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CanSino Biologics Inc.

康希諾生物股份公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 6185)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2020 CLOSURE OF REGISTER OF MEMBERS

The Board of Directors of the Company is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2020, together with the comparative figures for the corresponding period in 2019 as follows. These consolidated financial results of the Group for the Reporting Period have been reviewed by the Audit Committee and audited by the Company's auditors. Unless specified, figures in this announcement are prepared under the Hong Kong Financial Reporting Standards.

In this announcement, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

FINANCIAL SUMMARY

	For the Year ended	
	December 31, 2020	2019
	(Audited)	(Audited)
	RMB'000	RMB'000
Operating Results		
Revenue	18,544	–
Operating loss	(400,859)	(200,245)
Loss before income tax	(396,638)	(156,766)
Loss for the year and total comprehensive loss	(396,638)	(156,766)
Loss per Share		
Basic and diluted loss per share	(1.72)	(0.77)

	As of December 31,	
	2020	2019
	(Audited)	(Audited)
	RMB'000	RMB'000
Financial Position		
Non-current assets	1,327,430	990,253
Current assets	5,420,643	794,245
Total assets	6,748,073	1,784,498
Total equity	6,070,854	1,470,516
Non-current liabilities	264,366	189,687
Current liabilities	412,853	124,295
Total liabilities	677,219	313,982
Total equity and liabilities	6,748,073	1,784,498

MANAGEMENT DISCUSSION AND ANALYSIS

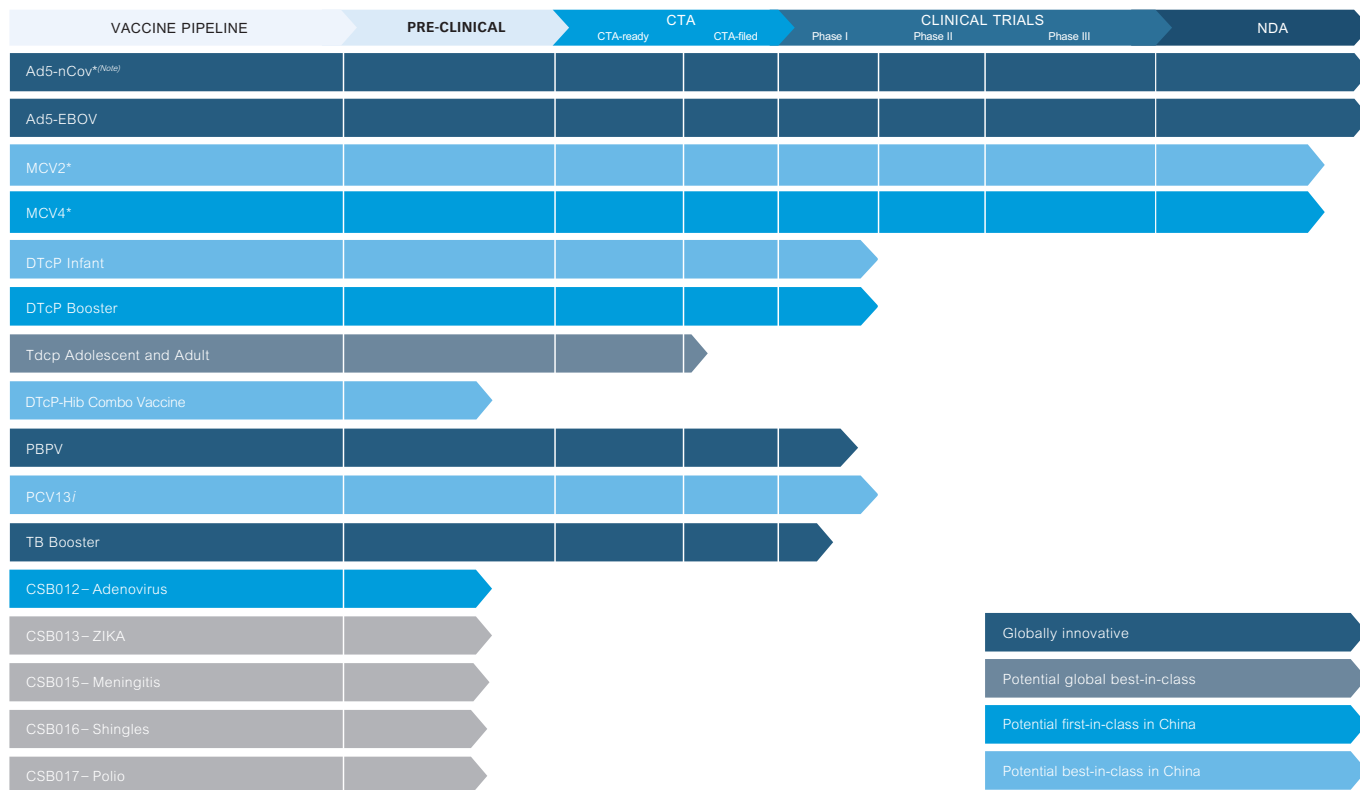
Overview

CanSinoBIO's mission is to develop, manufacture and commercialize high quality, innovative and affordable vaccines. Our mission is being fulfilled by an accomplished team of founders and senior management – world-class scientists with a record of leading the development of innovative international vaccines at global pharmaceutical companies. Other management members are also vaccine industry veterans from leading multi-national and domestic biologics companies.

Our vaccine pipeline, which is strategically designed to address the vast and underserved market worldwide, can be summarized into three categories: (i) globally innovative vaccines to serve the unmet medical needs worldwide (such as our Ad5-nCoV, Ad5-EBOV, our TB Booster candidate and our PBPV candidate); (ii) potential first-in-class vaccines in China developed to replace the current primary vaccines with higher-quality world-class vaccines (such as our MCV4 candidate and DTcP vaccine candidates); and (iii) potential best-in-class vaccines in China developed to compete with the imported products in the PRC market (such as our PCV13i candidate).

We are developing 16 vaccine candidates for 13 disease areas. In February 2021, our Ad5-nCoV has been granted emergency use authorization by the Federal Commission for Protection against Sanitary Risks of Mexico and the Drug Regulatory Authority of Pakistan, and has been granted the conditional marketing authorization by the NMPA in mainland China. In March 2021, our Ad5-nCoV has been granted emergency use authorization by the Hungarian National Institute of Pharmacy and Nutrition (OGYÉI). In addition to our Ad5-nCoV and three near-commercial assets covering meningococcal disease and Ebola virus disease, we have six vaccine candidates in clinical trial stage or CTA stage. We also have six pre-clinical vaccine candidates, including one combination vaccine candidate. To date, except for Ad5-nCoV, we have not commercialized any other products, and we cannot guarantee that we will be able to successfully develop and commercialize our drug candidates.

Our product pipeline is set out below as of the date of this announcement:



* denotes a Core Product

Note: On February 25, 2021, the NMPA has granted the conditional marketing authorization for Ad5-nCoV. The application for conditional marketing authorization is made in accordance with Article 63 under the Provisions for Drug Registration (《藥品註冊管理辦法》) which prescribes that application for conditional approval can be applied for drugs in clinical trial stage, if the drug are, among others, vaccines that are urgently needed in response to major public health emergencies or other vaccines that are urgently needed as determined by the National Health Commission of the PRC (中國國家衛生健康委員會), with benefits evaluated to outweigh the risks.

Business Review

During the Reporting Period and up to the date of this announcement, the Group made the following significant progress with respect to its product pipeline:

- ***Clinical trials, Military Specially-needed Drug Approval, emergency use authorization and conditional marketing authorization for Ad5-nCoV***

Ad5-nCoV is a vaccine jointly developed by the Company and the BIB. In March 2020, Ad5-nCoV was approved for clinical trial after registration documents review. On April 12, 2020, based on the preliminary safety data of the phase I clinical trial for the Ad5-nCoV, phase II clinical trial for Ad5-nCoV was initiated. On May 22, 2020, research findings of phase I clinical trial for Ad5-nCoV were published in the Lancet. On July 20, 2020, research findings of phase II clinical trial for Ad5-nCoV were published in the Lancet.

On June 25, 2020, the Company received Military Specially-needed Drug Approval (軍隊特需藥品批件) with a valid period for one year from Health Bureau of the Logistics Support Department of the Central Military Commission (中央軍委後勤保障部衛生局).

On August 11, 2020, the Company received the notification letter about granting of the patent “a recombinant novel coronavirus vaccine using human replication-deficient adenovirus as a carrier” (一種以人複製缺陷腺病毒為載體的重組新型冠狀病毒疫苗). The patent application was jointly filed by the BIB and the Company.

In September 2020, the Company initiated the phase III clinical trial for Ad5-nCoV. The Company has entered into an agreement with NPO Petrovax Pharm, LLC (“Petrovax”), pursuant to which the Company and Petrovax will cooperate to conduct the phase III clinical for Ad5-nCoV in Russia. The Company and Petrovax have received the clinical trial application approval for Ad5-nCoV from the Ministry of Health of the Russian Federation and initiated enrollment of volunteers for phase III clinical for Ad5-nCoV in Russia.

On February 1, 2021, the Company has completed case accrual for the interim analysis of the phase III clinical trial of Ad5-nCoV and has been informed by the Independent Data Monitoring Committee (“IDMC”) that Ad5-nCoV has successfully met its pre-specified primary safety and efficacy criteria at this interim analysis.

On February 9, 2021, Ad5-nCoV has been approved by the Federal Commission for Protection against Sanitary Risks of Mexico for emergency use for 18 years of age and older. On February 16, 2021, Ad5-nCoV has been granted emergency use authorization by the Drug Regulatory Authority of Pakistan.

On February 21, 2021, the Company officially filed an application with the NMPA for conditional marketing authorization of Ad5-nCoV and the NMPA has accepted such application. The NMPA has granted the conditional marketing authorization for Ad5-nCoV in mainland China on February 25, 2021.

On March 22, 2021, the Ad5-nCoV has been granted emergency use authorization by the Hungarian National Institute of Pharmacy and Nutrition (OGYÉI) and the CTA for the Ad5-nCoV for inhalation has been approved by the NMPA.

- ***Cooperation with Pfizer to promote MCV4 product Menhycia™***

In July 2020, the Company entered into a promotional service agreement with Pfizer Investment Co., Ltd. (輝瑞投資有限公司) (“**Pfizer**”), pursuant to which the Company granted Pfizer an exclusive right to promote its MCV4 product Menhycia™ in China. Menhycia™ are expected to be launched after receiving the NDA approval.

- ***Progress of other vaccine candidates***

The Company completed the enrollment of phase I clinical trial for its DTcP Infant, DTcP Booster, PCV13i and phase Ia clinical trial for PBPV in the first half of 2020 and has completed the phase I clinical trial for each of its DTcP Infant, DTcP Booster, PCV13i and phase Ia clinical trial for PBPV in 2020.

On June 29, 2020, the CFDI announced the notice of on-site inspection for NDA licensure for MCV2. To date, the Company has passed the on-site inspection.

On September 2, 2020, the CFDI announced the notice of on-site inspection for NDA licensure for MCV4. To date, the Company has passed the on-site inspection.

- ***Completion of the A Share Offering***

The Company submitted the application of the A Share Offering to the Shanghai Stock Exchange and received a letter of acceptance issued by the Shanghai Stock Exchange on January 22, 2020.

On April 30, 2020, the application for the A Share Offering was approved by the Listing Committee for Sci-tech Innovation Board of the Shanghai Stock Exchange.

On July 13, 2020, the China Securities Regulatory Commission announced its approval of the Company’s application for the registration of the A Share Offering. On August 13, 2020, the A Shares of the Company were listed, and trading of which has commenced, on the Sci-tech Innovation Board of the Shanghai Stock Exchange.

Commercialized Product

Ad5-nCoV

Ad5-nCoV is a vaccine jointly developed by the Company and the BIB. Ad5-nCoV is a genetic engineered vaccine candidate with the replication-defective adenovirus type 5 as the vector to express SARS-CoV-2 spike protein, which intends to be used to prevent COVID-19 disease.

Clinical trials

In March 2020, Ad5-nCoV was approved for clinical trial after registration documents review, and the Company conducted phase I clinical trial immediately upon such approval. In April 2020, based on the preliminary safety data of the phase I clinical trial for the Ad5-nCoV, phase II clinical trial for Ad5-nCoV was initiated. Research findings of phase I and phase II clinical trials for Ad5-nCoV were published in May 2020 and July 2020, respectively.

In September 2020, the Company initiated the global multicenter phase III clinical trial for Ad5-nCoV in five countries including Pakistan, Mexico, Russia, Chile and Argentina. In February 2021, the Company has completed case accrual for the interim analysis of the phase III clinical trial of Ad5-nCoV and the data of these cases has been submitted to the IDMC for analysis and recommendation. Ad5-nCoV has successfully met its pre-specified primary safety and efficacy criteria at this interim analysis. There were no vaccine related serious adverse events and therefore the Company could continue to advance the phase III clinical trial of Ad5-nCoV.

As disclosed in the announcement of the Company dated February 24, 2021, the Company has completed the vaccination of more than 40,000 volunteers and the interim data analysis. The interim analysis data of the phase III clinical trial of Ad5-nCoV showed that Ad5-nCoV has an overall efficacy of 65.28% at preventing all symptomatic COVID-19 disease 28 days after single dose vaccination, and 68.83% at preventing all symptomatic COVID-19 disease 14 days after single dose vaccination. Ad5-nCoV has an efficacy of 90.07% at preventing severe disease 28 days after single dose vaccination, and 95.47% at preventing severe disease 14 days after single dose vaccination. The efficacy of Ad5-nCoV has met the relevant technical standards laid out by the World Health Organization and relevant standards and requirements set out in “Guiding Principles for Clinical Evaluation of Novel Coronavirus Preventive Vaccines (Trial Implementation)* (新型冠狀病毒預防用疫苗臨床評價指導原則(試行))” issued by the NMPA.

* *For identification purpose only*

Authorization and Approval

In June 2020, the Company received Military Specially-needed Drug Approval (軍隊特需藥品批件) with a valid period for one year from Health Bureau of the Logistics Support Department of the Central Military Commission (中央軍委後勤保障部衛生局).

In February 2021, our Ad5-nCoV was granted emergency use authorization by the Federal Commission for Protection against Sanitary Risks of Mexico and the Drug Regulatory Authority of Pakistan, respectively, and was granted the conditional marketing authorization by the NMPA in mainland China. In March 2021, Ad5-nCoV was granted emergency use authorization by the Hungarian National Institute of Pharmacy and Nutrition (OGYÉI) and the CTA for the Ad5-nCoV for inhalation was approved by the NMPA.

The Company is preparing to apply for emergency use authorization for our Ad5-nCoV in several foreign countries and aims to commercialize the Ad5-nCoV globally.

Near Commercial-Stage Products

- *MCV4*

The Company's MCV4 candidate is a potential China first-in-class vaccine preventing meningococcal meningitis, with the first NDA for MCV4 being accepted in China. The Company's MCV4 candidate was found to be safe and well-tolerated, and showed good immunogenicity and efficacy in all age groups in the clinical trials.

The Company obtained an umbrella CTA approval for the MCV4 candidate in December 2015. The Company has completed clinical trials and has submitted the NDA application. The NMPA accepted the Company's NDA in November 2019. Later in December 2019, CDE granted priority review status to the Company's NDA for MCV4.

On September 2, 2020, the CFDI announced the notice of on-site inspection for NDA licensure for MCV4 and the Company has passed the on-site inspection. For commercialization of MCV4 after obtaining NDA approval, the Company signed a promotional services agreement with Pfizer in July 2020 to promote the MCV4 (expected to be commercialized under the trade name MenhyciaTM) in China.

Since the outbreak of COVID-19, the entire society has worked together to confront the public health challenge posed by the pandemic. CanSinoBIO, as an enterprise in vaccine industry, have shouldered the social responsibilities by making response to COVID-19 pandemic as our primary focus and sparing no effort to launch Ad5-nCoV. Thus, the NDA progress for MCV4 was delayed. The Company expects to commercialize its MCV4 within the year of 2021.

- *MCV2*

The Company's MCV2 candidate is a potential China best-in-class bi-valent meningococcal vaccine. It is expected to compete with domestic MCV2 products marketed by well-known manufacturers in China. Compared with the primary MCV2 products currently approved in China, the phase III clinical trial showed that the MCV2 candidate demonstrated a superior safety profile in the age group of 3 months and superior immunogenicity in the age groups of 6 to 23 months.

The Company obtained an umbrella CTA approval for its MCV2 candidate in December 2015, and filed the NDA for our MCV2 candidate on January 31, 2019. On June 29, 2020, the CFDI announced the notice of on-site inspection for NDA licensure for MCV2 and the Company has passed the on-site inspection.

Due to reasons set out above, the NDA progress for MCV2 was delayed. The Company expects to commercialize our MCV2 within the year of 2021.

- *Ad5-EBOV*

Ad5-EBOV is jointly developed by the BIB and us. It uses adenovirus vector technology to induce the immune response. Ad5-EBOV is the first approved Ebola virus vaccine in China for emergency use and national stockpile. There is no other approved Ebola virus vaccine in China.

Compared with the current vaccine and vaccine candidates, Ad5-EBOV has advantages including (i) it has a better stability profile attributable to its freeze-dried dosage form and is approved to be stored between 2°C to 8°C for 12 months; (ii) it is an inactive non-replicating viral vector vaccine with less safety concerns; and (iii) it is a potential broad spectrum protection vaccine against the Zaire Ebola virus.

Ad5-EBOV received NDA approval in China in October 2017 for emergency use and national stockpile. According to the NDA approval, the approved Ad5-EBOV contains 8.0×10^{10} viral particles per dose, and one dose (2 vials) is recommended for primary vaccination. The shelf life of Ad5-EBOV is 12 months. We have obtained the GMP certificate for Ad5-EBOV.

We currently do not expect Ad5-EBOV to contribute significantly to our business commercially in the future.

Drug Candidates in the Pipeline

We made response to COVID-19 pandemic as our primary focus and spared no effort to launch our Ad5-nCoV in 2020, so as to shoulder the social responsibilities to confront the public health challenge posed by the pandemic. We have tried our best to make full use of our remaining capacity to push forward the clinical trial progress of the following drug candidates.

- ***PCV13i***

We are developing a potential best-in-class improved PCV13 candidate, or PCV13*i*, which is designed to compete with a world-class PCV13 product for children under 2 years old. We have made improvements in the conjugate design and manufacturing processes of our PCV13 candidate based on our proprietary conjugate vaccine manufacturing know-how.

We received the CTA approval for the PCV13*i* from the NMPA in April 2019. We have commenced a phase I clinical trial and have completed such clinical trial in 2020. Despite the adverse impact of COVID-19, our PCV13*i* candidate continues to make progress as schedule. We expect to complete phase III clinical trial in 2022.

- ***PBPV***

PBPV is a globally innovative pneumococcal vaccine candidate. Currently, PPV23 products and PCV13 products are all serotype-based and therefore are effective against only up to 23 pneumococcal serotypes but not able to protect against all of the 90 plus serotypes. Our PBPV candidate is not serotype-dependent. Our PBPV candidate adopts antigens that are based on the pneumococcal surface protein A, or PspA, a highly-conserved protein which is expressed by virtually all pneumococci. The results from a large global study showed that over 99% of the clinical isolates from seven different countries are classified as PspA family 1 or family 2 strains. Our in-house study also demonstrated that approximately 98% of the strains isolated in the city of Nanjing belong to PspA families 1 or 2. Therefore, our PBPV candidate has the potential to have a much broader coverage in the elderly than that offered by the current PPV23 and PCV13 products.

The CTA for our PBPV candidate was approved in October 2018. We have commenced a phase Ia clinical trial and have completed such clinical trial in 2020. We expect to initiate a phase Ib or phase II clinical trial in 2021.

- ***DTcP Infant***

We are developing a potential best-in-class DTcP vaccine for infants, or DTcP Infant candidate, for primary vaccination. The manufacturing process of DTaP vaccines involves co-purification of the pertussis antigens, which results in the quantities of each pertussis antigen varying from batch to batch. In contrast, each pertussis antigen of DTcP vaccines is purified individually and are subsequently combined in a defined ratio, hence ensuring a fixed and consistent composition. Compared with Pentaxim, the only DTcP vaccine in China, our DTcP Infant candidate contains three pertussis antigens as compared to two pertussis antigens, which translates to better protection.

We received the CTA approval for our DTcP Infant candidate in January 2018. We have commenced a phase I clinical trial in China and have completed such clinical trial in 2020. The progress was delayed to a certain degree as most of our resources have been allocated to support our Ad5-nCoV product. We expect to complete phase III clinical trial for our DTcP Infant candidate in 2023.

- ***DTcP Booster***

There are no DTP booster vaccines for children in China. Our DTcP Booster candidate is a potential China first-in-class DTcP booster vaccine for children, which is designed to have the same composition as our DTcP Infant candidate and therefore has the same safety, immunogenicity and manufacturing productivity profiles.

We received CTA approval for our DTcP Booster candidate in January 2018. We have commenced a phase I clinical trial in China and have completed such clinical trial in 2020. The progress was delayed to a certain degree as most of our resources have been allocated to support our Ad5-nCoV product. We expect to complete all of the clinical trials for our DTcP Booster candidate by 2022.

- ***Tdcp Adolescent and Adult***

Tdcp vaccines for adolescents and adults are in the routine vaccination schedule of developed countries. However, there are no approved Tdcp vaccines for adolescents and adults in China. Our Tdcp Adolescent and Adult candidate is a potential global best-in-class vaccine developed to compete against world-class vaccines such as Boostrix and Adacel. As compared with the composition of our DTcP Infant candidate, our Tdcp Adolescent and Adult candidate contains a slightly higher amount of the tetanus toxoid antigen, and reduced amounts of pertussis antigens (FHA, PT and PRN) and the DT antigen in line with international industry standards.

We plan to conduct overseas clinical trials for our Tdcp Adolescent and Adult candidate first and then submit clinical trial applications in China. The progress was slower than our expectation due to the impact of COVID-19 pandemic.

- ***TB Booster***

We are developing a globally innovative TB Booster candidate for the Bacillus Calmette-Guerin-vaccinated population. The phase Ia clinical trial showed the Ad5Ag85A TB candidate to be safe and well tolerated, and able to boost the immunity in the Bacillus Calmette-Guerin-vaccinated population. We obtained a world-wide exclusive license from McMaster University to develop and commercialize products in the tuberculosis field based on technology information rights owned by McMaster University related to TB Booster and its phase I clinical trial, as well as a non-exclusive sub-license to relevant adenovirus patent rights licensed to McMaster University.

Our phase Ib clinical trial is being conducted in Canada to evaluate the safety and immune responses stimulated by the TB Booster candidate in the blood and lungs, however the clinical trial progress in Canada was slower than our expectation due to the impact of COVID-19 pandemic.

Pre-Clinical Programs with Proof of Concept

We have six vaccine candidates in pre-clinical programs, including one combination vaccine candidate and five disease-specific vaccine candidates targeting shingles, meningitis, polio, adenovirus and Zika.

The Group's Facilities

To date, our manufacturing activities focus on commercialization and product registration. Our manufacturing facility is equipped with advanced equipment and machinery include fermentation, purification, conjugation, and ultrafiltration, auto-packaging and filling machinery. We own and operate a commercial-scale manufacturing facility for our near-commercial candidates located in Tianjin city currently with a total gross floor area of approximately 38,000 m². The facility is designed, constructed and operated to meet international standards. Our manufacturing facility was designed to have an annual bulk production capacity of approximately 70 million to 80 million doses. We believe our current production capacity is fully capable of supporting our commercialization plans for our near-commercial candidates as well as supporting the manufacturing of clinical trial materials.

For commercialization of our Ad5-nCoV, we have built a manufacturing facility located in Tianjin with an annual capacity of approximately 200 million to 300 million doses. We are working with Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司) (Hong Kong Stock Exchange: 2607; Shanghai Stock Exchange: 601607) to build a manufacturing facility located in Shanghai with an annual capacity of approximately 200 million to 300 million doses. In addition, we will continue to leverage on external business partner(s) to deliver an annual capacity of approximately 100 million doses.

We have completed validation of our manufacturing facilities and processes for our phase I production facilities. The CFDI has announced the notice of on-site inspection for NDA licensure for MCV2 and MCV4, respectively. To date, we have passed the on-site inspection for MCV2 and MCV4, and expect to launch them in 2021.

Intellectual Property

As of December 31, 2020, the Group owned 91 trademarks, including 38 in China, 6 in Hong Kong, 5 in Taiwan, 1 in the European Union, 1 in the United States and 40 in other countries and regions. As of the same date, the Group had filed 61 trademark applications in China, 16 in other countries and regions and also filed trademark applications through Madrid International Trademark System.

As of December 31, 2020, the Group owned 21 patents in China, 3 patents in the United States and 1 patent in the European Union. As of the same date, the Group had filed 6 patent applications in China, 1 patent application in the European Union and the United States.

Future and Outlook

Our mission is to develop, manufacture and commercialize high quality, innovative and affordable vaccines. To accomplish the mission, we will continue to commercialize our Ad5-nCoV domestically and globally, advance our near-commercial candidates towards the NDA approval and develop our clinical trial stage assets through our in-house research and development and medical/clinical teams. Also, we will continue to discover and develop new vaccine candidates through both in-house research and development and external collaborations. We will continue to evaluate possible global collaborations and acquisitions of high-potential assets related to vaccines and biological products. In addition, we are expanding our marketing and commercialization team to prepare for the launch of our commercialized product and near commercial-stage products.

The pandemic may continue to have an impact on our business operations to varying degrees. On one hand, it may lead to further commercialization of our Ad5-nCoV, and on the other, it may cause delays in the clinical trials, construction of facilities, regulatory approvals, and even commercialization of our other vaccine candidates. It is difficult to estimate the duration of the pandemic and the safety, efficacy and availability of vaccines and treatments for COVID-19 in the upcoming months given the volatile nature of these circumstances. Thus, we are unable to accurately predict the extent of the impact of the pandemic on our business operations. The Company will focus on all aspects of our business operations and will react actively to the impacts.

Cautionary Statement required under Rule 18A.08(3) of the Hong Kong Listing Rules: We cannot guarantee that we will ultimately develop or market our core products (with the meaning ascribed to it under the Hong Kong Listing Rules) successfully. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the Shares.

Financial Review

Revenue

For the year ended December 31, 2020, we recorded a total revenue of approximately RMB18.5 million (2019: nil), which is mainly contributed by the revenue generated from the sales of our Core Product.

Other Income

Our other income increased significantly from approximately RMB19.0 million for the year ended December 31, 2019 to approximately RMB114.9 million for the year ended December 31, 2020. Our other income primarily consisted of (i) investment income on wealth management products that we purchased from certain reputable commercial banks, (ii) net income from sales of vaccine components, and (iii) government grants.

Selling Expenses

Our selling expenses increased from approximately RMB5.3 million for the year ended December 31, 2019 to approximately RMB16.6 million for the year ended December 31, 2020, primarily because of the preparation for the commercialization of our vaccine candidates.

Administrative Expenses

Our administrative expenses increased by 32.0% from approximately RMB62.8 million for the year ended December 31, 2019 to approximately RMB82.9 million for the year ended December 31, 2020, primarily due to (i) an increase of approximately RMB16.8 million in employee benefits expenses, (ii) an increase of approximately RMB8.4 million in professional service fee (including auditors' remuneration), (iii) an increase of approximately RMB3.4 million in utilities and office expenses, and (iv) an increase of approximately RMB2.0 million in depreciation and amortizing cost. Such expenses were partially offset by a decrease of approximately RMB12.9 million in listing expense.

Research and Development Expenses

Our research and development expenses increased by 182.4% from approximately RMB151.7 million for the year ended December 31, 2019 to approximately RMB428.5 million for the year ended December 31, 2020, primarily due to (i) an increase of approximately RMB33.5 million in employee benefits expenses, (ii) an increase of approximately RMB5.8 million in depreciation and amortization, and (iii) an increase of approximately RMB187.5 million in clinical trial and testing fee for the research and development of our vaccine candidates.

The following table sets forth the components of our research and development expenses for the years indicated.

	Year ended December 31,			
	2020		2019	
	RMB'000	%	RMB'000	%
Employee Benefits expenses	120,911	28.2	87,458	57.6
Raw materials and consumables used	69,656	16.3	26,557	17.5
Depreciation and amortization	23,951	5.6	18,150	12.0
Clinical trial and testing fee	198,167	46.2	10,628	7.0
Others	15,800	3.7	8,954	5.9
Total	<u>428,485</u>	<u>100</u>	<u>151,747</u>	<u>100.0</u>

Finance Income – Net

Our net finance income decreased significantly from approximately RMB43.5 million for the year ended December 31, 2019 to approximately RMB4.2 million for the year ended December 31, 2020, primarily due to a decrease of approximately RMB49.1 million in exchange gains on foreign currency, and an increase of approximately RMB9.9 million in interest income. We have an exchange loss of approximately RMB27.4 million for the year ended December 31, 2020, compared to an exchange gain of approximately RMB21.7 million for the year ended December 31, 2019.

Income Tax Expense

Our income tax expense for the year ended December 31, 2020 was nil (2019: nil).

Intangible Assets

Our intangible assets were approximately RMB36.8 million as of December 31, 2020 which primarily represented the capitalized clinical trial expenses (December 31, 2019: approximately RMB38.7 million).

Inventories

Our inventories comprised finished goods, work in progress, raw materials outsourced for processing, raw materials and consumable materials purchased for production and research and development activities. Our inventories increased significantly from approximately RMB16.3 million as of December 31, 2019 to approximately RMB170.5 million as of December 31, 2020, primarily due to the increase in procurement of raw materials and consumable materials, which is commensurate to our increased research and development activities and our preparation for manufacturing and commercialization.

Other Receivables and Prepayments

The following table sets forth the components of our other receivables and prepayments as of the dates indicated:

	As of December 31, 2020 RMB'000	As of December 31, 2019 RMB'000
Value added tax recoverable	72,427	25,682
Prepayments to suppliers of intangible assets and property, plant and equipment	35,262	10,734
Prepayments to suppliers of raw materials	114,067	17,884
Prepayments of listing expenses	–	5,215
Others	845	75
	222,601	59,590
Less: non-current portion	(107,778)	(36,476)
Current portion	114,823	23,114

Our other receivables and prepayments increased from approximately RMB59.6 million as of December 31, 2019 to approximately RMB222.6 million as of December 31, 2020, which was primarily due to (i) an increase of approximately RMB46.7 million in value added tax recoverable; (ii) an increase of approximately RMB24.5 million in prepayments to suppliers of property, plant and equipment; and (iii) an increase of approximately RMB96.2 million in prepayments to suppliers of raw materials. Such increase was partially offset by a decrease of approximately RMB5.2 million in prepayments of listing expenses.

Trade Payables

Our trade payables mainly included payments to be paid to raw material suppliers. The following table sets forth the aging analysis of our trade payables based on invoice date as of the dates indicated:

	As of December 31, 2020 RMB'000	As of December 31, 2019 RMB'000
Within 1 year	60,420	6,028
Between 1 year and 2 years	10	31
Between 2 year and 3 years	31	–
More than 3 years	112	112
	<u>60,573</u>	<u>6,171</u>

Our trade payables increased significantly from approximately RMB6.2 million as of December 31, 2019 to approximately RMB60.6 million as of December 31, 2020. We did not have any material defaults in payment of trade payables for the year ended December 31, 2020.

Other Payables and Accruals

The following table sets forth the components of our other payables and accruals as of the dates indicated:

	As of December 31, 2020 RMB'000	As of December 31, 2019 RMB'000
Other payables to suppliers of property, plant and equipment	135,722	49,187
Payroll and welfare payable	71,862	19,006
Clinical trial and testing fee	78,677	1,011
Accrued listing expenses	–	2,173
Deposits from suppliers	35	1,800
Consulting fees	1,731	730
Accrued taxes other than income tax	1,159	490
Others	10,542	6,241
	<u>299,728</u>	<u>80,638</u>

Our other payables and accruals increased by 271.7% from approximately RMB80.6 million as of December 31, 2019 to approximately RMB299.7 million as of December 31, 2020, primarily due to (i) an increase of approximately RMB86.5 million in other payables to suppliers of property, plant and equipment, (ii) an increase of approximately RMB77.7 million in clinical trial and testing fee, and (iii) an increase of approximately RMB52.9 million in payroll and welfare payable.

Financial Resources, Liquidity and Capital Structure

Our net current assets increased significantly from approximately RMB670.0 million as of December 31, 2019 to approximately RMB5,007.8 million as of December 31, 2020, which is primarily attributable to the proceeds raised from the A Share Offering. We are of the view that our financial resources are sufficient for our daily operations.

The capital of the Company comprises H Shares and A Shares. Total equity attributable to owners of the Company amounted to approximately RMB6,070.9 million as of December 31, 2020, representing an increase of 312.8% as compared with that of approximately RMB1,470.5 million as of December 31, 2019, which was primarily attributable to the funds raised from the A Share Offering.

Investment in Financial Assets

With regard to capital management, based on the principles of prudence and soundness, the Company generally chooses principal-protected wealth management products with interest rates higher than those of bank deposit for the same period to maximize our capital gains. As of December 31, 2020, the Company held structural deposits of RMB640 million issued by Binhai Branch, China CITIC Bank. The annual interest rate of structural deposits purchased during the year ended December 31, 2020 varied from 1.10% to 3.85%. Such structural deposits have a maturity period ranging from 7 days to 357 days and are non-cancellable before maturity.

Significant Investments, Material Acquisitions and Disposals

During the year ended December 31, 2020, save as disclosed above, we did not make any significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures (2019: nil).

Future Plans for Material Investments or Capital Assets

As of the date of this announcement, we plan to apply approximately RMB550.0 million from the proceeds from the A Share Offering to construct phase II production facilities to meet the Company's production and operation needs.

Saved as disclosed above, the Group had no other material capital expenditure plan as of the date of this announcement.

Contingent Liabilities

As of December 31, 2020, the Group was not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, and did not have any contingent liabilities that we expected, would materially adversely affect our business, financial position or results of operations.

Capital Commitments

The capital commitments of the Group as of December 31, 2020 were approximately RMB180.5 million, representing an increase of 585.7% as compared with that of approximately RMB26.3 million as of December 31, 2019, primarily because we initiated the construction of production facilities to meet the Company's production and operation needs.

Charge on Assets

As of December 31, 2020, certain of the Group's property, plant and equipment have been pledged as collateral under the Group's borrowing arrangements with banks. The carrying amount of property, plant and equipment pledged as collateral were approximately RMB275.5 million as of December 31, 2020 (December 31, 2019: approximately RMB261.3 million).

As of December 31, 2020, certain of the Group's land use rights have been pledged as collateral under the Group's borrowing arrangements with banks. The carrying amount of land use rights pledged as collateral were approximately RMB10.4 million as of December 31, 2020 (December 31, 2019: approximately RMB10.6 million).

Saved as disclosed above, there were no other charges on the Group's assets as of December 31, 2020.

Exchange Rate Risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. The Group is not exposed to foreign exchange risk as there are no significant financial assets or liabilities of the Group denominated in the currencies other than the functional currency, except for the cash and term deposits at bank in USD and HKD which were primarily received from the investors as capital contributions. During the Reporting Period, the Group did not have a foreign currency hedging policy as our foreign exchange risk exposure was minimal. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange of the Group exposure should the need arise.

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents and term deposits with initial term of over three months, divided by total equity and multiplied by 100%. As of December 31, 2020, the Company was in a net cash position and thus, gearing ratio is not applicable.

OTHER INFORMATION

Share Capital

Share capital of the Company as of 31 December 2020 was as follows:

	Number of Shares	Percentage of total issued share capital
A Shares	114,778,999	46.38%
H Shares	<u>132,670,900</u>	<u>53.62%</u>

The total number of 24,800,000 A Shares were issued at an issue price of RMB209.71 per A Share, and its aggregated nominal value is RMB24,800,000. In addition, the Company transferred 73,254,799 domestic shares and 16,724,200 unlisted foreign shares of the Company issued before the A Share Offering into A Shares. The above A Shares were listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange on August 13, 2020. The A Share Offering is expected to provide sufficient financial support for the Company to continuously promote the research and development and commercialization of our pipeline, and further improve our corporate governance.

Purchase, Sale or Redemption of the Listed Securities of the Company

The Company or any of its subsidiaries had not purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Corporate Governance

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

The Company has adopted the code provisions of the CG Code as its own code of corporate governance. The Board is of the view that the Company has complied with all applicable code provisions of the CG Code for the Reporting Period, except for the following:

In respect of code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company are not separate and are both performed by Dr. Yu. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors; (ii) Dr. Yu and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for our Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Company in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors and Supervisors.

Having made specific enquiry of all Directors and Supervisors, all of them have confirmed that they have complied with the Model Code throughout the Reporting Period. No incident of non-compliance of the Model Code by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

Review of Financial Statements

The Audit Committee comprises three independent non-executive Directors, namely, Ms. Zhu XIN, Mr. Shiu Kwan Danny WAI and Mr. Shuifa GUI. The chairman of the Audit Committee is Ms. Zhu XIN. The Audit Committee has reviewed the annual results of the Group for the year ended December 31, 2020 and has recommended for the Board's approval thereof. The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Company and the audited consolidated financial statements for the year ended December 31, 2020. The Audit Committee reviewed and considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the Reporting Period as set out in this announcement have been agreed by the Group's external auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on this announcement.

Use of Proceeds from Listing of H Shares and A Share Offering

Use of H-Share IPO Proceeds

The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from its Listing of H Shares and the exercise of over-allotment option of approximately HK\$1,309.8 million in aggregate, equivalent to approximately RMB1,122.3 million (the "**H-share IPO Proceeds**"). Taking into account the net proceeds received from the A Share Offering, together with the market collaboration with Pfizer and the Company's operation needs, in order to strengthen the Company's capital efficiency, on August 21, 2020, the Board resolved to change the use of the remaining unutilized H-share IPO Proceeds of approximately RMB682.8 million in total as of June 30, 2020, which was subsequently approved by the Shareholders of the Company on October 9, 2020. The table below sets out, among other things, the revised allocation of unutilized H-share IPO Proceeds and actual usage up to December 31, 2020:

Intended use of H-Share IPO Proceeds	Proposed use of H-share IPO Proceeds at the time of Listing (RMB million)	Unutilized H-share IPO Proceeds as of June 30, 2020 (RMB million)	Revised allocation of unutilized H-share IPO Proceeds as of June 30, 2020 (RMB million)	Actual usage during the Reporting Period (RMB million)	Actual usage up to December 31, 2020 (RMB million)	Unutilized net proceeds as of December 31, 2020 (RMB million)	Expected time of full utilization of remaining balance
Research and development and commercialization of MCV candidates	505.1	458.2	38.2	23.4	51.1	34.0	By the end of 2021
Research and development of DTcP candidates	224.5	166.6	166.6	25.1	61.3	163.2	By the end of 2023
Research and development of other key products	168.3	41.8	41.8	65.0	133.4	35.0	By the end of 2021
Continued research and development of our pre-clinical vaccine candidates	112.2	10.7	10.7	63.5	109.4	2.8	By the end of 2021 ¹
Working capital and other general corporate purposes	112.2	5.5	5.5	60.6	110.4	1.8	By the end of 2021 ¹
(i) cooperation, licensing and introduction of advanced technologies, vaccine candidates and biological products; (ii) development of vaccine candidates; and (iii) acquisition of high-quality assets related to vaccines and biological products	-	-	420.0	-	-	420.0	By the end of 2023
Total	1,122.3	682.8	682.8	237.5	465.5	656.8	

Note:

1. The Company prioritized the use of A-Share IPO Proceeds (as defined below) after receiving it, and thus the actual usage of corresponding H-share IPO Proceeds was delayed.

Use of A-Share IPO Proceeds

The A Shares were listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange on August 13, 2020. The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the A Share Offering of approximately RMB4,979.5 million (the “A-share IPO Proceeds”). The table below sets out, among other things, the planned applications of the A-share IPO Proceeds and actual usage up to December 31, 2020:

Intended use of A-Share IPO Proceeds	Planned applications of A-share IPO Proceeds (RMB million)	Actual usage up to December 31, 2020 (RMB million)	Unutilized net proceeds as of December 31, 2020 (RMB million)	Expected time of full utilization of remaining balance
Construction of phase II production facilities	550.0	–	550.0	By the end of 2023
Development of vaccine candidates	150.0	6.4	143.6	By the end of 2023
Construction of vaccine traceability and cold chain logistics system and information system	50.0	1.9	48.1	By the end of 2022
Working capital	250.0	250.0	–	NA
Sub-total ¹	1,000.0	258.3	741.7	
Over-raised proceeds from A Share Offering ¹	3,979.5	1,190.0	2,789.5	By the end of 2023
Total	4,979.5	1,448.3	3,531.2	

Note:

1. The A-share IPO Proceeds consist of: (1) a total of RMB1,000.0 million, the proposed applications of which have been disclosed in the prospectus of the A Share Offering; and (2) the over-raised proceeds of RMB3,979.5 million. STAR Market Listing Rules do not require intended use to be applied to the over-raised proceeds obtained from A Share Offering. Any subsequent intended use for the over-raised proceeds from A Share Offering shall be approved by the Shareholders at a general meeting. As approved by the Shareholders of the Company at the extraordinary general meeting held on October 9, 2020, a total amount of RMB1,190.0 million of the over-raised proceeds from A Share Offering has been used to permanently supplement working capital. The Company will use the unutilized over-raised proceeds from A Share Offering for future business needs after obtaining approvals from the Shareholders at a general meeting in accordance with relevant requirements of the Shanghai Stock Exchange, and disclose relevant specific plans in due course.

The expected timeline for utilizing the remaining proceeds from Listing of H Shares and A Share Offering is set on the basis of the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change. Based on our estimates, we currently intend to apply the unutilized net proceeds in accordance with the plans set out in the above tables.

Important Events after the End of the Reporting Period

Save as those in relation to our latest progress with Ad5-nCoV disclosed under the section “Business Review” in this announcement, the Company is not aware of other important events occurred after the Reporting Period and up to the date of this announcement.

Final Dividends

The Directors do not recommend a final dividend for the Reporting Period (2019: nil).

Annual General Meeting

The forthcoming annual general meeting of the Company (the “**AGM**”) will be held on Friday, May 28, 2021. The notice of AGM will be published on the websites of the Company (www.cansinotech.com) and the Hong Kong Stock Exchange (www.hkexnews.hk) and despatched to the Shareholders in the manner as required by the Hong Kong Listing Rules in due course.

Closure of Register of Members

The register of members of H Shares will be closed from Wednesday, April 28, 2021 to Friday, May 28, 2021, both days inclusive, during which period no transfer of H Shares will be registered, in order to determine the holders of the H Shares who are entitled to attend and vote at the forthcoming AGM.

To be eligible to attend and vote at the AGM, all properly completed transfer documents must be lodged with the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, April 27, 2021 for registration.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Revenue	5	18,544	–
Cost of sales of goods	7	<u>(13,804)</u>	<u>–</u>
Gross profit		4,740	–
Other income	6	114,894	19,000
Selling expenses	7	(16,562)	(5,287)
Administrative expenses	7	(82,875)	(62,786)
Research and development expenses	7	(428,485)	(151,747)
Impairment loss of non-financial assets	7	(391)	(241)
Other gains – net	8	<u>7,820</u>	<u>816</u>
Operating loss		<u>(400,859)</u>	<u>(200,245)</u>
Finance income		31,721	43,572
Finance costs		<u>(27,500)</u>	<u>(93)</u>
Finance income – net		<u>4,221</u>	<u>43,479</u>
Loss before income tax		(396,638)	(156,766)
Income tax expense	9	<u>–</u>	<u>–</u>
Loss for the year and total comprehensive loss		<u>(396,638)</u>	<u>(156,766)</u>
Loss attributable to owners of the Company		<u>(396,638)</u>	<u>(156,766)</u>
Loss per share			
– Basic and diluted loss per share (in RMB)	10	<u>(1.72)</u>	<u>(0.77)</u>

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2020

		As of 31 December	
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		873,375	575,504
Right-of-use assets		43,998	32,716
Intangible assets		36,838	38,689
Other receivables and prepayments		107,778	36,476
Term deposits with initial term of over three months		265,441	306,868
		<hr/>	<hr/>
Total non-current assets		1,327,430	990,253
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		170,512	16,338
Trade receivables	<i>11</i>	21,639	–
Other receivables and prepayments		114,823	23,114
Financial assets at fair value through profit or loss		666,640	111,526
Term deposits with initial term of over three months		–	440,817
Cash and cash equivalents		4,447,029	202,450
		<hr/>	<hr/>
Total current assets		5,420,643	794,245
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		6,748,073	1,784,498
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

		As of 31 December	
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		6,772,398	1,792,933
Capital reserves		63,148	45,637
Accumulated losses		(764,692)	(368,054)
		<hr/>	<hr/>
Total equity		6,070,854	1,470,516
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
LIABILITIES			
Non-current liabilities			
Borrowings		90,000	130,000
Lease liabilities		3,790	7,758
Deferred income		170,576	51,929
		<hr/>	<hr/>
Total non-current liabilities		264,366	189,687
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade payables	<i>12</i>	60,573	6,171
Contract liabilities		420	578
Other payables and accruals		299,728	80,638
Borrowings		40,159	20,239
Lease liabilities		8,588	8,802
Deferred income		3,385	7,867
		<hr/>	<hr/>
Total current liabilities		412,853	124,295
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		677,219	313,982
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		6,748,073	1,784,498
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

CanSino Biologics Inc. (the “**Company**”) was incorporated in Tianjin of the People’s Republic of China (the “**PRC**”) on 13 January 2009 as a limited liability company by Xuefeng Yu, Tao Zhu, Dongxu Qiu, Xuan Liu and Helen Huihua Mao. The address of the Company’s registered office is 401-420, 4th Floor, Biomedical Park, 185 South Avenue, TEDA West District, Tianjin, the PRC. Upon approval by the shareholders’ general meeting held on 10 February 2017, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC and changed its registered name from “Tianjin CanSino Biotechnology Inc.(天津康希諾生物技術有限公司)” to “CanSino Biologics Inc. (康希諾生物股份公司)” on 13 February 2017. The Company and its subsidiaries (collectively referred to as the “**Group**”), are principally engaged in the research and development, manufacturing and commercialisation of vaccine products for human use.

The Company’s H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 28 March 2019 (the “**HK Listing**”), and the Company’s A shares were listed on the SSE STAR Market on 13 August 2020 (the “**A Share Listing**”).

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements are presented in Renminbi (“**RMB**”) and rounded to nearest thousand yuan, unless otherwise stated.

2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the change in the determination of non-class I biological products’ development stage and the adoption of Amendment to HKFRS 16-Covid-19-Related Rent Concessions on the Group’s financial statements.

(a) Research and development

In 2020, the Group decided to change voluntarily the determination of non-class I biological products’ development stage, to provide more reliable and relevant accounting information.

The previous accounting policy was that non-class I biological products’ development stage begins after clinical trials are conducted substantially, and development costs at this stage are recognised as assets when the six capitalisation criteria (see Note 3) are met. It is changed to that the non-class I biological products’ development stage begins after Phase III clinical trials are conducted substantially, and development costs at Phase III are recognised as assets when the six capitalisation criteria are met.

Considering the overall impact on financial statements is insignificant, the Group released the cost of Phase I development of approximately RMB2.1 million from capitalised intangible assets to research and development expenses for the year ended 31 December 2020.

(b) Leases

The Group has early adopted Amendment to HKFRS 16-Covid-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b. any reduction in lease payments affects only payments due on or before 30 June 2021; and c. there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling RMB2,163,000 have been accounted for as negative variable lease payments, including RMB1,918,000 recognised in administrative expenses and research and development expenses in the statement of profit or loss for the year ended 31 December 2020, and RMB245,000 recognised in borrowing costs capitalised in qualifying assets as of 31 December 2020, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

3. RESEARCH AND DEVELOPMENT

The Group incurs significant costs and efforts on research and development activities, which include expenditures on vaccine products. Research expenditures are charged to the profit or loss as an expense in the year the expenditure is incurred. Development costs are recognised as assets if they can be directly attributable to a newly developed vaccine product and all the following can be demonstrated:

- (i) The technical feasibility to complete the development project so that it will be available for use or sale;
- (ii) The intention to complete the development project to use or sell the vaccine product;
- (iii) The ability to use or sell the vaccine product;
- (iv) The manner in which the development project will generate probable future economic benefits for the Group;
- (v) The availability of adequate technical, financial and other resources to complete the development project and use or sell the vaccine product; and
- (vi) The expenditure attributable to the asset during its development can be reliably measured.

The Group recognise development costs as follows:

For class I biological products (biological products that have not been previously approved for sale in China or abroad), development stage begins after obtaining new drug application approval from drug regulatory organization. Development costs at this stage are recognised as assets when the above six criteria are met.

As explained in Note 2 (a) above, for non-class I biological products, development stage begins after Phase III clinical trials are conducted substantially. Development costs at Phase III are recognised as assets when the above six criteria are met.

Development expenditures not satisfying the above criteria are recognised in the profit or loss as incurred.

Capitalised development costs are amortised using the straight-line method over the life of the related vaccine product. Amortisation shall begin when the asset is available for use.

4. LEASES

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

5. REVENUE

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of vaccine products-at a point in time	18,544	–

The Group recognised the following liabilities related to contracts with customers:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities – technical services	420	578

All the contracts that are partially or fully unsatisfied are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. OTHER INCOME

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Investment income on wealth management products	32,035	3,388
Government grants (a)	77,049	13,460
Net income from vaccine components	5,810	2,136
Others	–	16
	114,894	19,000

Note:

- (a) Government grants mainly represented subsidy income received from various government organisations to support relevant operating and development activities of the Group.

7. EXPENSES BY NATURE

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Changes in inventories of finished goods and work in progress	(33,581)	(229)
Employee benefit expenses	205,867	116,684
Listing expenses	1,943	14,886
Depreciation and amortisation	31,741	22,473
Raw materials and consumables used	77,844	26,681
Utilities and office expenses	21,426	9,530
Consulting fee	13,762	5,327
Travelling and transportation expenses	7,315	5,613
Business tax and other transaction taxes	4,007	2,955
Clinical trial and testing fee	198,167	10,628
Auditors' remuneration	–	–
– Audit services	3,889	775
– Other services	160	376
Operating lease rental expenses (Note 2 (b))	(1,421)	–
Impairment losses on inventories	391	241
Others	10,607	4,121
	<u>542,117</u>	<u>220,061</u>

Note:

For the year ended 31 December 2020, the Group applied the practical expedient to all qualifying COVID-19-related rent concessions, RMB1,918,000 (Note 2 (b)) (2019: nil) has been recognised in administrative expenses and R&D expenses.

8. OTHER GAINS – NET

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Losses on disposal of property, plant and equipment	(136)	(16)
Gains from Gates foundation	1,354	–
Net fair value gains on financial assets at fair value through profit or loss	6,640	526
Others	(38)	306
	<u>7,820</u>	<u>816</u>

9. INCOME TAX EXPENSE

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Current income tax expense	–	–
Deferred income tax expense	–	–
	<u>–</u>	<u>–</u>

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss before income tax	(396,638)	(156,766)
Tax expense calculated at statutory tax rate of 25%	(99,160)	(39,192)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
– Impact of applying preferential tax rate	39,664	15,677
– Tax loss not recognised as deferred tax assets	93,188	34,314
– Extra deduction of research and development expenses	(36,153)	(12,804)
– Others	2,461	2,005
	<hr/>	<hr/>
Income tax expense	–	–
	<hr/> <hr/>	<hr/> <hr/>

On 24 November 2016, the “Certificate of New Hi-tech Enterprise” was granted to the Company and renewed on 28 November 2019 with a valid period of 3 years, and the Company becomes eligible for a corporate income tax rate of 15% for the year ended 31 December 2020 (2019: 15%).

10. LOSS PER SHARE

(a) Basic loss per share

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss for the year	(396,638)	(156,766)
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue (<i>in thousand</i>)	230,917	203,252
	<hr/>	<hr/>
Basic loss per share (<i>in RMB</i>)	(1.72)	(0.77)
	<hr/> <hr/>	<hr/> <hr/>

(b) Diluted loss per share

Diluted loss per share for the year ended 31 December 2020 is same with basic loss per share, since there are no share options or other equity securities of the Company in issue which if exercised would have a dilutive effect on the issued ordinary share capital as of 31 December 2020.

11. TRADE RECEIVABLES

	As of 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current assets		
Trade receivables from contracts with customers	21,639	–
Less: Loss allowance	–	–
	<u>21,639</u>	<u>–</u>
	<u><u>21,639</u></u>	<u><u>–</u></u>

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(a) Trade receivables by overdue analysis

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As of 31 December 2020, the provision for credit loss of accounts receivables was insignificant. The overdue analysis of trade receivables of the Group is as follows:

	As of 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within credit terms	<u>21,639</u>	<u>–</u>

(b) Trade receivables by ageing analysis

As of 31 December 2020 and 2019, the ageing analysis of trade receivables of the Group is as follows:

	As of 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	21,639	–
Less: Loss allowance	–	–
	<u>21,639</u>	<u>–</u>
	<u><u>21,639</u></u>	<u><u>–</u></u>

12. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	As of 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	60,420	6,028
Between 1 year and 2 years	10	31
Between 2 year and 3 years	31	–
More than 3 years	112	112
	<u>60,573</u>	<u>6,171</u>

The carrying amounts of trade payables are denominated in RMB, and approximate their fair values due to short-term maturities.

13. DIVIDENDS

No dividend has been declared by the Company for the year ended 31 December 2020 (2019: nil).

PUBLICATION OF THE 2020 CONSOLIDATED ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cansinotech.com). The annual report for the year ended December 31, 2020 containing all the information in accordance with the requirements under the Hong Kong Listing Rules, will be despatched to the Shareholders and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

DEFINITIONS, ACRONYMS AND GLOSSARY OF TECHNICAL TERMS

“Ad5-EBOV”	a adenovirus type 5 vector based Ebola virus disease vaccine, a vaccine jointly developed by, among others, CanSinoBio, that protects against Ebola by relying on the recombinant replication-defective human adenovirus type-5 vector to induce the immune response. It received the NDA approval in China in October 2017
“adenovirus”	a DNA virus originally identified in human adenoid tissue, causing infections of the respiratory system, conjunctiva, and gastrointestinal tract, and including some capable of inducing malignant tumors in experimental animals
“Ad5-nCoV”	Recombinant Novel Coronavirus Vaccine (Adenovirus Type 5 Vector)
“A Share Offering”	the Company's initial public offering of 24,800,000 A Shares and listing on the Sci-Tech Innovation Board of Shanghai Stock Exchange on August 13, 2020
“A Share(s)”	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each and listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange and traded in RMB
“Audit Committee”	the audit committee of the Board
“BIB”	Beijing Institute of Biotechnology, Academy of Military Medical Sciences (中國人民解放軍軍事科學院軍事醫學研究院生物工程研究所)
“Board” or “Board of Directors”	the board of directors of the Company
“CanSinoBIO”, “Company”, “our Company” or “the Company”	CanSino Biologics Inc. (康希諾生物股份公司), a joint stock company incorporated in the PRC with limited liability on February 13, 2017, or, where the context requires (as the case may be), its predecessor, Tianjin CanSino Biotechnology Inc. (天津康希諾生物技術有限公司), a company incorporated in the PRC with limited liability on January 13, 2009

“CDE”	Center for Drug Evaluation of the National Medical Products Administration (國家藥品監督管理局藥品審評中心)
“CFDI”	Center for Food and Drug Inspection of the NMPA
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
“conjugate”	chemically link bacterial capsular polysaccharide to a protein to enhance immunogenicity
“Core Product(s)”	for the purpose of this announcement, include our MCV2 and MCV4 candidates, namely the core products under the Chapter 18A of the Hong Kong Listing Rules, together with our Ad5-nCoV
“CTA”	clinical trial application, the PRC equivalent of investigational new vaccine application
“DTcP”	diphtheria, tetanus and acellular pertussis (components) combined vaccine, each pertussis antigen of DTcP vaccines is purified individually and are subsequently combined in a defined ratio, hence ensuring a fixed and consistent composition
“DTcP Booster”	a vaccine being developed by us that addresses the weaker protection preventing pertussis after primary vaccination, designed for children (4 to 6 years old)
“DTcP Infant”	DTcP vaccine for infants (below 2 years old)
“Director(s)”	the director(s) of the Company
“FHA”	filamentous hemagglutinin adhesion, a large, filamentous protein that serves as a dominant attachment factor for adherence to respiratory epithelium
“GMP”	Good Manufacturing Practice, guidelines and regulations from time to time issued pursuant to the PRC Drug Administration Law (《中華人民共和國藥品管理法》) as part of quality assurance which aims to minimize the risks of contamination, cross contamination, confusion and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use

“Group”, “our Group”, “the Group”, “we”, “us”, “our” or “CanSino”	the Company and its subsidiary
“Hib”	haemophilus influenzae type B infection
“H Share(s)”	overseas listed shares in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK\$ and listed on the Main Board of the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended or supplemented from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“immunogenicity”	the ability of a particular substance, such as an antigen, to provoke an immune response in the body of a human and other animal
“Listing”	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange on March 28, 2019
“Main Board”	the Main Board of the Hong Kong Stock Exchange
“MCV”	meningococcal conjugate vaccine, used to prevent infection caused by meningococcal bacteria
“MCV2”	Groups A and C MCV, a vaccine used for the prevention of <i>N. meningitides</i> (Lta)
“MCV4”	Groups A, C, Y and W135 MCV, a vaccine used for the prevention of <i>N. meningitides</i> (Lta)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“NDA”	new drug application

“NMPA”	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
“PBPV”	a globally innovative, serotype-independent protein-based pneumococcal vaccine being developed by us
“PCV13”	13-Valent pneumococcal conjugate vaccine, 13-valent vaccine primarily used for the prevention of invasive pneumococcal diseases
“PCV13i”	an improved pneumococcal conjugate vaccine being developed by us
“pertussis”	commonly known as whooping cough, a respiratory tract infection characterized by a paroxysmal cough
“polysaccharide”	a carbohydrate that can be decomposed by hydrolysis into two or more molecules of monosaccharides
“PPV23”	23-valent pneumococcal polysaccharide vaccine, used for the prevention of invasive pneumococcal disease in children aged above two years of old and adults
“PRN”	pertactin, originally known as the 69-kDa protein, is a surface-associated protein that is exported to the outer membrane, where it undergoes proteolytic cleavage
“PT”	pertussis toxin, a protein-based AB5-type exotoxin produced by the bacterium <i>Bordetella pertussis</i> , which causes whooping cough
“Reporting Period”	the year from January 1, 2020 to December 31, 2020
“Renminbi” or “RMB”	Renminbi Yuan, the lawful currency of China
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising A Share(s) and H Share(s)
“STAR Market Listing Rules”	the Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange (《上海證券交易所科創板股票上市規則》)
“Supervisor(s)”	supervisor(s) of our Company

“TB”	tuberculosis, an infection caused by <i>Mycobacterium tuberculosis</i> that primarily affects the lungs
“TB Booster”	a recombinant human type 5 adenovirus-based tuberculosis vaccine, a globally innovative TB booster vaccine for Bacillus Calmette-Guerin vaccinated population
“TdcP Adolescent and Adult”	a vaccine being developed by us for adolescents and adults (above 10 years old) that protects against pertussis, containing slightly increased amount of TT antigen to DTcP vaccine candidate for infants, but reduced amounts of pertussis and DT antigens
“vector”	an agent (such as a plasmid or virus) that contains or carries modified genetic material (such as recombinant DNA) and can be used to introduce exogenous genes into the genome of an organism

By order of the Board
CanSino Biologics Inc.
Xuefeng YU
Chairman

Hong Kong, March 26, 2021

As of the date of this announcement, the Board of Directors comprises Dr. Xuefeng YU, Dr. Shou Bai CHAO, Dr. Tao ZHU and Dr. Dongxu QIU as executive Directors, Mr. Qiang XU, Mr. Liang LIN, Ms. Nisa Bernice Wing-Yu LEUNG and Mr. Zhi XIAO as non-executive Directors, and Mr. Shiu Kwan Danny WAI, Ms. Zhu XIN, Mr. Shuifa GUI and Mr. Jianzhong LIU as independent non-executive Directors.