Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses and impairment expenses are presented in "Other gains – net".

Fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortized cost or FVOCI 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 recognized in profit or loss and presented net in the consolidated statement of comprehensive loss within "Other gains – net", in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in "Other gains – net" in the consolidated statement of comprehensive loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.11 Impairment of financial assets

The Group has two types of financial assets subject to HKFRS 9's expected credit loss model:

(a) trade receivables; and

(b) other receivables.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

2.12 Inventories

Inventories including raw materials, work in progress, finished goods and consumables are stated at the lower of cost and net realizable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Trade and other receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.14 Prepayments

Prepayments which are generally due for transfer to expense within one year or less and therefore are all classified as current assets.

Prepayments may include upfront cash payments made to contract research organizations ("CROs"), which are organizations that provide support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis. Prepayments to CROs will be subsequently recorded as research and development expenses in accordance with the applicable performance requirements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.15 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Share capital

Ordinary shares are classified as equity. Convertible preferred shares are classified as liabilities based on the respective contract terms.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Accruals and other payables

Accruals and other payables mainly represent the obligations to pay for services that have been acquired in the ordinary course of business. Accruals and other payables are presented as current liabilities unless payment is not due within one year or less after the reporting period.

Accruals and other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.18 Financial instruments issued to investors

Financial instruments issued to investors are convertible preferred shares issued in 2018. Accounting policies and other explanatory information of these financial instruments are elaborated as follows:

Convertible preferred shares

During the year ended 31 December 2018, the Company entered into a series of share purchase agreements with financial investors and issued Class A convertible preferred shares ("Class A Preferred Shares") and Class B convertible preferred shares ("Class B Preferred Shares"), respectively (collectively, "Convertible Preferred Shares").

Convertible Preferred Shares issued by the Company are redeemable upon occurrence of certain future events. This instrument can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering ("IPO") of the Company.

The Group designated the Convertible Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value.

Subsequent to initial recognition, the Convertible Preferred Shares are carried at fair value with changes in fair value recognized in the consolidated statement of comprehensive loss.

If the Company's own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts.

On 8 November 2019, all Convertible Preferred Shares were automatically converted into ordinary shares upon the IPO of the Company (Note 27).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.19 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed as incurred.

2.20 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.21 Employee benefit expenses

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made.

TOT BIOPHARM Company Limited ("TOT Taipei"), a subsidiary of the Company, has established a defined contribution pension plan under the Labour Pension Act, covering all regular Taiwan employees. Under the plan, the Group contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labour Insurance.

Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the employee leaves.

(c) Housing funds, medical insurance and other social insurance

Employees in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable.

(d) Bonus plan

The expected cost of bonus is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(e) Employee leave entitlement

Employee entitlement to annual leave are recognized when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlement to sick leave and maternity leave is not recognized until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.22 Share-based compensation benefits of the Group

(a) Equity-settled share-based payment transaction

The Group operates stock options granted to employees, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments (options) is recognized as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

(i) including any market performance conditions;

(ii) excluding the impact of any service and non-market performance vesting conditions;

(iii) including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement date and grant date.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

(b) Share-based payment transaction among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.23 Government grants

Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants related to costs are recognized in the consolidated statement of comprehensive loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortized to the consolidated statement of comprehensive loss over the estimated useful lives of the related assets using the straight-line method.

2.24 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.25 Revenue recognition

Revenue is recognized to depict the provision of promised services and transfer of goods to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services or goods. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring products or services to a customer ("transaction price").

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.25 Revenue recognition *(cont'd)*

Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with using the same approach as for trade receivables. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. There is normally no significant cost to obtain contract.

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

The following is a description of the accounting policy for the principal revenue streams of the Group.

(a) Revenue from contract development and manufacturing organization ("CDMO") services

Contract development and manufacturing organization, or CDMO, provides integrated services including drug manufacturing, development, optimization and trial production etc. These services allow companies to outsource development and manufacturing work and move quickly from product concept into first-in-human studies.

The Group earns revenues from providing CDMO services to other pharmaceutical companies. Contract duration are generally less than one year and include a single performance obligation as delivery of integrated services over a period of time. The contract is normally at fixed price and paid according to milestones specified in the contract. Upfront payments received by the Group are initially recognized as a contract liability. Services revenue is recognized as the performance obligation satisfied over time based on the stage of completion of the contract. The Group uses input method to measure progress towards complete satisfaction of the performance obligation under HKFRS 15. Costs including raw materials, labour, depreciation and other production costs attributable to CDMO services are included in "cost of revenue".

(b) Revenue from contract manufacturing organization ("CMO") services

Contract manufacturing organization, or CMO, provide commercial manufacturing of products for companies that had already developed and validated pharmaceutical manufacturing processes.

The Group earns revenues from providing CMO services to other pharmaceutical companies. Contract duration is generally less than one year. If the contract is early terminated, the Company is only entitled to the compensation for the cost of any in-progress or undelivered products. Therefore the contract is accounted for at point in time upon transfer of the control of the product to the customers which is generally when the customers accept the products. Contract price is generally fixed and paid according to payment schedule as agreed in the contract. Upfront payments received by the Group are initially recognized as a contract liability. Costs including raw materials, labour, depreciation and other production costs attributable to CMO services are included in "cost of revenue".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.25 Revenue recognition *(cont'd)*

(c) Revenue from clinical research and other contract research organisation ("CRO") services

Clinical research services mainly include clinical development services, which include project planning, clinical operation and monitoring and managements of clinical trials, outcomes research and embedded outsourcing.

The Group earns revenues from providing CRO services to other pharmaceutical companies. Contract mainly include a single performance obligation as delivery of integrated services over a period of time. The contract is normally at fixed price and paid according to milestones specified in the contract. Upfront payments received by the Group are initially recognized as a contract liability. Services revenue is recognized as the performance obligation satisfied over time based on the stage of completion of the contract. The Group uses input method to measure progress towards complete satisfaction of the performance obligation under HKFRS 15. Costs including labour, outsourcing CRO services and other costs attributable to CRO services are included in "cost of revenue".

(d) Revenue from license granted

The Group provides license of its intellectual properties ("IP") to customers as well as providing certain R&D service. The license of IP and the R&D service are distinct performance obligations. The consideration comprises a fixed element (the upfront payment) and two variable elements (development milestone payment and royalties based on future sales). Initially only fixed consideration is included in the transaction price. The amount of the variable consideration for milestone payments included in the transaction price is determined to be zero at inception, based on the most likely amount and the application of the variable consideration constraint, i.e. such variable consideration is only included in the transaction price when it is highly probable that no significant reversal of revenue when the uncertainty is resolved. The non-refundable upfront payment only relates to the license and R&D service. The upfront payment is allocated between the two performance obligations based on the stand-alone selling price. The sales-based royalty will only be included in the transaction price when actual sales are made.

The control of the license transfers at point in time, when the customer obtains the right to use the underlying IP of the license. Control of the R&D service is transferred over time based on the progress measured using input method. The sales-based royalties are recognized as revenue when the subsequent sales are made.

Costs related to licensing and R&D services are included in "research and development expenses".

(e) Revenue from commission

The Group earns commission from providing promotion services to its customers, which are pharmaceutical companies, helping them to sell their products in the market. The Group is not the principal for selling those products, as it does not have control over the products to be sold, act as the primary obligor for selling the product, bear any inventory risk nor have any price discretion. The commission is based on pre-determined percentage of the actual monthly sales, and settled with the customers on a quarterly basis, subject to annual price adjustment based on actual volume. The Group includes the price adjustment in the transaction price such that it is highly probable that there will not be significant reversal of revenue in future when the uncertainty is resolved. The right to consideration relating to price adjustment is recorded as contract assets and it will be transferred to receivables when the right is unconditional except for passage of time. The Group is not the principal in selling the products. Accordingly, the Group recognizes commission revenue at the net amount to which it expects to be entitled in exchange for its service. Costs related to the service are included in "selling expenses".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.25 Revenue recognition *(cont'd)*

(f) Sales of goods

The Group sells certain nutritional supplements to cancer patients. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location where the risks of obsolescence and loss have been transferred to the client, and either the client has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. The price is normally fixed and with no sales discount or volume rebate. Goods return are very rare. Costs related to sales of goods are included in "cost of revenue".

2.26 Leases as lessee

The Group leases properties and land use right in the PRC as lessee. Rental contracts of properties are typically made for fixed periods of 2 to 5 years but may have extension options as described below. Land use right is made for fixed periods of 50 years.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The consideration paid to lease the state-owned or collectively-owned land in the PRC are treated as prepayment for land use rights and included in right-of-use assets, which are stated at cost less accumulated amortization and impairment loss, if any. Land use rights are amortized over the lease period using straight-line method.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the incremental borrowing rate of respective entities. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of comprehensive loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise equipment and small items of office furniture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.26 Leases as lessee *(cont'd)*

Extension options are only included in the lease term if the lease is reasonably certain to be extended. The Group determine the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

2.27 Interest income

Interest income is recognized on a time-proportion basis taking into account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's directors or shareholders, where applicable.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

3.1.1 Market risk

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Company's functional currency is USD. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency.

Certain bank balances and cash, trade receivables and other receivables, contract assets and other payables are denominated in foreign currencies of respective group entities which are exposed to foreign currency risk. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group has entities operating in USD, New Taiwan Dollars ("NTD") and RMB, and the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

Most foreign exchange transactions were denominated in RMB for the Company that have functional currency in USD and USD for the group companies that have functional currency in RMB. If the USD strengthened/weakened by 5% against the RMB with all other variables held constant, net loss for the year ended 31 December 2020 would have been RMB2,253,000 higher/lower (2019: RMB20,547,000 higher/lower).

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

3.1.1 Market risk (cont'd)

(b) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The Group's investments in equity securities comprise listed stock, which were listed at over-the-counter market of Taiwan. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 5% with all other variables held constant, other components of equity for the year ended 31 December 2020 would have increased/decreased by RMB403,797 (2019: RMB399,536), as a result of change in other comprehensive income for equity investment at fair value through other comprehensive income.

(c) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. The Group has not hedged its cash flow or fair value interest-rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 28.

There are no floating rate borrowings as at 31 December 2020 (2019: same).

3.1.2 Credit risk

Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

(a) Trade receivables and contract assets

Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored. Credit risks mainly arises from credit exposure from CDMO, CMO and CRO customers, and credit terms are usually 60 days. Management makes periodic assessments as well as individual assessment on the recoverability based on historical settlements records and experience and adjusts for forward-looking information. The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

All of the Group's customers are reputable pharmaceutical companies. As at 31 December 2020, the Group has assessed that the expected loss rate for trade receivables and contract assets was immaterial, taking into consideration the low historical default rates and the expectation that significant change of forward-looking factors is unlikely. Thus, no loss allowance provision for trade receivables and contract assets were recognized during the year (2019: same).

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

3.1.2 Credit risk (cont'd)

(b) Cash and cash equivalents, financial assets at fair value through profit or loss and other receivables

To manage this risk, cash and cash equivalents and financial assets at fair value through profit or loss are mainly placed or invested with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no history of default in the recent years in relation to these financial institutions and accordingly no loss allowance provision was recognized. Credit risks from other receivables mainly arises from a supplier (Note 18(b)) and the amount would be used to offset against purchases made by the Company. Management makes periodic assessments as well as individual assessment on the recoverability based on historical settlements records and past experience and adjusts for forward-looking information. Management has assessed that during the year, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The directors of the Company does not expect any losses from non-performance by the counterparties of other receivables and no loss allowance provision for other receivables was recognized.

3.1.3 Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyses the Group's non-derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2020

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Accruals and other payables (Note 29)	**30,911**	**–**	**–**	**–**
Lease liabilities (including interest payables) (Note 30)	**1,357**	**1,131**	**3,361**	**3,012**
	32,268	**1,131**	**3,361**	**3,012**

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.1 Financial risk factors *(cont'd)*

3.1.3 Liquidity risk (cont'd)

As at 31 December 2019

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Accruals and other payables (Note 29)	71,310	–	–	–
Borrowings (including interest payables)	61,436	–	–	–
Lease liabilities (including interest payables) (Note 30)	2,849	2,238	5,919	7,380
	135,595	2,238	5,919	7,380

The Group recognizes the financial instruments issued to investors at fair value through profit or loss. Accordingly, the financial instruments issued to investors are managed on a fair value basis rather than by maturing dates (Note 27).

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital and provide returns for shareholders if the operation turns to profit. In order to maintain or adjust the capital structure, the Group may issue shares, obtain borrowings from bank and dispose assets in order to repay or refill operation capital, adjust the amount of dividends and return capital to shareholders, to maintain or adjust the capital structure, but not limited to the above.

The Group monitors capital on the basis of the net debt equity ratio. This ratio is calculated as "net debt" divided by "total equity". Net debt is calculated as total borrowings less cash and cash equivalents. The net debt equity ratios as of 31 December 2020 and 2019 were as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Borrowings	**–**	60,000
Less: Cash and cash equivalents	**(225,533)**	(539,180)
Net cash	**(225,533)**	(479,180)
Total equity	**582,357**	858,277
Net debt to equity ratio (Note)	**N/A**	N/A

Note: Net debt to equity ratio is not applicable due to the Group's net cash position as at 31 December 2020 and 2019.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.3 Fair value estimation

The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, trade and other receivables (excluding prepayments), contract assets, borrowings, accruals and other payables and other non-current assets, approximate their fair values.

The Group applies HKFRS 13 for financial instruments that are measured in the consolidated balance sheet at fair value, which requires disclosure of fair value measurements by levels of the following fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's assets that were measured at fair value at 31 December 2020:

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets:				
Financial assets at fair value through other comprehensive income	**8,076**	**–**	**–**	**8,076**

The following table presents the Group's assets that were measured at fair value at 31 December 2019:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Financial assets at fair value through profit or loss	–	–	32,139	32,139
Financial assets at fair value through other comprehensive income	7,991	–	–	7,991
	7,991	–	32,139	40,130

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.3 Fair value estimation *(cont'd)*

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques during the year ended 31 December 2020 (2019: same).

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2020 (2019: same).

The changes in level 3 instruments for the years ended 31 December 2020 and 2019 are presented in Note 20.

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at 31 December 2019 RMB'000	Valuation Technique	Unobservable inputs	Range of inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Financial products	32,139	Discounted cash flow method	Rate of return	2.00%-3.57% (2.29%)	The higher the rate of return, the higher the fair value

As at 31 December 2020, the Group had no level 3 instruments designated at fair value through profit and loss. If the rate of return of financial products held by the Group as at 31 December 2019 had been 1% higher/lower, the loss before income tax for the year ended 31 December 2019 would have been approximately RMB267,500 lower.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Assessment of impairment indicators of property, plant and equipment

At the end of each reporting period, the Group assesses whether there is any indication that the Group's property, plant and equipment may be impaired. To determine whether an impairment indicator exist, management considers both internal and external source of information, including the plan and progress of the research and development projects and the prospect of the technology. If any such indication exists, the Group will estimate the recoverable amount of the asset. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

(b) Research and development expenses

Development costs incurred on the Group's drug product pipelines are capitalized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the year, all expenses incurred for research and development activities were regarded as research expenses and therefore were expensed when incurred.

5 SEGMENT AND REVENUE INFORMATION

(a) Description of segments and principal activities

The Group is engaged in the research, development and licensing of self-developed biological drug. The outcome of the Group's research and development activities will be given preference to be used by the Group for its own commercialization. There is one team managing and operating all revenue streams. Accordingly, management considers there is only one segment and hence no segment information is presented.

(b) License agreement with a customer

In January 2017, the Group entered into an agreement with pharmaceutical company for licensing one of its bio-pharmaceutical know-how to the customer for development and commercialization for a period of 10 years. The agreement includes non-refundable upfront payment, license-granted payment, milestone payments and sales-based royalty upon commercialization of the know-how. During the year ended 31 December 2020, no milestone was achieved and therefore, no revenue was recognized during the year (2019: same). Details of the Group's accounting policy on revenue recognition is disclosed in Note 2.25.

5 SEGMENT AND REVENUE INFORMATION *(cont'd)*

(c) The amount of each category of revenue is as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Timing of revenue recognition		
At a point in time:		
– Commission revenue	**14,703**	29,822
– CMO	**–**	6,466
– Sales of goods	**521**	911
– Others	**45**	9
Over time:		
– CDMO	**6,423**	8,100
– Revenue from CRO	**799**	–
	22,491	45,308

(d) The following table presents the analysis of contract assets and contract liabilities related to the above-mentioned arrangements.

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Contract assets:		
– Consideration for services delivered-CDMO	**22**	–
– Consideration for commission	**880**	2,450
Contract liabilities-CDMO	**(9,104)**	(2,593)
	(8,202)	(143)

(i) Contract liabilities arise from CDMO which are recognized when the payments are received before the services are rendered to customers and will be recorded as revenue within one year.

5 SEGMENT AND REVENUE INFORMATION *(cont'd)*

(e) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year		
– Service revenue-CDMO	**2,593**	1,730
– Service revenue-CMO	**–**	1,292
	2,593	3,022

(f) Unfulfilled long-term contracts

The license contract includes an upfront fee of RMB8,400,000 (including tax) and development milestone payments of RMB48,100,000 (including tax) in aggregate. The contract also includes license-granted fee and sales-based royalty. No revenue was recognized for the year ended 31 December 2020 (2019: Nil) as no milestone was achieved. The remaining development milestones and sales-based royalty are not included in the transaction price based on the most likely amount and the application of the variable consideration constraint. As a result, as at 31 December 2020, there is no transaction price that would be allocated to unsatisfied performance obligations after considering the constraint (2019: same).

Except for the above-mentioned contracts, all other CDMO revenue contracts are for periods of one year or less and are billed based on milestone. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(g) Geographical information

Geographical information of revenue and non-current assets other than financial assets for the years ended 31 December 2020 and 2019 is as follows:

	Year ended 31 December			
	2020		2019	
	Revenue RMB'000	**Non-current assets RMB'000**	Revenue RMB'000	Non-current assets RMB'000
China	**22,491**	**314,275**	45,308	339,349
Others	**–**	**478**	–	1,127
	22,491	**314,753**	45,308	340,476

5 SEGMENT AND REVENUE INFORMATION *(cont'd)*

(h) Information about major customers

The major customers which contributed more than 10% of the total revenue of the Group for the years ended 31 December 2020 and 2019 are listed as below:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Customer A	**14,703**	29,822
Customer B	**3,643**	6,466
Total	**18,346**	36,288

6 EXPENSES BY NATURE

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Employee benefit expenses (Note 7)	**106,382**	101,067
Clinical trials (exclude employee benefit expenses)	**74,915**	54,710
Amortization and depreciation (Notes 13,14 and 15)	**32,082**	27,351
R&D materials and consumables	**31,331**	21,038
Utilities	**12,943**	12,807
Other third-party research contracting costs	**8,967**	5,826
Repairs and maintenance expenses	**8,614**	8,348
Professional services	**8,318**	8,010
Pre-clinical trials	**6,333**	5,093
Promotion and advertisement expenses	**1,360**	648
Travelling expenses	**2,160**	7,752
Marketing and business development expenses	**1,941**	8,407
Other taxes	**1,561**	4,107
Raw materials used for CDMO and CMO service	**1,325**	1,059
Conference fee	**1,047**	3,783
Office leasing expenses	**405**	202
Listing expenses	**–**	42,315
Other costs of CMO service transferred from WIP	**–**	2,789
Auditor's remuneration		
– audit service	**2,825**	1,907
– non-audit service	**250**	847
Other expenses	**12,206**	10,963
Total cost of revenue, research and development expenses, selling expenses and general and administrative expenses	**314,965**	329,029

Note: Cost of revenue includes cost of sales of goods and CDMO/CMO services.

7 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS)

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Salaries, wages and bonuses	**80,953**	63,456
Contributions to pension plans (a)	**2,014**	5,258
Housing fund, medical insurance and other social insurance	**5,089**	6,252
Share-based compensation expenses (Note 25)	**15,832**	23,557
Other welfare for employees	**2,494**	2,544
	106,382	101,067

(a) The employees of the Group in the PRC are members of a state-managed pension scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

TOT Taipei has established a defined contribution pension plan under the Labour Pension Act, covering all regular Taiwan employees. Under the plan, the Group contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labour Insurance. The only obligation of the Group with respect to the defined contribution pension plan is to make the specified contribution under the plan.

8 DIRECTORS' AND OTHER SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

Directors and chief executives' emoluments for the years ended 31 December 2020 and 2019 are set out as follows:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Employer's social security costs RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Year ended 31 December 2020						
Chairman of the Board						
Mr. Fu, Shan	–	–	–	–	–	–
Non-executive directors						
Mr. Kung, Frank Fang-Chien	–	–	–	–	–	–
Mr. Kang, Pei	–	–	–	–	–	–
Mr. Qiu, Yu Min	–	–	–	–	–	–
Mr. Chang, Hong-Jen (Note 1)	–	207	–	–	–	207
Ms. Hu, Lan (Note 1)	–	207	–	–	–	207
Mr. Sun, Lijun Richard (Note 1)	–	207	–	–	–	207
Executive directors						
Ms. Yeh-Huang, Chun-Ying (Note 2)	–	2,115	–	9	1,573	3,697
Dr. Liu, Jun (Note 3, 4)	–	1,557	147	66	1,595	3,365
	–	4,293	147	75	3,168	7,683

8 DIRECTORS' AND OTHER SENIOR MANAGEMENT'S EMOLUMENTS *(cont'd)*

(a) Directors' and chief executive's emoluments *(cont'd)*

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Employer's social security costs RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Year ended 31 December 2019						
Chairman of the Board						
Mr. Fu, Shan	3	–	–	–	–	3
Non-executive directors						
Mr. Kung, Frank Fang-Chien	2	–	–	–	–	2
Mr. Kang, Pei	2	–	–	–	–	2
Mr. Qiu, Yu Min	2	–	–	–	–	2
Mr. Chang, Hong-Jen (Note 1)	2	155	–	–	–	157
Ms. Hu, Lan (Note 1)	2	155	–	–	–	157
Mr. Sun, Lijun Richard (Note 1)	2	155	–	–	–	157
Executive directors						
Ms. Yeh-Huang, Chun-Ying (Note 2)	3	1,610	71	13	3,037	4,734
Dr. Liu, Jun (Note 3, 4)	3	1,230	167	64	2,267	3,731
	21	3,305	238	77	5,304	8,945

Note 1: Ms. Hu, Lan, Mr. Sun, Lijun Richard, Mr. Chang, Hong-Jen were appointed as the Company's independent non-executive directors on 12 March 2019.

Note 2: Ms. Yeh-Huang, Chun-Ying was appointed as vice chairman of the Board while she resigned as the general manager of the Company on 15 October 2020. Ms. Yeh-Huang, Chun-Ying will continue to act as executive director of the Company.

Note 3: Dr. Liu, Jun was appointed as the chief executive officer of the Company while he resigned as the chief operating officer and vice general manager of the Company on 15 October 2020.

Note 4: During the year ended 31 December 2020, discretionary bonuses are determined with reference to the performance of the relevant director and based on the human resources related government grants received (2019: same).

The Company's other senior management's remuneration includes salaries, wages, bonuses, and share-based compensation expenses. For the year ended 31 December 2020, the Company's other senior management's remuneration was within the range between RMB1,200,000 to RMB3,000,000 (2019: RMB800,000 to RMB4,000,000).

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year (2019: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2019: Nil).

8 DIRECTORS' AND OTHER SENIOR MANAGEMENT'S EMOLUMENTS *(cont'd)*

(d) Consideration provided to third parties for making available directors' services

During the year, the Company did not pay consideration to any third parties for making available directors' services (2019: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2019: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year (2019: Nil).

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors (2019: two directors) for the year ended 31 December 2020. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals (2019: three individuals) during the year are as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Salaries, wages and bonuses	**4,163**	3,443
Social security costs	**202**	228
Share-based compensation expenses	**3,344**	5,386
	7,709	9,057

The emoluments of the top five highest paid individuals fell within the following bands:

	Year ended 31 December	
	2020	2019
Emoluments bands		
HKD2,000,000 to HKD2,500,000	**1**	1
HKD2,500,000 to HKD3,000,000	**1**	–
HKD3,000,000 to HKD3,500,000	**1**	1
HKD3,500,000 to HKD4,000,000	**1**	–
HKD4,000,000 to HKD4,500,000	**1**	1
HKD4,500,000 to HKD5,000,000	**–**	1
HKD5,000,000 to HKD5,500,000	**–**	1
	5	5

9 OTHER GAINS – NET

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Government grants	**2,736**	13,390
Net foreign exchange gains	**324**	2,396
Gains/(Losses) on disposals of property, plant and equipment	**221**	(459)
Write-off of property, plant and equipment	**–**	(1,070)
Fair value gain on wealth management products at fair value through profit or loss (Note 20)	**2,210**	1,026
Donations	**(2,083)**	–
Gain on disposals of Right-of-use assets	**355**	–
Others	**39**	(1,166)
	3,802	14,117

Note: There are no unfulfilled conditions or other contingencies attaching to these grants.

10 FINANCE INCOME/(COSTS) – NET

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Finance income		
– Interest income on bank deposits	**1,880**	1,680
Finance costs		
– Interest expenses on bank borrowings	**(1,185)**	(1,519)
– Interest expenses on lease liabilities	**(521)**	(772)
	(1,706)	(2,291)
	174	(611)

11 INCOME TAX EXPENSE

The Group's principal applicable taxes and tax rates are as follows:

(a) Hong Kong

No provision for Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 16.5%) as the Company has no estimated assessable profit.

(b) Mainland China

No provision for Mainland China income tax has been provided for at a rate of 25% or 15% (2019: 25% or 15%) pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), as the Group's PRC entities have no estimated assessable profit.

TOT BIOPHARM Co., Ltd. ("TOT Suzhou") was qualified as a "High and New Technology Enterprise" under the relevant PRC laws and regulations from 2020 to 2023. Accordingly, TOT Suzhou was entitled to a preferential income tax rate of 15% on its estimated assessable profits commencing from 2020 to 2023.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2018, and applicable until 2020, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

(c) Taiwan corporate income tax

No provision for Taiwan corporate income tax has been provided for at a rate of 20% (2019: 20%) as the Group's Taiwan subsidiary has no estimated assessable profit.

(d) The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Loss before income tax	**(288,498)**	(299,300)
Tax calculated at statutory tax rates applicable to each group entity	**(71,251)**	(68,073)
Tax effect of:		
Preferential tax rate of certain subsidiary	**36,344**	28,706
Expenses not deductible for tax purposes	**5,670**	19,674
Additional deduction of research and development and other expenses	**(27,827)**	(25,542)
Tax loss not recognized as deferred tax assets	**57,064**	45,235
Income tax expense	**–**	–

11 INCOME TAX EXPENSE *(cont'd)*

(e) Deferred tax assets not recognized:

The Group has not recognized any deferred tax assets in respect of the following items:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Deductible losses	**1,340,009**	968,325
Deductible temporary differences	**1,711**	451
	1,341,720	968,776

(f) Deductible losses that are not recognized as deferred tax assets will be expired as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
2020	**–**	2,568
2021	**2,478**	2,478
2022	**3,684**	3,658
2023	**45,221**	47,753
2024	**49,487**	48,716
2025	**60,340**	59,536
2026	**85,457**	85,457
2027	**130,286**	130,286
2028	**289,901**	289,901
2029	**297,972**	297,972
2030	**375,183**	–
	1,340,009	968,325

Note: The tax losses of the Company's PRC subsidiaries will expire within five years (except for TOT Suzhou which will expire within ten years for High and New Technology Enterprise) while the tax losses of the Company's Taiwan subsidiary will expire within 10 years.

12 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss of the Group attributable to owners of the Company by weighted average number of ordinary shares issued during the year.

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Loss attributable to equity holders of the Company (RMB'000)	**(288,498)**	(299,300)
Weighted average number of ordinary shares in issue (thousand) (Note)	**570,334**	335,654
Basic loss per share (RMB)	**(0.51)**	(0.89)

Note: The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the years ended 31 December 2020 has been adjusted for the compensatory grant and capitalization issue (Note 23) (2019: the weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the capitalization issue).

(b) Diluted loss per share

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. For the year ended 31 December 2020, the Company had one category of potential ordinary shares: the stock options granted to employees (Note 25) (2019: same). As the Group incurred losses for the years ended 31 December 2020 and 2019, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2020 and 2019 is the same as basic loss per share of the respective years.

13 PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Plant and equipment RMB'000	Machinery RMB'000	Testing equipment RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2020							
Cost	148,470	45,870	31,064	86,935	14,207	59,696	386,242
Accumulated depreciation	(41,253)	(7,997)	(8,027)	(24,604)	(4,131)	–	(86,012)
Net book amount	107,217	37,873	23,037	62,331	10,076	59,696	300,230
Year ended 31 December 2020							
Opening net book amount	107,217	37,873	23,037	62,331	10,076	59,696	300,230
Additions	1,354	381	2,414	4,128	2,141	8,770	19,188
Disposals	–	–	–	(108)	(29)	–	(137)
Transfers	723	–	19,433	1,833	928	(22,917)	–
Depreciation charge (Note 6)	(10,054)	(4,459)	(3,414)	(8,432)	(2,555)	–	(28,914)
Closing net book amount	99,240	33,795	41,470	59,752	10,561	45,549	290,367
At 31 December 2020							
Cost	150,549	46,250	52,911	92,187	17,121	45,549	404,567
Accumulated depreciation	(51,309)	(12,455)	(11,441)	(32,435)	(6,560)	–	(114,200)
Net book amount	99,240	33,795	41,470	59,752	10,561	45,549	290,367
At 1 January 2019							
Cost	134,295	44,916	18,538	64,788	8,000	86,627	357,164
Accumulated depreciation	(32,050)	(3,587)	(6,435)	(18,259)	(2,413)	–	(62,744)
Net book amount	102,245	41,329	12,103	46,529	5,587	86,627	294,420
Year ended 31 December 2019							
Opening net book amount	102,245	41,329	12,103	46,529	5,587	86,627	294,420
Additions	5,804	819	260	11,227	3,075	10,330	31,515
Disposals	(212)	–	(20)	(243)	(3)	–	(478)
Transfers	8,813	135	13,682	11,488	3,143	(37,261)	–
Depreciation charge (Note 6)	(9,433)	(4,410)	(1,918)	(6,670)	(1,726)	–	(24,157)
Write-off	–	–	(1,070)	–	–	–	(1,070)
Closing net book amount	107,217	37,873	23,037	62,331	10,076	59,696	300,230
At 31 December 2019							
Cost	148,470	45,870	31,064	86,935	14,207	59,696	386,242
Accumulated depreciation	(41,253)	(7,997)	(8,027)	(24,604)	(4,131)	–	(86,012)
Net book amount	107,217	37,873	23,037	62,331	10,076	59,696	300,230

13 PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

(a) Depreciation charges have been charged to the consolidated statement of comprehensive loss as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Cost of sales	**671**	1,165
Research and development expenses	**26,297**	20,686
Selling expenses	**21**	18
General and administrative expenses	**1,925**	2,288
	28,914	24,157

(b) Prepayments for property, plant and equipment amounted to RMB416,000 (2019: RMB9,244,000) as at 31 December 2020. During the year, RMB7,568,000 (2019: RMB4,981,000) was transferred from prepayments for property, plant and equipment to testing equipment and construction in progress.

(c) Capitalized borrowing costs are not material in the year ended 31 December 2020 (2019: same).

14 INTANGIBLE ASSETS

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Software		
Cost	**5,554**	3,860
Accumulated amortization	**(2,325)**	(1,469)
Net book amount	**3,229**	2,391
Opening net book amount	**2,391**	1,901
Additions	**1,694**	1,054
Amortization charge (Note 6)	**(856)**	(564)
Closing net book amount	**3,229**	2,391

14 INTANGIBLE ASSETS *(cont'd)*

Amortization charge has been charged to the consolidated statement of comprehensive loss as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
General and administrative expenses	**856**	564

15 RIGHT-OF-USE ASSETS

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Land use rights	**13,674**	14,020
Others	**6,965**	14,415
	20,639	28,435

(a) Land use rights

The Group's interests in land use rights represent prepaid operating lease payments for land located in the PRC and the lease term is 50 years. The net book amount of which is analysed as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Cost	**17,273**	17,273
Accumulated amortization	**(3,599)**	(3,253)
Net book amount	**13,674**	14,020
Opening net book amount	**14,020**	14,366
Amortization charges (Note 6)	**(346)**	(346)
Closing net book amount	**13,674**	14,020

15 RIGHT-OF-USE ASSETS *(cont'd)*

(a) Land use rights *(cont'd)*

Amortization charge has been charged to the consolidated statement of comprehensive loss as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Research and development expenses	**307**	288
General and administrative expenses	**39**	58
	346	346

(b) Others

The Group leases properties for own use. Information about leases for which the Group is a lessee is presented below:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Cost	**11,654**	18,233
Accumulated depreciation	**(4,689)**	(3,818)
Net book amount	**6,965**	14,415
Opening net book amount	**14,415**	14,958
Additions	**1,188**	1,718
Termination	**(6,679)**	–
Depreciation charge (Note 6)	**(1,966)**	(2,284)
Net exchange differences	**7**	23
Closing net book amount	**6,965**	14,415

The consolidated statement of comprehensive loss and the consolidated statement of cash flows contain the following amounts relating to leases:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Depreciation and amortization charge of right-of-use assets	**2,312**	2,630
Interest expenses	**521**	772
Expenses relating to short-term leases	**270**	280
The cash outflow for leases as operating activities	**270**	280
The cash outflow for leases as financing activities	**1,707**	1,583

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening balance	**7,991**	6,810
Changes in the fair value of equity instruments at fair value through other comprehensive income (Note 24)	**85**	1,181
Closing balance	**8,076**	7,991

The balance represents the interest in equity securities which were listed at over-the-counter market of Taiwan. Accordingly, the fair value of the Group's investment is measurable, based on quoted market price. The currency of the Group's investment is NTD.

17 INVENTORIES

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Raw materials	**807**	6
Finished goods	**166**	148
Consumables	**7,141**	15,096
	8,114	15,250

During the year, the Group has carried out regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption, physical condition and management judgement. As a result, inventories of RMB84,000 have been written off (2019: RMB362,000).

18 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Trade receivables from contracts with customers	**1,536**	6,741
Other receivables	**4,315**	7,665
Trade and other receivables	**5,851**	14,406

18 TRADE AND OTHER RECEIVABLES *(cont'd)*

(a) Trade receivables

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Trade receivables from contracts with customers	**1,536**	6,741

Customers are generally granted with credit terms ranging from 15 to 60 days.

As of 31 December 2020 and 2019, the ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Within 30 days	**1,218**	4,727
31 days to 90 days	**318**	2,014
	1,536	6,741

The carrying amounts of the Group's trade receivables are denominated in RMB and USD and approximate to their fair values.

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables mentioned above.

(b) Other receivables

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Advance to a supplier (Note (i))	**2,598**	2,600
Advance to employees (Note (ii))	**812**	1,393
Other receivables	**905**	3,672
Other receivables	**4,315**	7,665

Note (i) The party is a supplier of TOT Taipei. According to the purchase contract, the amount of the advance will be used to offset the purchase amount in the future. In the scenario where the relevant purchase contract is early terminated and the advance has not been fully utilised, the supplier will repay the remaining amount within 60 days on an interest-free basis. The amount is unsecured (2019: same).

Note (ii) The advance to employees was unsecured, interest bearing at 6% per annum, and repayable within one year (2019: same).

18 TRADE AND OTHER RECEIVABLES *(cont'd)*

(b) Other receivables *(cont'd)*

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
RMB	**5,105**	4,310
USD	**729**	10,093
NTD	**14**	–
HKD	**3**	3
	5,851	14,406

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

The carrying amounts of the Group's other receivables approximate to their fair values.

19 PREPAYMENTS AND OTHER NON-CURRENT ASSETS

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Prepayments – current		
Prepayments for consumables	**3,519**	5,302
Prepayments for inventories	**1,709**	2,132
Prepaid insurance	**–**	12
Other prepayments	**3,599**	3,492
	8,827	10,938
Other non-current assets		
Value-added tax recoverable	**64,513**	49,786
Deposits	**4,614**	4,746
Other non-current assets	**102**	176
	69,229	54,708
	78,056	65,646

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening balance	**32,139**	17,332
Change in fair value (Note 9)	**2,210**	1,026
Additions	**365,570**	131,800
Disposals	**(399,919)**	(118,019)
Closing balance	**–**	32,139

The Group entered into contracts in respect of wealth management products (being principal-guaranteed structured deposits) from licensed commercial banks with an expected but not guaranteed rates of return ranging from 1.30% to 5.70% per annum for the year ended 31 December 2020 (2019: ranging from 2.00% to 3.57%). According to the contract terms, the Group should hold the financial products for at least 7 days. The Group managed and evaluated the performance of investments on a fair value basis, in accordance with the Group's risk management and investment strategy. As at 31 December 2020, the Group had no financial assets designated at fair value through profit or loss (2019: RMB32,139,000).

21 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Cash at bank and on hand	**225,533**	539,180

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Cash on hand		
– NTD	**5**	5
– RMB	**–**	182
Cash at bank		
– RMB	**165,494**	435,195
– HKD	**42,780**	68,391
– NTD	**10,751**	23,678
– USD	**6,503**	11,729
	225,533	539,180

22 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Assets		
Financial assets at fair value:		
– Financial assets at fair value through profit or loss (Note 20)	**–**	32,139
– Financial assets at fair value through other comprehensive income (Note 16)	**8,076**	7,991
Financial assets at amortized costs:		
– Deposits (Note 19)	**4,614**	4,746
– Trade receivables and other receivables (Note 18)	**5,851**	14,406
– Cash and cash equivalents (Note 21)	**225,533**	539,180
Total	**244,074**	598,462
Liabilities		
Financial liabilities at amortized cost		
– Other payables (Note 29)	**30,911**	71,310
– Borrowings (Note 28)	**–**	60,000
Lease liabilities at amortized cost – current (Note 30)	**1,323**	2,775
Lease liabilities at amortized cost – non-current (Note 30)	**6,083**	12,299
Total	**38,317**	146,384

23 SHARE CAPITAL

Issued and fully paid:

	Number of ordinary shares	Share capital RMB'000
As at 1 January 2019	84,000,000	537,859
Issue of shares upon exercise of share options (Note (a))	2,267,500	19,801
Conversion of Convertible Preferred Shares to ordinary shares (Note (b))	51,174,876	817,276
Capitalization issue (Note (c))	342,557,624	–
Issue of shares upon initial public offering, net of underwriting commissions and other issuance costs (Note (d))	90,000,000	499,502
As at 31 December 2019	570,000,000	1,874,438
As at 1 January 2020	**570,000,000**	**1,874,438**
Compensatory Grant (Note (e))	**30,466,697**	**–**
As at 31 December 2020	**600,466,697**	**1,874,438**

Note (a) In July to August 2019, five participants exercised part of their respective share options at an exercise price of USD1.00 per ordinary share, following which a total of 2,267,500 ordinary shares were issued on 6 September 2019. Upon the exercise of the share options, share-based compensation reserve of RMB4,151,000 is transferred to share capital, as set out in Note 24. The exercise price of the outstanding share options had been adjusted subsequently from USD1.00 per share to USD0.29 per share. Details are set out in Note 25(a).

Note (b) All preferred shares were converted into 51,174,876 ordinary shares upon the initial public offering on 8 November 2019. The principal amount of these preferred shares and the cumulative changes in fair value are capitalized as share capital accordingly.

Note (c) On 8 November 2019, pursuant to the resolution passed by the shareholders on 30 September 2019, 342,557,624 shares were allotted and issued without payment and as fully paid shares to existing shareholders after the conversion of the Convertible Preferred Shares and prior to the completion of the initial public offering.

Note (d) On 8 November 2019, the Company issued 90,000,000 ordinary shares at HK$6.55 per share, and raised gross proceeds of approximately HK$589,500,000. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 8 November 2019. The gross proceeds, net of underwriting commissions and other issuance costs, are capitalized as share capital accordingly.

Note (e) On 28 December 2020, the Company allotted and issued 30,466,697 ordinary shares to certain trustees under the Company's Restricted Share Award Scheme.

24 OTHER RESERVES

	Share-based compensation reserve (i) RMB'000	Foreign currency translation reserve (ii) RMB'000	Gain from investments in equity instruments measured at fair value through other comprehensive income RMB'000	Total RMB'000
At 1 January 2020	**45,592**	**(15,444)**	**6,777**	**36,925**
Share-based compensation expense (Note 25)	**15,832**	**–**	**–**	**15,832**
Currency translation differences	**–**	**(3,339)**	**–**	**(3,339)**
Gain from investments in equity instruments measured at fair value through other comprehensive income (Note 16)	**–**	**–**	**85**	**85**
At 31 December 2020	**61,424**	**(18,783)**	**6,862**	**49,503**
At 1 January 2019	26,186	(333)	5,596	31,449
Share-based compensation expense (Note 25)	23,557	–	–	23,557
Issue of shares upon exercise of share options	(4,151)	–	–	(4,151)
Currency translation differences	–	(15,111)	–	(15,111)
Gain from investments in equity instruments measured at fair value through other comprehensive income (Note 16)	–	–	1,181	1,181
At 31 December 2019	45,592	(15,444)	6,777	36,925

(i) Share-based compensation reserve arises from share-based payments granted to employees of the Group.

(ii) Foreign currency translation reserve represents the difference arising from the translation of financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Group.

25 SHARE-BASED PAYMENTS

(a) Stock options granted

On 20 February 2013, the board of directors passed a resolution to grant 3,300,000 stock options (the "2013 Plan") to certain directors and senior management of the Group as rewards for their services, full time devotion and professional expertise to certain of the Group's subsidiaries. The exercise price of the options is USD1.00 per ordinary share. All options shall expire in ten years from the respective grant dates. The details of the vesting conditions are set out in note (b) below.

On 11 December 2017, the board of directors passed a resolution to (i) amend the vesting conditions of the grants under the 2013 plan and (ii) grant an additional 9,300,000 stock options (the "2017 Plan") to certain directors, senior management and employees of the Group, as rewards for their services to certain of the Group's subsidiaries. The exercise price of the options is USD1.00 per ordinary share. All options shall expire in ten years from the respective grant dates. The details of the vesting conditions are set out in note (b) below.

On 20 December 2018, the board of directors passed a resolution to grant 2,300,000 stock options (the "2018 Plan") to certain directors and senior management of the Group, as rewards for their services to certain of the Group's subsidiaries. The exercise price of the options is USD1.00 per ordinary share. All options shall expire in ten years from the respective grant dates. The details of the vesting conditions are set out in note (b) below.

In November 2019, as a result of the capitalization issue which took place immediately prior to the initial public offering of the Company on 8 November 2019, the exercise price of the outstanding share options under the 2013 Plan, 2017 Plan and 2018 Plan (together, the "Stock Option Plans") had been modified from USD1.00 per share to USD0.29 per share pursuant to the terms of the Stock Option Plans. The modification to the Stock Option Plans did not result in any incremental fair value granted. It was also agreed that additional shares will be issued and allotted to stock option holders of the Stock Option Plans whose outstanding stock options had been diluted as a result of the said capitalization issue.

(b) The Group's employee stock options arrangements are as follows:

Type of arrangement	Grant date	Contract period	Vesting conditions
Employee stock options – 2013	2013.2	10 years	(Note i)
Employee stock options – 2017	2017.12-2018.7	10 years	(Note ii)
Employee stock options – 2018	2019.1-2019.2	10 years	(Note iii)
Employee stock options – 2018	2019.1	10 years	(Note iv)

(i) The options are vested at different rates conditional on a service period of 2 years and achievement of certain performance condition.

On 11 December 2017, the board of directors passed a resolution to amend the vesting condition of share options granted under the 2013 plan. Such share options are 100% vested immediately.

25 SHARE-BASED PAYMENTS *(cont'd)*

(b) The Group's employee stock options arrangements are as follows: *(cont'd)*

(ii) Options are vested at different rates according to years worked as of 31 December 2017. The rates are shown as follows:

Years worked as of 31 December 2017	Vesting rates					
	1st year	2nd year	3rd year	4th year	5th year	6th year
Within 3 years	5%	10%	15%	20%	25%	25%
Between 3 and 4 years	10%	15%	20%	25%	30%	–
Between 4 and 5 years	15%	20%	20%	20%	25%	–
Over 5 years	25%	25%	25%	25%	–	–

(iii) Options are vested at different rates according to years worked as of 31 December 2018. The rates are shown as follows:

Years worked as of 31 December 2018	Vesting rates					
	1st year	2nd year	3rd year	4th year	5th year	6th year
Within 3 years	5%	10%	15%	20%	25%	25%
Between 3 and 4 years	10%	15%	20%	25%	30%	–
Between 4 and 5 years	15%	20%	20%	20%	25%	–
Over 5 years	25%	25%	25%	25%	–	–

(iv) The options are vested at different rates conditional on achievement of certain performance conditions.

(c) Set out below are summaries of options granted:

	Year ended 31 December			
	2020		2019	
	Average exercise price per stock option (in USD)	Number of share options (thousand shares)	Average exercise price per stock option (in USD)	Number of share options (thousand shares)
As at beginning of the year	**USD0.29**	**44,085**	USD1.00	11,730
Granted during the year	**USD0.29**	**–**	USD1.00	3,949
Exercise of share options	**USD0.29**	**–**	USD1.00	(2,268)
Forfeited during the year	**USD0.29**	**(2,619)**	USD1.00	(788)
Adjusted during the year	**–**	**–**	USD0.29	31,462
As at year end	**USD0.29**	**41,466**	USD0.29	44,085
Vested and exercisable at end of year	**USD0.29**	**15,520**	USD0.29	13,030

No options expired during the year covered by the above table (2019: same).

25 SHARE-BASED PAYMENTS *(cont'd)*

(d) The fair value of the stock options granted have been valued by an independent qualified valuer using binomial option-pricing model as at the grant date. Key assumptions are set as below:

	2013 Plan	2017 Plan	2018 Plan
Risk-free interest rate	0.7725%	3.6306%-4.0004%	3.2260%-3.2634%
Expected term-year	8.3	6.66-6.84	7.27-7.36
Expected volatility	25.22%	39.98%-42.22%	40.39%
Grant date option fair value per share	NTD0.365	USD0.967-USD1.258	USD1.028-USD1.237
Exercise price	USD1.00	USD1.00	USD1.00

(e) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognized during the year ended 31 December 2020 as part of employee benefit expense are RMB15,832,000 (2019: RMB23,557,000).

26 DIVIDEND

No dividend has been paid or declared by the Company or the companies now comprising the Group during the year (2019: Nil).

27 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Convertible Preferred Shares (Note 23(b))	–	–

Convertible Preferred Shares are recognized as financial liabilities at fair value through profit or loss because Convertible Preferred Shares have embedded derivatives for the conversion feature. They are initially recognized at fair value.

All Convertible Preferred Shares were automatically converted into ordinary shares on 8 November 2019 upon the Company's listing on the Main board of The Stock Exchange of Hong Kong Limited.

27 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS *(cont'd)*

The movement of Convertible Preferred Shares for the year ended 31 December 2019 is set out below:

	Total RMB'000
At 1 January 2019	773,767
Fair value loss	29,085
Currency translation differences	14,424
Conversion of Convertible Preferred Shares into ordinary shares (Note 23(b))	(817,276)
As at 31 December 2019	–

Note:

Class A Convertible Preferred Shares

The Company issued 25,417,983 shares of Class A Convertible Preferred Shares ("Class A Preferred Shares") on 25 September 2018. The fair value of Class A Preferred Shares was RMB382,889,000 on the date of issue.

Class B Convertible Preferred Shares

The Company issued 25,756,893 shares of Class B Convertible Preferred Shares ("Class B Preferred Shares") at cash consideration of USD57,000,000 (equivalent to RMB391,926,000) in September 2018.

28 BORROWINGS

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Current		
– Unsecured bank borrowings	–	60,000

As at 31 December 2019, the Group's bank borrowings were repayable as follows:

	As at 31 December 2019 RMB'000
Within 1 year	60,000

The weighted average effective interest rates at each balance sheet date were as follows:

	As at 31 December 2019
Bank borrowings – RMB	4.788%

The fair values of borrowings equal to their carrying amounts as the discounting impact is not significant.

As at 31 December 2020, the Group has undrawn bank facility of RMB150,000,000 (2019: RMB122,000,000).

29 ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Staff salaries and welfare payables	**11,405**	10,108
Payables for purchase of property, plant and equipment	**5,752**	15,879
Payables for research and development	**18,006**	20,200
Payables for promotion and advertisement	**182**	1,017
Listing expenses	**–**	20,629
Payables due to related parties (Note 33)	**–**	520
Others	**6,971**	13,065
	42,316	81,418

The Group's accruals and other payables are denominated in the following currencies:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
– RMB	**40,128**	52,519
– USD	**1,494**	11,937
– NTD	**694**	1,934
– HKD	**–**	12,969
– GBP	**–**	1,493
– EUR	**–**	566
	42,316	81,418

30 LEASE LIABILITIES

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Minimum lease payments due		
– Within 1 year	**1,357**	2,849
– Between 1 and 2 years	**1,131**	2,238
– Between 2 and 5 years	**3,361**	5,919
– Later than 5 years	**3,012**	7,380
	8,861	18,386
Less: future finance charges	**(1,455)**	(3,312)
Present value of lease liabilities	**7,406**	15,074

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Within 1 year	**1,323**	2,775
Between 1 and 2 years	**1,050**	2,047
Between 2 and 5 years	**2,829**	4,983
Later than 5 years	**2,204**	5,269
Present value of lease liabilities	**7,406**	15,074

The Group leases various properties and equipment and these lease liabilities were measured at net present value of the lease payments to be paid during the lease terms.

Extension options, at the Group's discretion, are included in a number of property leases across the Group.

Lease liabilities were discounted at incremental borrowing rates of the Group ranging from 4.76% to 4.90%.

For the total cash outflows for leases including payments of lease liabilities and payments of interest expenses on leases are disclosed in Note 15.

31 CASH USED IN OPERATIONS

(a) Reconciliation of loss before income tax to net cash used in operations

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Loss before income tax	**(288,498)**	(299,300)
Adjustments for:		
– Depreciation and amortization (Notes 13, 14 and 15)	**32,082**	27,351
– Share-based compensation expenses (Note 25)	**15,832**	23,557
– Interest income (Note 10)	**(1,880)**	(1,680)
– Interest on bank borrowings (Note 10)	**1,185**	1,519
– Interest on lease liabilities (Note 10)	**521**	772
– Fair value change in financial instruments (Note 27)	**–**	29,085
– Fair value change on financial assets at fair value through profit or loss (Note 20)	**(2,210)**	(1,026)
– Income from reversal of lease liability	**–**	(117)
– (Gain)/Loss on disposals of property, plant and equipment (Note 9)	**(221)**	459
– Gain on disposals of right-of-use assets (Note 9)	**(355)**	–
– Write-off of property, plant and equipment (Note 9)	**–**	1,070
	(243,544)	(218,310)
Changes in working capital:		
– Inventories	**7,136**	(12,145)
– Trade receivables and other receivables	**8,555**	(4,712)
– Prepayments and other non-current assets	**(14,653)**	(16,698)
– Contract assets (Note 5)	**1,548**	(390)
– Cash paid for deposits	**132**	(2,941)
– Accruals and other payables (Note 29)	**(28,887)**	4,820
– Contract liabilities (Note 5)	**6,511**	(429)
	(19,658)	(32,495)
Cash used in operations	**(263,202)**	(250,805)

31 CASH USED IN OPERATIONS *(cont'd)*

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Net book amount (Note 13)	**137**	478
Gain/(loss) on disposal of property, plant and equipment (Note 9)	**221**	(459)
Proceeds from the disposal	**358**	19

(c) Major non-cash transactions:

During the year ended 31 December 2019, all Convertible Preferred Shares were converted into ordinary shares upon the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. For details, please refer to Note 27. This transaction did not affect the Group's cash flows for year ended 31 December 2019.

(d) Changes in liabilities from financing activities:

	Short-term liabilities		Long-term liabilities	
	Lease Liabilities RMB'000	**Borrowings RMB'000**	**Lease Liabilities RMB'000**	**Borrowings RMB'000**
At 1 January 2020	**2,775**	**60,000**	**12,299**	**–**
Cash flows	**(2,228)**	**(60,000)**	**–**	**–**
Interest expense	**521**	**–**	**–**	**–**
Increase of right-of use assets	**183**	**–**	**949**	**–**
Disposals of right-of use assets	**(1,417)**	**–**	**(5,617)**	**–**
Impact of changes in foreign exchange rate	**(59)**	**–**	**–**	**–**
Other non-cash movement	**1,548**	**–**	**(1,548)**	**–**
At 31 December 2020	**1,323**	**–**	**6,083**	**–**

31 CASH USED IN OPERATIONS *(cont'd)*

(d) Changes in liabilities from financing activities *(cont'd)*:

	Short-term liabilities		Long-term liabilities		
	Lease Liabilities RMB'000	Borrowings RMB'000	Lease Liabilities RMB'000	Borrowings RMB'000	Financial instruments issued to investors RMB'000
At 1 January 2019	2,317	500	12,810	–	773,767
Cash flows	(2,355)	59,500	–	–	–
Interest expense	772	–	–	–	–
Conversion of Convertible Preferred Shares into ordinary shares	–	–	–	–	(817,276)
Increase of right-of use assets	433	–	1,699	–	–
Impact of changes in foreign exchange rate	(485)	–	–	–	14,424
Other non-cash movement	2,210	–	(2,210)	–	–
Income from reversal of lease liability	(117)	–	–	–	–
Changes in fair value	–	–	–	–	29,085
At 31 December 2019	2,775	60,000	12,299	–	–

32 COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at each balance sheet date, but not yet incurred are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Property, plant and equipment	**6,914**	27,944

32 COMMITMENTS *(cont'd)*

(b) Operating lease commitments

At the balance sheet dates, lease commitments of the Group for leases not yet commenced for short-term lease and low-value lease are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
No later than 1 year	**154**	151
Later than 1 year and no later than 2 years	**26**	28
Later than 2 years and no later than 5 years	**–**	14
	180	193

(c) CRO contract commitments

The Group contracted third party to conduct research and development at each balance sheet date, but not yet incurred are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
CRO Contracts	**35,442**	28,515

33 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2020 and 2019, and balances arising from related party transactions as at 31 December 2020 and 2019.

(a) Name and relationship with related parties

Name of related party	Nature of relationship
Center Laboratories Inc. ("Centerlab")	Entity having significant influence over the Company
BioEngine Technology Development Inc.	Controlled by Center Laboratories, Inc.
Lumosa Therapeutics Co., Ltd.	Associate of Center Laboratories, Inc.

(b) Transactions with related parties

Continuing transactions

(i) Service revenue

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Lumosa Therapeutics Co., Ltd.	**–**	658

(ii) Rental expenses

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Lumosa Therapeutics Co., Ltd.	**53**	34

33 RELATED PARTY TRANSACTIONS *(cont'd)*

(b) Transactions with related parties *(cont'd)*

Continuing transactions (cont'd)

(iii) Research contracting costs

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Centerlab	**651**	463

(iv) Conference fee

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
BioEngine Technology Development Inc.	**–**	13

Non-continuing transactions

(i) Management service expense

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Centerlab	**–**	13

The related party transactions above were carried out on terms mutually agreed between the parties. In the opinion of the directors of the Company, these transactions are in the ordinary courses of business of the Group and in accordance with the terms of underlying agreements.

33 RELATED PARTY TRANSACTIONS *(cont'd)*

(c) Balances with related parties – trade

(i) Receivables on service revenue

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Lumosa Therapeutics Co., Ltd.	–	776

(ii) Payables on conference fee

	As at 31 December	
	2020 RMB'000	2019 RMB'000
BioEngine Technology Development Inc.	–	14

(iii) Payables on contracting costs

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Centerlab	–	506

(d) Leasing arrangements

In February 2016, the Group signed a five-year office rental contract with Centerlab, which has an option for automatic extension upon expiry of the contract. The lease terms and prices were determined in accordance with mutual agreement, and rental payments are made on a monthly basis.

33 RELATED PARTY TRANSACTIONS *(cont'd)*

(d) Leasing arrangements *(cont'd)*

Lease liabilities:

– Outstanding balance:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Centerlab	**52**	697

– Interest expense:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Centerlab	**19**	47

(e) Key management compensation

Key management includes directors and senior management of the Company. The compensation paid or payable to key management for their services is shown below:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Salaries, wages and bonuses	**11,372**	9,351
Housing funds, medical insurance and other social insurance	**498**	488
Share-based compensation expenses	**9,147**	13,364
	21,017	23,203

34 SUBSIDIARIES

Particulars of the subsidiaries of the Group as at year ended 31 December 2020 and 2019 are set out below:

Company name*	Place of registration/ incorporation and place of operations and date of incorporation	Principal activities	Issued and paid up capital or registered capital		Effective interests held by the Group		
			2020	2019	2020	2019	Direct or Indirect
TOT BIOPHARM Co., Ltd. (東曜藥業有限公司)	Suzhou, PRC 5 July 2010	Research and development, Manufacturing and sales of new drugs	**USD221,000,000**	USD171,000,000	**100%**	100%	Direct
TOT BIOPHARM Company Limited (東源國際醫藥股份有限公司)	Taipei, Taiwan 14 March 2016	Business development	**NTD230,000,000**	NTD230,000,000	**100%**	100%	Direct
Shengyang Biopharm (Hong Kong) Limited (昇洋醫藥國際有限公司)	Hong Kong 24 June 2008	Investing company	**USD5,906,415**	USD5,906,415	**100%**	100%	Direct
Dongyuan Biotech (Shanghai) Co., Ltd. (東源生物醫藥科技（上海）有限公司)	Shanghai, PRC 14 April 2010	Research and development New drugs	**USD3,730,000**	USD3,730,000	**100%**	100%	Indirect
Jiang Su Tung Yang Biopharm Tech Co., Ltd. (江蘇東揚醫藥科技有限公司)	Taizhou, PRC 11 February 2009	Research and development And sales of new drugs	**USD2,000,000**	USD2,000,000	**100%**	100%	Indirect

* The nature of all the legal entities established in the mainland of China is limited liability company.

The English names of Taiwan and PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies, as no English names have been registered.

35 BALANCE SHEET OF THE COMPANY

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**1,639,225**	1,273,393
Financial assets at fair value through other comprehensive income		**8,076**	7,991
		1,647,301	1,281,384
Current assets			
Other receivables		**1,344**	4,786
Amounts due from subsidiaries		**26,735**	26,815
Prepayments		**14**	–
Cash and cash equivalents		**51,808**	431,063
		79,901	462,664
Total assets		**1,727,202**	1,744,048
EQUITY			
Share capital	23	**1,874,438**	1,874,438
Other reserves	(a)	**48,807**	36,362
Accumulated losses		**(198,309)**	(193,639)
Total equity		**1,724,936**	1,717,161
LIABILITIES			
Current liabilities			
Accruals and other payables		**2,266**	26,887
Total liabilities		**2,266**	26,887
Total equity and liabilities		**1,727,202**	1,744,048
Net current assets		**77,635**	435,777
Total assets less current liabilities		**1,724,936**	1,717,161

The balance sheet of the Company was approved by the Board of Directors on 23 March 2021 and was signed on its behalf.

Mr. Liu, Jun
Director

Ms. Yeh-Huang, Chun-Ying
Director

35 BALANCE SHEET OF THE COMPANY *(cont'd)*

(a) Reserve movement of the Company

		Attributable to equity holders of the Company			
		Share capital	Other reserves	Accumulated losses	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020		**1,874,438**	**36,362**	**(193,639)**	**1,717,161**
Loss for the year		**–**	**–**	**(4,670)**	**(4,670)**
Other comprehensive loss		**–**	**(3,387)**	**–**	**(3,387)**
Total comprehensive loss		**–**	**(3,387)**	**(4,670)**	**(8,057)**
Transactions with owners					
Share-based compensation expense	25	**–**	**15,832**	**–**	**15,832**
Total transactions with owners		**–**	**15,832**	**–**	**15,832**
Balance at 31 December 2020		**1,874,438**	**48,807**	**(198,309)**	**1,724,936**
Balance at 1 January 2019		537,859	31,192	(120,482)	448,569
Loss for the year		–	–	(73,157)	(73,157)
Other comprehensive loss		–	(14,236)	–	(14,236)
Total comprehensive loss		–	(14,236)	(73,157)	(87,393)
Transactions with owners					
Share-based compensation expense	25	–	23,557	–	23,557
Issue of shares upon exercise of share options		19,801	(4,151)	–	15,650
Conversion of Convertible Preferred Shares into ordinary shares		817,276	–	–	817,276
Issue of new shares upon initial public offering		526,302	–	–	526,302
Transaction costs attributable to issue of new shares		(26,800)	–	–	(26,800)
Total transactions with owners		1,336,579	19,406	–	1,355,985
Balance at 31 December 2019		1,874,438	36,362	(193,639)	1,717,161

FOUR-YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December			
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	**22,491**	45,308	39,219	51,608
Operating loss	**(288,672)**	(269,604)	(237,177)	(105,969)
Loss before income tax	**(288,498)**	(299,300)	(268,263)	(148,687)
Loss for the year and attributable to the equity holders of the Company	**(288,498)**	(299,300)	(268,263)	(148,687)
Total comprehensive loss for the year and attributable to the equity holders of the Company	**(291,752)**	(313,230)	(287,471)	(141,401)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December			
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Non-current assets	**391,956**	402,999	377,551	276,083
Current assets	**249,227**	614,363	299,687	87,974
Total assets	**641,183**	1,017,362	677,238	364,057
Non-current liabilities	**6,083**	12,299	786,577	264,954
Current liabilities	**52,743**	146,786	75,139	21,787
Total liabilities	**58,826**	159,085	861,716	286,741
Total equity/(deficit)	**582,357**	858,277	(184,478)	77,316

DEFINITIONS

"ADC"	antibody drug conjugate
"AGM"	the annual general meeting of the Company to be held in June 2021
"Amended and Restated Articles of Association"	the amended and restated articles of association of the Company which were adopted on 30 September 2019 and became effective on 28 October 2019
"ANDA"	abbreviated new drug application
"BioEngine"	BioEngine Technology Development Inc. (玉晟管理顧問股份有限公司), a company incorporated in Taiwan with limited liability on 27 September 2007, which is an associate of Centerlab
"Board"	the board of Directors of the Company
"CDE"	the Center for Drug Evaluation of the NMPA
"CDMO"	contract development and manufacturing organization, which is a pharmaceutical company that develops and manufactures drugs for other pharmaceutical companies on a contractual basis
"Centerlab"	Center Laboratories Inc. (晟德大藥廠股份有限公司), a company incorporated in Taiwan with limited liability on 4 November 1959 whose shares are listed on the Taipei Exchange (stock code: 4123), which (together with BioEngine) is the controlling shareholder of the Company
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"CMO"	contract manufacturing organization, which is a pharmaceutical company that manufactures drugs for other pharmaceutical companies on a contractual basis
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	TOT BIOPHARM International Company Limited (東曜藥業股份有限公司) (formerly known as TOT BIOPHARM International Company Limited (東源國際醫藥股份有限公司)), a company incorporated in Hong Kong with limited liability on 4 December 2009 whose Shares are listed on the Stock Exchange (stock code: 1875)
"date of this report"	23 March 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Director(s)"	the director(s) of the Company
"FDA"	the Food and Drug Administration of the United States

Definitions

"Group", "we", "us" or "TOT BIOPHARM"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IND"	investigational new drug application
"IPO" or "Global Offering"	the initial public offering of the Company which was completed on the Listing Date
"Listing Date"	8 November 2019, 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
"Lumosa Therapeutics"	Lumosa Therapeutics Co., Ltd. (順天醫藥生技股份有限公司), a company incorporated in Taiwan with limited liability on 13 November 2000 whose shares are listed on the Taipei Exchange (stock code: 6535), which is an associate of Centerlab
"mAb"	monoclonal antibody
"mCRC"	metastatic colorectal cancer
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"NDA"	new drug application
"NMPA"	the National Medical Products Administration of the PRC
"NSCLC"	non-small-cell lung cancer
"nsNSCLC"	non-squamous NSCLC
"NTD"	New Taiwan dollar(s), the lawful currency of Taiwan
"PB-Hybrid Technology"	the Group's self-developed Perfusion-Batch Hybrid Technology
"PRC" or "China"	the People's Republic of China, excluding, for the purpose of this annual report, Hong Kong, Macau Special Administrative Region and Taiwan
"Pre-IPO Share Option(s)"	the share option(s) granted under the Pre-IPO Share Option Scheme

Definitions

"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on 20 February 2013 and subsequently amended on 11 December 2017, 20 December 2018, 12 March 2019, 16 April 2019 and 22 July 2019, details of which are disclosed on pages V-36 to V-47 of the Prospectus and in the section headed "Directors' report – Pre-IPO Share Option Scheme" of this annual report
"Prospectus"	the prospectus dated 29 October 2019 published by the Company
"R&D"	research and development
"RMB"	Renminbi, the lawful currency of the PRC
"Restricted Award Share(s)"	the Share(s) granted under the Restricted Share Award Scheme and allotted and issued (or to be allotted and issued) to the trustees thereunder
"Restricted Share Award Scheme"	the restricted share award scheme adopted by the Company on 29 May 2020 and subsequently amended on 29 July 2020, details of which are disclosed on pages 8 to 21 of the Company's circular dated 3 August 2020 and in the section headed "Directors' report – Restricted Share Award Scheme" of this annual report
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Taipei Exchange"	Taipei Exchange (證券櫃檯買賣中心) in Taiwan
"TTY Biopharm"	TTY Biopharm Company Limited (台灣東洋藥品工業股份有限公司), a company incorporated in Taiwan with limited liability on 22 July 1960, which is a former Shareholder
"United States" or "US"	the United States of America
"US$" or "USD"	United States dollar(s), the lawful currency of the United States
"Vivo Capital"	Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P., both of which are limited partnerships organized in the State of Delaware of the United States on 17 December 2014 and are Shareholders
"wAMD"	wet age-related macular degeneration

In this annual report, the terms "associate(s)", "close associate(s)", "connected person(s)", "connected transaction(s)", "continuing connected transaction(s)", "controlling shareholder(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.