和鉑醫藥控股有限公司

HBM Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02142)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of HBM Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2020 (the "**Reporting Period**"). These annual results have been reviewed by the Company's audit committee.

In this announcement, "**we**", "**us**" and "**our**" refer to the Company and where the context otherwise requires, the Group.

FINANCIAL HIGHLIGHTS

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

We recorded adjusted loss of US$45.9 million for the year ended December 31, 2020, representing a decrease of US$8.2 million from US$54.1 million for the year ended December 31, 2019, primarily attributable to an increase of US$8.7 million in revenue.

This adjusted loss is arrived at by deducting the IFRS loss for the year of US$296.5 million (2019: US$67.5 million) from (i) a one-time, non-cash, IFRS fair value adjustments loss of US$213.7 million for our pre-IPO convertible redeemable preferred shares, which were subsequently converted to ordinary shares upon our listing (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), and (ii) the share-based payment expenses of US$36.9 million.

BUSINESS HIGHLIGHTS

1. BATOCLIMAB HBM9161

a. Completed Phase I of the first clinical trial in Greater China in February 2020.

b. Initiated acute NMOSD's Phase Ib/IIa clinical trial and completed first dosing in April 2020.

c. Obtained the approval for clinical Phase II/III of ITP from the NMPA in April 2020.

d. Obtained the approval for clinical Phase II/III of GO from the NMPA in June 2020.

e. Initiated Phase II clinical trial of MG and completed first dosing in September 2020.

f. Initiated Phase II/III seamless clinical trial of ITP and completed last patient first dosing of Phase II in January 2021.

g. The China Center for Drug Evaluation (the "**CDE**") has granted Breakthrough Therapy Designation ("**BTD**") to therapy for MG in January 2021.

2. TANFANERCEPT HBM9036

a. Published Phase II clinical trial data in China in November 2020.

b. Initiated Phase III clinical trial and completed first dosing in March 2021.

3. HBM4003

a. Obtained the approval for the monotherapy clinical trial from the U.S. FDA in February 2020.

b. Obtained the approval for the monotherapy clinical trial from the PRC NMPA in September 2020.

c. Obtained the approval for the combination therapy with PD-1 clinical trial from PRC NMPA for Melanoma and other advanced solid tumors in China in September 2020.

d. Obtained the approval for the combination therapy with PD-1/chemotherapy clinical trial from PRC NMPA for Non-Small Cell Lung Cancer (NSCLC) and other advanced solid tumors in China in February 2021.

e. Ongoing Phase I clinical trial of monotherapy in Australia and expected data readout in the first half of 2021.

f. Completed first dosing of Phase I clinical trial of combination therapy for Melanoma and other advanced solid tumors in China in March 2021.

4. BUSINESS DEVELOPMENT

a. Entered into strategic collaboration with AbbVie Inc. (NYSE: ABBV) in respect of the co-development of a fully human antibody which could effectively block infection by the SARS-CoV-2 and SARS-CoV viruses in June 2020. The Company and its partners has authorized AbbVie the global right of the product in December 2020. AbbVie initiated Phase 1 clinical trial and completed first dosing in December 2020.

b. Entered into a strategic partnership with Vir Biotechnology, a clinical-stage immunology company focusing on combining immunologic insights with cutting-edge technology to treat and prevent serious infections diseases, for the early discovery, development and commercialization of innovative therapeutic molecules in the field of oncology and infectious diseases in August 2020.

c. Further advanced strategic collaboration with Hualan Genetic Engineering Co., Ltd. ("**Hualan Genetic**") in respect of three innovative monoclonal antibody and bispecific antibody drugs independently developed by the Company for treatments in various oncology.

5. ACADEMIC CONVENTION

a. Presented results from Phase I clinical trial with batoclimab (HBM9161) in patients in China at the 6th European Academy of Neurology ("**EAN**").

b. Presented pre-clinical data on HBM1007 at the American Association for Cancer Research ("**AACR**").

c. Presented a poster on newly discovered BCMA x CD3 bispecific antibody HBM7020 at Cell Engager Summit 2020.

d. Presented a poster on newly discovered anti-human CCR8 novel monoclonal antibody HBM1022 at the 16th Protein Engineering & Cell Therapy Summit ("**PEGS**").

e. Presented new platform HBICE™ (Heavy chain only antibody (HCAb) Based Immune Cell Engager) at the 16th PEGS.

f. Presented results from Phase II clinical trial with tanfanercept (HBM9036) in patients with moderate-to-severe Dry Eye Disease (DED) in China at the 25th Congress of Chinese Ophthalmological Society.

For details of any of the foregoing, please refer to the rest of this announcement and, where applicable, the Company's prior announcements.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

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

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

Portfolio:

We have 12 drug candidates focused on oncology and immunological diseases in pre-clinical to late clinical stages. The following table summarizes our product pipeline and the development status of each drug candidate in the areas indicated in the chart at the bottom of the right column.

	Project	Target	Indication	Commercial Rights	Status
Immunology	Batoclimab HBM9161	FcRn	ITP	Greater China	MAINLAND CHINA — Initiated Ph 2/3 in Mar 2020
			GO	Greater China	MAINLAND CHINA / US — Obtained IND approval for Phase 2/3 clinical trial (expected early 2021)
			MG	Greater China	MAINLAND CHINA / US — Initiated Ph 2 in Mar 2020
			NMOSD	Greater China	MAINLAND CHINA — Initiated Ph 1b/2 in Jan 2020
			Second Wave of Indications	Greater China	MAINLAND CHINA — IND Preparation
	Tanfanercept HBM9036	TNFα	Dry Eye Disease	Greater China	MAINLAND CHINA / US — Initiated Ph 3 in Aug 2020
	HBM9378	undisclosed	undisclosed	undisclosed	
	HBM9022	SARS-COV-2	COVID-19	Global license to AbbVie	US
Immuno-Oncology	HBM4003	CTLA-4	Advanced Solid Tumors	Global	AUSTRALIA — Part 1 Ongoing
			Advanced Solid Tumors		MAINLAND CHINA — Obtained IND Approval in Sep 2020
			Advanced Solid Tumors		US — Obtained IND Approval in Jan 2020
			Melanoma & Other Advanced Solid Tumors		MAINLAND CHINA — Combo with PD-1, Obtained IND Approval in Sep 2020
			NSCLC & Other Advanced Solid Tumors		MAINLAND CHINA — Combo with PD-1, Obtained IND Approval in Feb 2021
	HBM9302	HER2×CD3	Breast Cancer and Gastric Cancer	Greater China	MAINLAND CHINA — IND Preparation; US (Conducted by Licensing party)
	HBM1007	CD73	Solid Tumors	Global	
	HBM1029	Claudin 18.2	Solid Tumors	Ex-Greater China	
	HBM7020	BCMA×CD3	Multiple Myeloma	Ex-Greater China	
	HBM7015	PD-L1×TGF-β	Solid Tumors	Ex-Greater China	
	HBM7008	TAA1×4-1BB	Solid Tumors	Global	
	HBM1022	CCR8	Solid Tumors	Global	

Status: Discovery | Pre-Clinical | IND | Phase I | Phase II | Phase III | BLA

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

Notes:

ITP: Immune thrombocytopenia
GO: Graves' ophthalmopathy
MG: Myasthenia Gravis
NMOSD: Neuromyelitis optica spectrum disorder
NSCLC: Non-Small-Cell Lung Cancer

Business Review

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

With the gradual improvement of the structural adjustment of the pharmaceutical industry, a new ecology has formed in the industry, and the Company will further optimize its strategies such as research, development, registration and patent, focus on the development of highly differentiated products with clear clinical value that can meet clinical needs, plan product cycles sufficiently and initiate market education and marketing cycle. We believe that the Company's pipeline products will have broad market prospects in the future.

Our Product Development

Development Progress of Main Products

1. Batoclimab HBM9161

As the first in class FcRn inhibitor being developed in Greater China, we have formulated a tiered "portfolio-in-a-product" development strategy for batoclimab with an aim to submit the BLA to NMPA for the first indication in 2022. We are very excited to bring this novel therapy to patients in China and are optimistic about its market potential. During the Reporting Period, batoclimab entered into comprehensive clinical development stage:

A. Obtained two indications' clinical trial approvals, including clinical phase II/III of ITP and GO during the Reporting Period.

B. Completed phase I clinical trial in Greater China and fully validated that batoclimab showed no racial difference among Chinese and Caucasian population during the Reporting Period. This trial result was reported in 2020 EAN.

C. Initiated three clinical trials, and completed first closing of the trials, including seamless research of phase Ib/IIa of acute NMOSD in April 2020, phase II of MG and phase II/III of ITP in September 2020.

D. Fully initiated MG's phase II trial and first dosing in September 2020 and obtained designation as "breakthrough therapy" from the NMPA/CDE in January 2021. It is expected to initiate phase III trial in 2021 and we planned to file the BLA in 2022.

E. Fully initiated phase II/III trial of ITP during the Reporting Period and completed the first dosing of last patient of phase II in January 2021. In order to further enhance clinical benefits of ITP patient treatment, the Company submitted new IND application in late 2020 to the NMPA for optimization of dosing and it is expected to be approved and initiated in 2021. Furthermore, we plan to file the BLA to NMPA in 2023.

F. Fully initiated NMOSD's phase Ib trial and first dosing during the Reporting Period. We expect to obtain designation as "**breakthrough therapy**" in the first half of 2021. We plan to file the BLA in 2022.

G. Plan to initiate a Phase III registrational trial for GO directly in 2021 and submitting the BLA to the NMPA in 2023.

H. Plan to submit the clinical trial applications to the NMPA for the second wave of indications in 2021.

2. Tanfanercept HBM9036

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

A. Published phase II trial data of China at "Chinese Ophthalmological Society" in November 2020.

B. Based on the first phase III clinical result of partner HanAll initiated in the U.S. and combined with the recommendations of clinical researchers in China, the original design of phase III clinical protocol in China was further optimized and received permission from the CDE under the NMPA in China. The phase III clinical trial has initiated during the Reporting Period.

C. Completed first dosing of Phase III clinical trial in March 2021.

D. We aim to submit the Biologics Licensing Application ("**BLA**") to the NMPA in 2022.

3. HBM4003

HBM4003 is the next-generation, fully human heavy chain only anti-CTLA-4 antibody discovered and developed through our in-house efforts. It is also the first fully human heavy chain only antibody entered into clinical development around the world in history. This flagship program advanced from candidate selection to clinical stage within three years and made significant progress.

A. Obtained clinical trial approvals from major drug registration regulatory body worldwide during the Reporting Period, including clinical trial approvals of monotherapy approved by the U.S. FDA in February 2020 and clinical trial approvals of monotherapy and combination (combined with PD-1 for Melanoma and other advanced solid tumors in September 2020 and combined with PD-1/chemotherapy for NSCLC and other advanced solid tumors in February 2021) therapy approved by the NMPA in the PRC.

B. Conducted Phase 1 clinical trial of Monotherapy in Australia is currently progressing. We plan to announce key data of the trial in the first half of 2021.

C. Completed first dosing of Phase I clinical trial for Melanoma and other advanced solid tumors in China in March 2021.

D. Plan to fully initiate monotherapy and combination therapy programs in 2021 in multiple oncology areas, including trial centers in China, the U.S. and Australia. We plan to obtain initial therapeutic activity validation data for multiple indications in 2021, and to rapidly initiate global registration of clinical studies in 2022.

Other development projects (including projects of collaboration development)

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

1. HBM9022

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

In December 2020, the Company and Utrecht University ("UU") jointly announced to licence out the global right of HBM9022 to AbbVie and authorise it to initiate clinical trial. The Company's H2L2 Harbour Mice® platform could find and develop effective drug candidates quickly, of which the neutralizing nature of ABBV-47D11's cross-reactiveness makes it an ideal drug candidate for fighting against COVID-19 or its mutations. Please see the Company's announcement dated 8 December 2020 for further details.

2. HBM1007

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

HBM1007 is being studied in pre-clinical settings. We expect to file an IND for HBM1007 in 2021.

3. HBM7008

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

HBM7008 is being studied in pre-clinical setting. We expect to file an IND for HBM7008 in 2022.

4. HBM1022

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

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

5. HBM9378

We rely on in-house technology platforms to co-develop fully human monoclonal antibody drugs of new targets, wherein HBM9378 has entered into pre-clinical development stage.

HBM9378 is a potential best in class antibody therapeutics for autoimmune disease which is currently in preclinical settings. We expect to to file an IND by the end of 2022 and drive global clinical development.

6. HBM1029, HBM7015 & HBM7020

In 2020, we authorized the Greater China rights of 3 pre-clinical products (HBM1029, HBM7015 and HBM7020) developed by our in-house technology platform to Hualan Genetic, a China biopharmaceutical corporation. After completing technology transfer, the two companies co-advanced the development of these three projects.

HBM1029 is a fully human monoclonal antibody developed based on our H2L2 platform equipped with higher CLDN18.2 binding affinity, stronger ADCC and CDC anti-tumor activities. In addition, HBM1029 was shown to have a longer half-life in mouse PK studies. We believe HBM1029 has the potential to become a highly efficacious antibody to specifically kill CLDN18.2 high expressed tumor cells and represent a differentiated therapeutic biologics for patients with gastric or gastroesophageal junction ("**GEJ**") cancer and pancreatic cancer.

HBM1029 is being studied in pre-clinical settings. We expect to file an IND for HBM1029 by the end of 2021.

HBM7015 is a bifunctional fusion protein, consisting of a fully human IgG1 monoclonal antibody against PD-L1 generated on our H2L2 Platform and the soluble extracellular domain transforming growth factor, beta receptor II (TGFBR2) from the natural human TGFbRII protein sequence, which acts as a TGF-β trap. By our in-house antibody engineering design, these two parts are fused together to generate the bifunctional fusion protein. HBM7015 has better stability and developability due to its optimized structure design. In in-vitro studies, HBM7015 has shown better PD-L1 binding activity and TGF-β blocking potency than competitor drugs.

HBM7015 is being studied in pre-clinical settings. We expect to file an IND for HBM7015 by early 2022.

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

HBM7020 is being studied in pre-clinical settings. We expect to file an IND for HBM7020 in 2022.

7. HBM9302

HBM9302 is a bispecific antibody targeting HER2xCD3 engineered to bind to two targets: (i) the HER2 molecule, over-expressed in a significant proportion of patients with solid tumors; and (ii) the CD3 molecule expressing on the surface of T cells. By binding to both targets simultaneously, HBM9302 bridges cytotoxic T cells (independent of their specificity) to HER2-positive cancer cells and exerts their cytotoxic effects against tumor cells. We have obtained an exclusive license from Ichnos to develop HBM9302 in Greater China.

We expect to file an IND for HBM9302 in the first half of 2021.

Research, Development and Technology

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

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

- Applied for nearly 20 patents during the Reporting Period, of which 4 have been granted invention patent license by the China National Intellectual Property Administration. These patent applications have further strengthened the protection of intellectual property rights of the Company's core products and technology platforms.

- The discovery of the fully human, neutralizing antibody 47D11 (HBM9022) by UU, Erasmus MC and the Company was reported in Nature Communications. Three separate manuscripts with data around the unique characteristics have been published so far.

- Developed an innovative monoclonal antibody against the GPCR target, CCR8, a novel GPCR target, and presented the antibody (HBM1022) at the 16th PEGS.

- Optimized and upgraded the HCAb technology platform and developed HBICE™ (an HCAb platform based immune cell engagers) bispecific platform with HBM7015 and HBM7020 generated from the platform. The data for this project was reported at the 16th PEGS. We applied for the related patent technology. Early stage projects based on the HBICE™ platform entered the CMC phase gradually.

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

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

Business Development

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

In May 2020, the Company announced that a fully human antibody which could effectively block novel coronavirus infection was co-discovered with scientists from Utrecht University and Erasmus University Medical Center in the Netherlands. This newly discovered fully human antibody series was found utilizing H2L2 Harbour Mice® platform. In June 2020, the Company, Utrecht University and Erasmus University Medical Center in the Netherlands entered into strategic collaboration with AbbVie in respect of the co-development of this antibody. According to the terms of the collaboration, AbbVie will fully support us and our partners through earlier studies and clinical development preparation work. Later, the Company with its partners has granted AbbVie the exclusive worldwide development and commercialization rights of this project. This project entered into Phase I clinical trial in December 2020.

In June 2020, the Company entered into a collaboration framework agreement with Nanjing Tiangang Immuno-pharmaceutical Research Institute Co ("**Tiangang Immune**"). Our collaboration with Tiangang Immune and its affiliates will be based on our own H2L2 transgenic mouse fully human antibody technology platform, years of international and local clinical development experience and resources, and Tiangang Immune's strong resource advantage in the nature killer (NK) cell field. The collaboration includes the whole process of new drug creation, from whole human antibody preparation screening to clinical studies and new drug registration, to promote the development of innovative antibodies. In the future, the two companies may jointly promote the development of monoclonal and bispecific antibodies for NK cell-related targets and products for NK cell therapeutic areas.

In August 2020, we entered into a strategic partnership with Vir Biotechnology (NASDAQ: VIR), a clinical-stage immunology company, focusing on combining immunologic insights with cutting-edge technology to treat and prevent serious infections diseases for the early discovery, development and commercialization of innovative therapeutic molecules in the field of oncology and infectious diseases. We will leverage our next-generation technologies, including our own transgenic mice platform, Harbour Mice®, to develop antibodies for this collaboration. Both parties will fully integrate their respective expertise in basic science to accelerate the research process of innovative immunotherapies and further advance the clinical development of collaborative projects in oncology and infectious diseases.

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

Material Investment, acquisition and disposals

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

We have no current plan for material investment, acquisition and disposals.

Impact of and response to COVID-19

In 2020, we did not have any suspected or confirmed cases of COVID-19 at our sites or among our employees. To prevent the spread of COVID-19 in our offices and research facilities, we have implemented a comprehensive disease prevention program to protect our employees from COVID-19 infection. The measures we have taken include:

During severe outbreak period –

a. The Company's management set up an epidemic prevention management team and hold regular meetings to guide epidemic prevention measures;

b. Track the travel history and health status of employees and their immediate family members/ household members;

c. Send guidance notices such as epidemic prevention guidelines to employees regularly;

d. Perform declaration and registration on employees who return to work each day;

e. Temperature check and registration before employees enter the office premises;

f. Provide masks and alcohol disinfectant wipes for employees;

g. Require employees to reduce the number of physical meetings and use video and telephone conferencing as much as possible, and sit apart from each other in offline meetings with opened windows and ventilation;

h. Place disinfectant instant hand sanitizer in office/laboratory venues to strengthen disinfection and ventilation measures;

i. Require employees to sit apart from each other while having meals in the offices;

j. Reduce visitor arrivals, check health code verification and check temperature for limited visitors, and request visitors to wear masks, among other epidemic prevention measures.

During normalized managing period –

a. Strengthen reminders and requirements for employees' personal protection through email, WeChat groups, bulletin boards, etc.;

b. Provide masks and alcohol disinfectant wipes for employees;

c. Temperature check before employees enter the office premises;

d. Arrange instant hand sanitizer and other epidemic prevention materials in office, regular disinfection and ventilation;

e. Carry out registration and temperature check for visitors;

f. Arrange COVID-19 nucleic acid tests for employees according to the epidemic situation.

During the Reporting Period, the impact of the epidemic on the Company's business was relatively insignificant. The Company's offices and laboratories in Rotterdam, the Netherlands and Boston, the U.S. have taken effective measures in response to the epidemic, such as telecommuting and site disinfection. As of the publication date of this annual results announcement, all of the Company's offices and laboratories are in good operating condition. The epidemic has minimal impact on the Company's overseas operations and there was no significant delay, suspension or termination due to the epidemic. In 2021, the Company will continue to closely monitor the epidemic and take proactive and effective measures to ensure the smooth operation of its global business, R&D and operations.

Prospect and Outlook

Despite the challenges posed by the global COVID-19 epidemic, the Company is well prepared in terms of research and development and operations, and we expect the epidemic to have a relatively limited impact on our operations in 2021. The Company's achievements and growth momentum in 2020 give us confidence that we will be able to successfully address the complex market environment and provide innovative therapeutic drugs for immune diseases and cancer patients in the near future.

Since its establishment, we have been committed to developing innovative treatments for patients around the world and become an innovative biopharmaceutical company with core technology edges and differentiated portfolio. In 2021, the Company will further accelerate the progress of its portfolio. We will advance the multiple clinical trials of our core products, batoclimab and tanfanercept, and get prepared for their commercial launch in the near future. The launch readiness work has already been initiated. We will further invest in HBM4003 and other projects generated from our discovery engine with an approach of designing molecules against novel targets or innovative molecules against known targets. In addition, we expect to file INDs for at least two new products, and we will continue to identify new quality candidates through Harbour Mice®, our highly effective drug discovery engine.

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

FINANCIAL REVIEW

Overview

For the year ended 31 December 2020, the Group recorded a revenue of US$14.1 million, and a loss of US$296.5 million. Other income and gains was US$5.3 million for the year ended 31 December 2020, as compared with US$1.6 million for the year ended 31 December 2019. The research and development costs of the Group was US$55.2 million for the year ended 31 December 2020, as compared with US$49.5 million for the year ended 31 December 2019. The administrative expenses was US$46.3 million for the year ended 31 December 2020, as compared with US$10.6 million for the year ended 31 December 2019. The fair value change of convertible redeemable preferred shares was US$213.7 million for the year ended 31 December 2020, as compared with US$13.4 million for the year ended 31 December 2019.

Revenue

Our total revenue increased significantly from US$5.4 million for the year ended 31 December 2019 to US$14.1 million for the year ended 31 December 2020, primarily due to the increase in our revenue from recognizing molecule license fee. Our molecule license fee increased from US$2.7 million for the year ended 31 December 2019 to US$12.8 million for the year ended 31 December 2020, primarily attributable to our license and collaboration agreement with Hualan Genetic and AbbVie. Our platform-based research fee decreased from US$1.5 million for the year ended 31 December 2019 to US$0.1 million for the year ended 31 December 2020. Our technology license fee remained stable at US$1.2 million and US$1.1 million for the year ended 31 December 2019 and 2020, respectively.

Cost of Sales

Our cost of sales remained stable at approximately US$0.6 million and US$0.4 million for the years ended 31 December 2019 and 31 December 2020, respectively.

Other Income and Gains

Our other income and gains increased significantly from US$1.6 million for the year ended 31 December 2019 to US$5.3 million for the year ended 31 December 2020, primarily due to (i) an increase in government grants recognized from US$0.9 million for the year ended 31 December 2019 to US$2.4 million for the year ended 31 December 2020; and (ii) foreign exchange gains amounting to US$2.0 million for the year ended 31 December 2020, mainly due to the depreciation of the US dollar against RMB in the second half of 2020. The increase in government grants recognized was primarily attributable to more research and development activities that are eligible for government subsidies.

Research and Development Expenses

Our research and development expenses increased from US$49.5 million for the year ended 31 December 2019 to US$55.2 million in 2020. This increase was primarily attributable to the combined impact of (i) an increase in employee cost from US$13.1 million for the year ended 31 December 2019 to US$22.7 million for the year ended 31 December 2020, mainly caused by share-based payment expenses before the IPO and increase of headcount of research and development; (ii) a decrease in our upfront and milestone fees from US$5.0 million for the year ended 31 December 2019 to US$1.0 million for the year ended 31 December 2020 pursuant to the payment schedules under relevant licensing agreements with our partners; and (iii) a decrease in clinical third-party contracting costs related to discovery and pre-clinical development from US$6.2 million for the year ended 31 December 2019 to US$5.5 million for the year ended 31 December 2020 due to postponement in the clinical development of our drug candidates amid the COVID-19 outbreak in the first half of 2020.

	For the year ended December 31			
	2020		2019	
	US$ in thousands		*US$ in thousands*	
Upfront and milestone fees	**1,000**	**1.8%**	5,000	10.1%
Employee costs	**22,724**	**41.1%**	13,107	26.5%
Materials	**4,304**	**7.8%**	4,842	9.8%
Third-party contracting costs related to discovery and pre-clinical development	**5,474**	**9.9%**	6,224	12.6%
Clinical trial expenses	**15,183**	**27.6%**	15,382	31.1%
Depreciation and amortization	**4,105**	**7.4%**	3,170	6.4%
Others	**2,454**	**4.4%**	1,752	3.5%
	55,244	**100.0%**	49,477	100.0%

Administrative Expenses

Our administrative expense increased from US$10.6 million for the year ended 31 December 2019 to US$46.3 million for the year ended 31 December 2020, primarily attributable to (i) an increase in employee cost from US$5.3 million for the year ended 31 December 2019 to US$33.6 million for the year ended 31 December 2020 caused by share-based payment expenses before our initial public offering and increase of headcount in administrative function, and (ii) US$6.6 million listing expenses for the year ended 31 December 2020 mainly attributable to legal and professional fees in relation to our initial public offering. We did not incur any listing expenses for the year ended 31 December 2019.

	For the year ended December 31			
	2020		2019	
	US$ in thousands		*US$ in thousands*	
Employee costs	**33,640**	**72.7%**	5,255	49.6%
Professional expenses	**3,786**	**8.2%**	2,908	27.5%
Depreciation and amortization	**1,128**	**2.4%**	954	9.0%
Listing expenses	**6,580**	**14.2%**	–	0.0%
Others	**1,160**	**2.5%**	1,470	13.9%
	46,294	**100.0%**	10,587	100.0%

Loss on Fair Value Change of Convertible Redeemable Preferred Shares

For the year ended 31 December 2020, we recorded US$213.7 million of the fair value losses of convertible redeemable preferred shares, compared to US$13.4 million of the fair value losses of convertible redeemable preferred shares for the year ended 31 December 2019, primarily attributable to the conversion of all preferred shares in the ordinary shares upon the Listing. After the conversion, we did not recognize any further loss or gain on fair value changes from preferred shares.

Loss for the Year

As a result of the above factors, the loss for the year of the Group increased by US$229.0 million from US$67.5 million for the year ended 31 December 2019 to US$296.5 million for the year ended 31 December 2020.

Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use a non-IFRS measure, adjusted loss for the year, as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that such non-IFRS measure facilitates comparisons of our operating performance from period to period by eliminating impacts of such non-cash items (and, for loss on fair value change of convertible redeemable preferred shares, also an item that pertains to financial instruments that have ceased upon Listing) that our management considers to be not indicative of our operating performance and providing useful information to investors and shareholders in evaluating our operating results in the same manner of our management. However, our presentation of the adjusted loss for the year may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and investors and shareholders should not consider it in isolation, or as a substitute for the analysis of, our results of operations or financial position as reported under IFRS. We define adjusted loss for the year as loss for the year adjusted by adding back (i) loss on fair value change of convertible redeemable preferred shares and (ii) share-based payment expenses. The following table reconciles our non-IFRS adjusted loss for the year with our loss for the year, which is the most directly comparable financial measure calculated and presented in accordance with IFRS:

	For the Year ended 31 December	
	2020	2019
	US$ in thousands	*US$ in thousands*
Loss for the year	**(296,539)**	(67,496)
Add:		
Loss on fair value change of convertible redeemable preferred shares	**213,703**	13,387
Share-based payment expenses	**36,889**	–
Non-IFRS adjusted loss for the year	**(45,947)**	(54,109)

Ageing Analysis of Accounts Receivable

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

Liquidity and Source of Funding

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

Key Financial Ratios

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

	As at 31 December	
	2020	2019
Current ratio[(1)]	**14.45**	2.59
Gearing ratio[(2)]	**N/A[(3)]**	N/A[(3)]

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

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

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

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the year ended 31 December 2020.

Future Plans for Material Investments or Capital Asset

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

Pledge of Assets

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

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2020 (as at 31 December 2019: nil).

Foreign Exchange Exposure

During the year ended 31 December 2020, the Group mainly operated in China and the majority of the transactions were settled in the United States dollar ("**US$**"), the functional currency of the Company. Our financial assets and liabilities are subject to foreign currency risk as a result of certain bank deposits, trade and other receivables and trade and other payables denominated in non-functional currency. Therefore, the fluctuations in the exchange rate of functional currency against non-functional currency could affect our results of operations. We have not entered into any hedging transactions to manage the potential fluctuation in foreign currency as at 31 December 2020.

Bank Loans and Other Borrowings

As at 31 December 2020, we had lease liabilities of US$1.7 million.

Employees and Remuneration

As of 31 December 2020, 236 of our employees were located in the PRC, 11 were located in the United States, and 1 was located in the Netherlands. The following table sets forth the total number of employees by function as of 31 December 2020:

Function	**Number**	**% of Total**
Research and Development	180	72.6
General and Administrative	68	27.4
Total	248	100.0

The total remuneration cost incurred by the Group for the year ended 31 December 2020 was US$56.4 million (including share-based payment expenses amounting to US$36.9 million), as compared to US$18.4 million (nil for share-based payment expenses) for the year ended 31 December 2019.

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

FINAL DIVIDEND

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

ANNUAL GENERAL MEETING

The annual general meeting is scheduled to be held on Monday, 21 June 2021 (the "**AGM**"). A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The AGM will be held on Monday, 21 June 2021. The register of members of the Company will be closed from Wednesday, 16 June 2021 to Monday, 21 June 2021, both days inclusive, in order to determine the identity of the shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 15 June 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company was incorporated in the Cayman Islands on 20 July 2016 as an exempted company with limited liability, and the shares of the Company were listed on the Stock Exchange on 10 December 2020 (the "**Listing Date**").

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

1. Compliance with the Code on Corporate Governance Practices

The Company was only listed on the Main Board of the Stock Exchange on 10 December 2020. Throughout the period from the Listing Date up to 31 December 2020, the Company has complied with all applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") except for the following deviations.

Pursuant to code provision A.1.1 of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on 10 December 2020, one Board meeting was held during the period from the Listing Date to 31 December 2020.

Pursuant to code provision A.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Dr. Jingsong Wang currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Further information concerning the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2020.

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

2. Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the period from the Listing Date up to 31 December 2020.

3. Scope of Work of the Company's Auditors

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

4. Audit Committee

The Company has established an audit committee with written terms of reference in accordance with the Listing Rules. The audit committee comprises two independent non-executive Directors, namely, Ms. Weiwei Chen and Dr. Xiaoping Ye, and one non-executive Director, Mr. Yu Min Qiu. Ms. Weiwei Chen is the chairperson of the audit committee.

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020 and has met with the independent auditor, Ernst & Young. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and risk management and internal control with senior management members of the Company.

5. Other Board Committees

In addition to the audit committee, the Company has also established a nomination committee and a remuneration committee.

6. Purchase, Sale or Redemption of the Company's Listed Securities

Other than the global offering, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's shares during the period from the Listing Date up to 31 December 2020.

7. Use of Proceeds

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

Set out below is the status of use of proceeds from the global offering as at 31 December 2020.

Purpose	% of use of proceeds	Net proceeds (HK$ million)	Utilised for the year ended 31 December 2020	Unutilised amount as at 31 December 2020
Funding ongoing and planned clinical trials and other related research and development activities, preparation for registration filings and potential commercial launches in Greater China of batoclimab (HBM9161), one of our Core Products	29%	408.4	0	480.4
Funding ongoing and planned clinical trials and other related research and development activities, preparation for registration filings and potential commercial launches in Greater China of tanfanercept (HBM9036), one of our Core Products	8%	132.5	0	132.5
Funding ongoing and planned clinical trials in Greater China and Australia, preparation for registration filings and potential commercial launches of HBM4003, our anchor asset, in Greater China, the United States and other jurisdictions	23%	381.0	0	381.0
Funding the research and development of our other drug candidates seeking IND approvals and yet to commence clinical trials or those in pre-clinical studies	15%	248.5	0	248.5
Funding the discovery of innovative molecules generated from our Harbour antibody platforms	12%	198.8	0	198.8
Funding the continued improvement of our platform technologies and our pursuit of licensing and collaboration opportunities utilizing our Harbour antibody platforms	5%	82.9	0	82.9
Working capital and other general corporate purposes	8%	132.5	0	132.5
Total	**100%**	**1,656.6**	**0**	**1,656.6**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	**2020** ***USD'000***	2019 *USD'000*
REVENUE	*6*	**14,107**	5,419
Cost of sales		**(449)**	(623)
Gross profit		**13,658**	4,796
Other income and gains	*6*	**5,270**	1,581
Administrative expenses		**(46,294)**	(10,587)
Research and development costs		**(55,244)**	(49,477)
Loss on fair value change of convertible redeemable preferred shares	*23*	**(213,703)**	(13,387)
Other expenses		**(45)**	(301)
Finance costs	*7*	**(280)**	(213)
LOSS BEFORE TAX	*8*	**(296,638)**	(67,588)
Income tax credit	*9*	**99**	92
LOSS FOR THE YEAR		**(296,539)**	(67,496)
Attributable to:			
Owners of the parent		**(296,397)**	(67,460)
Non-controlling interests		**(142)**	(36)
		(296,539)	(67,496)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (USD)	*11*	**(1.69)**	(0.57)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	USD'000	*USD'000*
LOSS FOR THE YEAR	**(296,539)**	(67,496)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(656)**	(80)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(656)**	(80)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(297,195)**	(67,577)
Attributable to:		
Owners of the parent	**(297,053)**	(67,541)
Non-controlling interests	**(142)**	(36)
	(297,195)	(67,577)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020** ***USD'000***	2019 *USD'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**10,262**	12,997
Right-of-use assets	*13*	**1,351**	1,829
Intangible assets	*14*	**7,800**	8,192
Other non-current assets		**29**	–
Total non-current assets		**19,442**	23,018
CURRENT ASSETS			
Trade receivables	*15*	**1,056**	1,673
Prepayments, other receivables and other assets	*16*	**11,293**	10,771
Amounts due from shareholders		**–**	250
Other financial assets	*17*	**153**	396
Cash and bank balances	*18*	**356,794**	33,391
Total current assets		**369,296**	46,481
CURRENT LIABILITIES			
Trade payables	*19*	**7,960**	9,317
Other payables and accruals	*20*	**14,784**	3,034
Contract liabilities	*21*	**1,361**	4,429
Lease liabilities	*13*	**1,447**	1,134
Total current liabilities		**25,552**	17,914
NET CURRENT ASSETS		**343,744**	28,567
TOTAL ASSETS LESS CURRENT LIABILITIES		**363,186**	51,585

	Notes	**2020** ***USD'000***	2019 *USD'000*
NON-CURRENT LIABILITIES			
Lease liabilities	*13*	**278**	774
Deferred tax liabilities	*22*	**1,900**	1,999
Convertible redeemable preferred shares	*23*	**–**	202,259
Total non-current liabilities		**2,178**	205,032
Net assets/(liabilities)		**361,008**	(153,447)
EQUITY			
Equity attributable to owners of the parent			
Share capital		**19**	5
Treasury shares		**(1)**	(1)
Reserves		**361,168**	(153,415)
		361,186	(153,411)
Non-controlling interests		**(178)**	(36)
Total equity/(deficit)		**361,008**	(153,447)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Pursuant to the Accountants' Report of the Group in connection with the listing of the shares of the Company on the Stock Exchange, all IFRSs effective for the accounting period commencing from 1 January 2020 set out below had been early adopted by the Group in the preparation of the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2018 and 2019 and 30 June 2020. Thus, the effect of the following accounting policies have no impact on the Group's financial statements for the year ended 31 December 2020.

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

4. ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendment to IFRS 16	*Covid-19-Related Rent Concessions*[1]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[3]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[3]
Annual Improvements to IFRSs 2018-2020	*Minor amendments to:* *– IFRS 1 First-time Adoption of International Financial Reporting Standards*[3] *– IFRS 9 Financial Instruments*[3] *– Illustrative Examples accompanying IFRS 16 Leases*[3] *– IAS 41 Agriculture*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 3	*Reference to the Conceptual Framework*[3]
IFRS 17	*Insurance Contracts*[5]
Amendments to IFRS 17	*Insurance Contracts*[5,6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[5]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[2]

[1] Effective for annual period beginning on or after 1 June 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective for annual periods beginning on or after 1 January 2022
[4] No mandatory effective date yet determined but available for adoption
[5] Effective for annual periods beginning on or after 1 January 2023
[6] As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

5. OPERATING SEGMENT INFORMATION

Operating segment information

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

Geographical information

(a) Revenue from external customers

	2020	2019
	USD'000	*USD'000*
Mainland China	**7,250**	4,487
United States	**6,633**	727
Europe	**133**	161
Others	**91**	44
	14,107	5,419

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

(b) Non-current assets

	2020	2019
	USD'000	*USD'000*
Mainland China	**11,499**	14,580
Europe	**7,601**	7,996
United States	**342**	442
	19,442	23,018

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

Information about major customers

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

	2020	2019
	USD'000	*USD'000*
Customer A	**6,277**	182
Customer B	**5,474**	2,737
Customer C	**1,451**	1,450
	13,202	4,369

6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	USD'000	*USD'000*
Types of goods or services		
– Molecule licence fee	**12,838**	2,737
– Technology licence fee	**1,133**	1,232
– Platform-based research fee	**136**	1,450
	14,107	5,419

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020	2019
	USD'000	*USD'000*
Timing of revenue recognition		
At a point in time		
– Molecule licence fee	**12,838**	2,737
– Platform-based research fee	**136**	1,450
Over time		
– Technology licence fee	**1,133**	1,232
	14,107	5,419

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

	2020	2019
	USD'000	*USD'000*
Molecule licence fee	**3,462**	–
Technology licence fee	**315**	159
Platform-based research fee	**–**	151
	3,777	310

(ii) Performance obligations

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

Technology licence fee

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

Molecule licence fee

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

Platform-based research fee

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

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

	2020	2019
	USD'000	*USD'000*
Amounts expected to be recognised as revenue:		
– Within one year	**2,560**	8,332
– After one year	**4,966**	7,408
	7,526	15,740

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

An analysis of other income and gains is as follows:

	2020	2019
	USD'000	*USD'000*
Other income and gains		
– Government grants recognised*	**2,440**	903
– Foreign exchange gains, net	**1,950**	–
– Interest income	**826**	662
– Others	**54**	16
	5,270	1,581

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	USD'000	USD'000
Transaction costs for the issue of convertible redeemable preferred shares	**181**	71
Interest on lease liabilities	**99**	142
	280	213

8. LOSS BEFORE TAX

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

	2020	2019
	USD'000	*USD'000*
Cost of sales	**(449)**	(623)
Depreciation of property, plant and equipment	**(3,857)**	(2,780)
Depreciation of right-of-use assets	**(1,240)**	(1,309)
Amortisation of intangible assets	**(532)**	(467)
Employee benefit expense (including directors' remuneration):		
– Wages and salaries	**(18,884)**	(17,476)
– Pension scheme contributions	**(591)**	(886)
– Share-based payment expenses	**(36,889)**	–
Reversal of/(provision) on an amount due from a shareholder	**100**	(150)
Loss on fair value change of convertible redeemable preferred shares	**(213,703)**	(13,387)
Listing expenses	**(6,580)**	–
Auditors' remuneration	**(352)**	(26)
Lease expenses arising from short-term leases*	**(292)**	(343)
Foreign exchange gains/(losses), net	**1,950**	(156)

* The Group has applied the available practical expedient of IFRS 16 and applied the short-term lease exemption to leases with a lease term that ends within 12 months from the lease commencement date.

9. INCOME TAX

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

Cayman Islands

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

British Virgin Islands

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

Hong Kong

Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, unless such profits are taxable at the half-rate of 8.25% (2019: 8.25%) that may apply for the first HK$2,000,000 (2019: HK$2,000,000) of the assessable profits.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Mainland China are subject to corporate income tax ("**CIT**") at a rate of 25% (2019: 25%) on the taxable income, except the subsidiary, Harbour BioMed (Shanghai) Co., Ltd., which was certified as a High and New Technology Enterprise in 2020 and was entitled to a preferential CIT rate of 15% (2019: 25%).

Netherlands

The subsidiaries which operate in the Netherlands are subject to profits tax at a rate of 16.5% (2019: 19%) for the first EUR200,000 (2019: EUR200,000) of taxable income, and the excess amount is subject to corporate income tax at a rate of 25% (2019: 25%) during the year.

United States

The subsidiaries which operate in the US are subject to federal income tax at a rate of 21% (2019: 21%) and the Massachusetts state income tax at a rate of 8% (2019: 8%) on the taxable income.

The major components of income tax expense of the Group are as follows:

	2020	2019
	USD'000	*USD'000*
Current income tax	**–**	16
Deferred income tax	**(99)**	(108)
Total tax credit for the year	**(99)**	(92)

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

	2020	2019
	USD'000	USD'000
Loss before tax	**(296,638)**	(67,588)
Tax at a tax rate of 25%	**(74,160)**	(16,897)
Effect of different tax rates enacted by local authorities	**67,254**	5,363
Tax losses not recognised	**8,218**	11,361
Expenses not deductible for tax purposes	**2,685**	3,726
Additional deductible allowance for qualified research and development costs	**(3,615)**	(3,661)
Tax losses utilised from previous years	**(481)**	–
Others	**–**	16
Tax credit at the Group's effective tax rate	**(99)**	(92)

10. DIVIDENDS

No dividend has been paid or declared by the Company and its subsidiaries during the year (2019: Nil).

11. LOSS PER SHARE

The calculation of the basic loss per share amounts is based on the loss attributable to the owners of the parent and the weighted average number of ordinary shares in issue excluding the treasury shares during the year, considering the share subdivision by 1:40 occurred on 10 December 2020. The share subdivision was treated as having been in issue for the whole year and also included in the loss per share calculation of the comparative period presented so as to give a comparable result.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares into ordinary shares. As the Group incurred losses for the years ended 31 December 2020 and 2019, the potential ordinary shares were not included in the calculation of diluted loss per share as the potential ordinary shares had an anti-dilutive effect on the basic loss per share. Accordingly, the diluted loss per share amounts for the years ended 31 December 2020 and 2019 are the same as the basic loss per share amounts of the respective years.

	2020	2019
Loss		
Loss attributable to owners of the parent (USD'000)	**(296,397)**	(67,460)
Shares		
Weighted average number of ordinary shares in issue during the year	**175,804,418**	117,958,342
Basic and diluted loss per share (USD per share)	**(1.69)**	(0.57)

12. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery *USD'000*	Electronic equipment *USD'000*	Furniture and fixtures *USD'000*	Leasehold improvements *USD'000*	Total *USD'000*
31 December 2020					
Cost					
As at 1 January 2020	**12,006**	**379**	**178**	**3,977**	**16,540**
Additions	**185**	**72**	**3**	**180**	**440**
Exchange differences	**796**	**30**	**12**	**285**	**1,123**
As at 31 December 2020	**12,987**	**481**	**193**	**4,442**	**18,103**
Accumulated depreciation					
As at 1 January 2020	**(2,316)**	**(128)**	**(49)**	**(1,050)**	**(3,543)**
Charge for the year	**(2,422)**	**(120)**	**(43)**	**(1,272)**	**(3,857)**
Exchange differences	**(276)**	**(15)**	**(5)**	**(145)**	**(441)**
As at 31 December 2020	**(5,014)**	**(263)**	**(97)**	**(2,467)**	**(7,841)**
Net carrying amount					
As at 31 December 2020	**7,973**	**218**	**96**	**1,975**	**10,262**
As at 31 December 2019	**9,690**	**251**	**129**	**2,927**	**12,997**
31 December 2019					
Cost					
As at 1 January 2019	4,182	181	31	253	4,647
Additions	7,881	201	147	3,770	11,999
Exchange differences	(57)	(3)	–	(46)	(106)
As at 31 December 2019	12,006	379	178	3,977	16,540
Accumulated depreciation					
As at 1 January 2019	(630)	(37)	(17)	(121)	(805)
Charge for the year	(1,713)	(92)	(33)	(942)	(2,780)
Exchange differences	27	1	1	13	42
As at 31 December 2019	(2,316)	(128)	(49)	(1,050)	(3,543)
Net carrying amount					
As at 31 December 2019	9,690	251	129	2,927	12,997
As at 31 December 2018	3,552	144	14	132	3,842

As at 31 December 2020, there were no pledged property, plant and equipment (2019: Nil).

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	2020	2019
	USD'000	*USD'000*
Right-of-use assets		
Carrying amount at 1 January	**1,829**	3,297
Additions	**786**	228
Depreciation charge	**(1,240)**	(1,309)
Exchange differences	**51**	(39)
Termination	**(75)**	(348)
Carrying amount at 31 December	**1,351**	1,829

	2020	2019
	USD'000	*USD'000*
Lease liabilities		
Carrying amount at 1 January	**1,908**	3,143
New leases	**786**	228
Interest during the year	**99**	142
Payments	**(1,105)**	(1,200)
Exchange differences	**138**	(53)
Termination	**(101)**	(352)
Carrying amount at 31 December	**1,725**	1,908
Analysed into:		
Current portion	**1,447**	1,134
Non-current portion	**278**	774

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

	2020	2019
	USD'000	*USD'000*
Depreciation charge of right-of-use assets	**1,240**	1,309
Expense relating to short-term leases	**292**	343
Interest on lease liabilities	**99**	142
Total amount recognised in profit or loss	**1,631**	1,794

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

	2020	2019
	USD'000	*USD'000*
Within operating activities	**292**	343
Within financing activities	**1,105**	1,200
	1,397	1,543

14. INTANGIBLE ASSETS

	Software *USD'000*	Backlog *USD'000*	Technology licencing agreement *USD'000*	Total *USD'000*
31 December 2020				
Cost				
As at 1 January 2020	**232**	**1,728**	**7,600**	**9,560**
Additions	**134**	**–**	**–**	**134**
Exchange differences	**16**	**–**	**–**	**16**
As at 31 December 2020	**382**	**1,728**	**7,600**	**9,710**
Amortisation				
As at 1 January 2020	**(36)**	**(1,332)**	**–**	**(1,368)**
Charge for the year	**(136)**	**(396)**	**–**	**(532)**
Exchange differences	**(10)**	**–**	**–**	**(10)**
As at 31 December 2020	**(182)**	**(1,728)**	**–**	**(1,910)**
Net carrying amount				
As at 31 December 2020	**200**	**–**	**7,600**	**7,800**
31 December 2019				
Cost				
As at 1 January 2019	2	1,728	7,600	9,330
Additions	231	–	–	231
Exchange differences	(1)	–	–	(1)
As at 31 December 2019	232	1,728	7,600	9,560
Amortisation				
As at 1 January 2019	(1)	(900)	–	(901)
Charge for the year	(35)	(432)	–	(467)
As at 31 December 2019	(36)	(1,332)	–	(1,368)
Net carrying amount				
As at 31 December 2019	196	396	7,600	8,192

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

Impairment testing of technology licencing agreement

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

The recoverable amount of the technology licencing agreement is determined based on the fair value less costs of disposal, and the fair value of the technology licencing agreement is determined using the relief from royalty method taking into account the nature of the asset, using cash flow projections based on financial budgets covering a 14-year period, and the growth rate used to extrapolate the cash flows beyond the 14-year period is 3% (2019: 3%), which is close to the long-term inflation rate. Management believes that using a 14-year forecast period is appropriate because it generally takes longer for a biotechnology company to use the technologies to generate therapeutics and develop them into products to reach perpetual growth mode when the market of such products is developing with substantial growth potential. Hence, financial budget covering a 14-year period is more feasible and reflects a more accurate value. The fair value measurement hierarchy of the technology licencing agreement was level 3. Other key assumptions to the valuation model used are as follows:

	2020	2019
Discount rates	**16.0%**	20.2%
Royalty rates	**6.0%**	6.0%

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

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

15. TRADE RECEIVABLES

	2020	2019
	USD'000	*USD'000*
Within 3 months	**1,056**	1,673
	1,056	1,673

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

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

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

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020	2019
	USD'000	*USD'000*
Prepayments *(i)*	**5,636**	7,307
Value-added tax recoverable	**4,127**	3,016
Other receivables	**1,067**	44
Deposits	**463**	381
Interest receivables	**–**	23
	11,293	10,771

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

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

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

17. OTHER FINANCIAL ASSETS

	2020	2019
	USD'000	*USD'000*
Investments in financial products at fair value through profit or loss	**153**	396

The amount represents investments in certain financial products issued by a commercial bank in Mainland China. The financial products are principal-protected and their returns are not guaranteed. The expected interest rates ranged from 1.95% to 2.05% (2019: 2.60% to 4.35%) per annum and the products can be redeemed by the Group at any time.

18. CASH AND BANK BALANCES

	2020	2019
	USD'000	*USD'000*
Cash and bank balances	**356,794**	33,391
Less:		
Time deposits with original maturity of more than three months but less than one year when acquired	**(100,000)**	(6,000)
Cash and cash equivalents	**256,794**	27,391
Denominated in:		
USD	**342,490**	27,828
RMB	**10,612**	5,512
Others	**3,692**	51
	356,794	33,391

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between seven days and twelve months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

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

	2020	2019
	USD'000	*USD'000*
Within 1 month	**7,740**	6,643
1-3 months	**197**	2,616
3-6 months	**–**	34
6-12 months	**23**	24
	7,960	9,317

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

20. OTHER PAYABLES AND ACCRUALS

	2020	2019
	USD'000	*USD'000*
Other payables	**8,807**	414
Other accrued expenses	**2,513**	388
Payroll and welfare	**3,335**	2,078
Other tax payables	**129**	154
	14,784	3,034

Other payables are non-interest-bearing and repayable on demand. The carrying amounts of financial liabilities included in other payables and accruals approximate to their fair values.

21. CONTRACT LIABILITIES

	31 December 2020	31 December 2019	1 January 2019
	USD'000	*USD'000*	*USD'000*
Amounts received in advance for platform-based research fee	**153**	144	729
Amounts received in advance for the technology licence fee	**901**	570	266
Amounts received in advance for molecule licence fee	**307**	3,715	–
	1,361	4,429	995

The decrease in contract liabilities as at 31 December 2020 was mainly due to the satisfaction of the performance obligation related to platform-based research fee and molecule licence. The increase in contract liabilities as at 31 December 2019 was mainly due to the increase in advance receipts related to platform-based research fee and molecule licence fee.

22. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	Fair value adjustments arising from acquisition of subsidiaries *USD'000*
31 December 2020	
As at 1 January 2020	**1,999**
Deferred tax credited to the consolidated statement of profit or loss during the year	**(99)**
As at 31 December 2020	**1,900**
31 December 2019	
As at 1 January 2019	2,107
Deferred tax credited to the consolidated statement of profit or loss during the year	(108)
As at 31 December 2019	1,999

Deferred tax assets have not been recognised in respect of the following items:

	2020 ***USD'000***	2019 *USD'000*
Tax losses	**118,212**	74,669
	118,212	74,669

The following table shows the tax losses information based on the locations of subsidiaries:

	2020 ***USD'000***	2019 *USD'000*
Mainland China (tax losses expire in one to five years)	**110,006**	64,568
Netherlands (tax losses expire in one to five years)	**5,278**	8,341
United States (tax losses with no expiration)	**2,928**	1,760
	118,212	74,669

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

23. PREFERRED SHARES

In November 2016, the Company issued 387,000 series A2 convertible preferred shares with par value of USD0.001 per share (the "**Series A2 Preferred Shares**") to its founders at a cash consideration of USD2,500,000 or USD6.4599 per share, of which 73,530, 73,530 and 7,740 shares were repurchased by the Company in 2017, 2018 and 2019, respectively.

In December 2016 and January 2017, the Company issued 2,628,947 and 701,053 series A1 convertible and redeemable preferred shares with par value of USD0.001 per share (the "**Series A1 Preferred Shares**") to a group of investors (the "**Series A1 Investors**"), respectively, at a cash consideration of USD47,500,000 or USD14.2643 per share.

In January 2018, the Company issued 697,604 series A3 convertible and redeemable preferred shares with par value of USD0.001 per share (the "**Series A3 Preferred Shares**") to a group of investors (the "**Series A3 Investors**") at a cash consideration of USD11,740,000 or USD16.829 per share.

In August 2018, the Company issued 2,045,468 series B convertible and redeemable preferred shares with par value of USD0.001 per share (the "**Series B Preferred Shares**") to a group of investors (the "**Series B Investors**") at a cash consideration of USD85,000,000 or USD41.555 per share.

In October 2019, December 2019 and March 2020, the Company issued 480,153, 274,373 and 960,308 series B2 convertible and redeemable preferred shares with par value of USD0.001 per share (the "**Series B2 Preferred Shares**") to a group of investors (the "**Series B2 Investors**") at a cash consideration of USD21,000,000, USD12,000,000 and USD42,000,000, or USD43.736 per share, respectively.

In June and July 2020, the Company issued 686,008 and 1,388,159 series C convertible and redeemable preferred shares with par value of USD0.001 per share (the "**Series C Preferred Shares**", together with the Series A1 Preferred Shares, Series A3 Preferred Shares, Series B Preferred Shares and Series B2 Preferred Shares as the "**Convertible Redeemable Preferred Shares**"), to a group of investors (the "**Series C Investors**"), respectively, at a cash consideration of USD102,800,000 or USD49.562 per share.

According to the amended and restated Memorandum and Articles of Association ("**MOA**") of the Company passed in June 2020, the key terms of the Series A1 Preferred Shares, Series A2 Preferred Shares, Series A3 Preferred Shares, Series B Preferred Shares, Series B2 Preferred Shares and Series C Preferred shares (collectively, the "**Preferred Shares**") are as follows:

Conversion rights (applicable for Preferred Shares)

Each holder of the Preferred Shares shall have the right, at such holder's sole discretion, to convert all or any portion of the Preferred Shares into ordinary shares at any time by the conversion price then in effect at the date of the conversion (the "**Conversion Price**"). The initial Conversion Price for the Preferred Shares will be the applicable Preferred Share issue price (i.e., a 1-to-1 initial conversion ratio), which will be subject to adjustments to reflect share dividends, share splits, recapitalisation and adjustment upon issuance of new securities for a consideration per share less than the Conversion Price.

Each Preferred Share shall automatically be converted into ordinary shares, at the then applicable Preferred Share Conversion Price upon the closing of a Qualified IPO (see definition below).

A Qualified IPO means the closing of a registered underwritten public offering by the Company of its ordinary shares on a reputable securities exchange in the United States, Hong Kong or China, the New York Stock Exchange or the NASDAQ Global Market in the United States, the Main Board of the Hong Kong Stock Exchange, Taiwan Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange, or any other securities exchange in any jurisdiction (but excluding the National Equities Exchange and Quotations in China) approved by holders of two thirds (2/3) of the Preferred Shares, at a minimum pre-money valuation of the Group which shall not be lower than the higher of (1) USD615,000,000 and (2) an amount that would give each holder of the Series B Preferred Shares, each holder of Series B2 Preferred Shares and each holder of Series C Preferred Shares a twenty percent (20%) internal return rate for its investment in the Company and, for the avoidance of doubt, all dividends distributed by the Company to such holder of the Series B Preferred Shares, such holder of the Series B2 Preferred Shares and such holder of the Series C Preferred Shares shall be included as a part of the return when calculating the internal return rate.

Presentation and classification

The Group does not bifurcate any embedded derivatives from the Convertible Redeemable Preferred Shares and designates the entire instruments as financial liabilities at fair value through profit or loss. The change in fair value is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income, if any. Management considered that fair value change in the Convertible Redeemable Preferred Shares attributable to changes of credit risk was not significant.

For the Series A2 Preferred Shares, they are included in equity attributable to owners of the parent, among which the par value is included in share capital and the excess of the consideration paid over par value as share premium.

All Preferred Shares were automatically converted into ordinary shares on a 1:1 basis immediately upon completion of the share subdivision pursuant to the shareholders' resolution passed on 23 November 2020 as a result of the successful IPO of the Company on 10 December 2020 (the "**Conversion Date**").

The movements of the Convertible Redeemable Preferred Shares are set out below:

	Series A1 Preferred Shares *USD'000*	**Series A3 Preferred Shares** *USD'000*	**Series B Preferred Shares** *USD'000*	**Series B2 Preferred Shares** *USD'000*	**Series C Preferred Shares** *USD'000*	**Total** *USD'000*
As at 1 January 2019	57,623	12,514	85,735	–	–	155,872
Issue	–	–	–	33,000	–	33,000
Changes in fair value	16,031	3,197	(5,841)	–	–	13,387
As at 31 December 2019 and 1 January 2020	73,654	15,711	79,894	33,000	–	202,259
Issue	–	–	–	42,000	102,800	144,800
Changes in fair value	115,691	23,956	36,412	22,506	15,138	213,703
Converted into ordinary shares	(189,345)	(39,667)	(116,306)	(97,506)	(117,938)	(560,762)
As at 31 December 2020	–	–	–	–	–	–

The Group has used the back-solve method to determine the underlying equity value of the Company and adopted the equity allocation model to determine the fair value of the Convertible Redeemable Preferred Shares as of 31 December 2019. Key assumptions are set out below:

	31 December 2019
Risk-free interest rate	1.76%
Discounts for lack of marketability ("**DLOM**")	13%
Volatility	33%

The Group estimated the risk-free interest rate based on the yield of the US Government Bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on annualised standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar span as time to expiration.

Set out below is a summary of significant unobservable inputs to the valuation of financial liabilities categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis.

Significant unobservable inputs	Increase/(decrease) in the inputs	Increase/(decrease) in fair value
	As at 31 December 2019	
	USD'000	
Risk-free interest rate	1%/(1%)	(177)/110
DLOM	1%/(1%)	(2,318)/2,317
Volatility	1%/(1%)	(511)/525

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.harbourbiomed.com. The annual report of the Group for the year ended 31 December 2020 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

By order of the Board
HBM Holdings Limited
Dr. Jingsong Wang
Chairman

Hong Kong, 29 March 2021

As at the date of this announcement, the Board comprises Dr. Jingsong Wang, Dr. Mai-Jing Liao and Dr. Atul Mukund Deshpande as executive Directors; Mr. Yu Min Qiu and Mr. Junfeng Wang as non-executive Directors; Dr. Robert Irwin Kamen, Dr. Xiaoping Ye and Ms. Weiwei Chen as independent non-executive Directors.