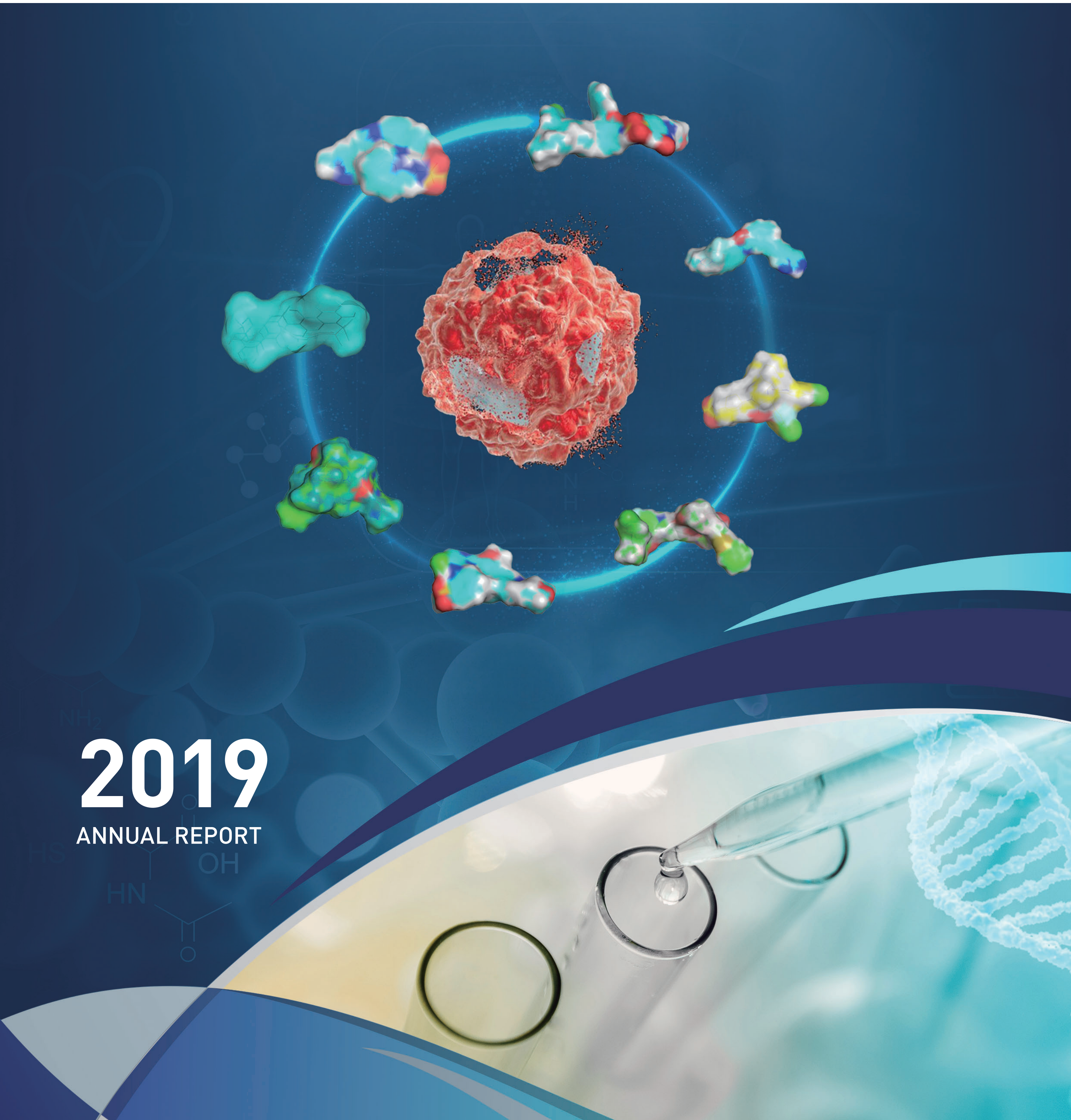
亞盛醫藥
Ascentage Pharma

Ascentage Pharma Group International
亞盛醫藥集團

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 6855



2019
ANNUAL REPORT

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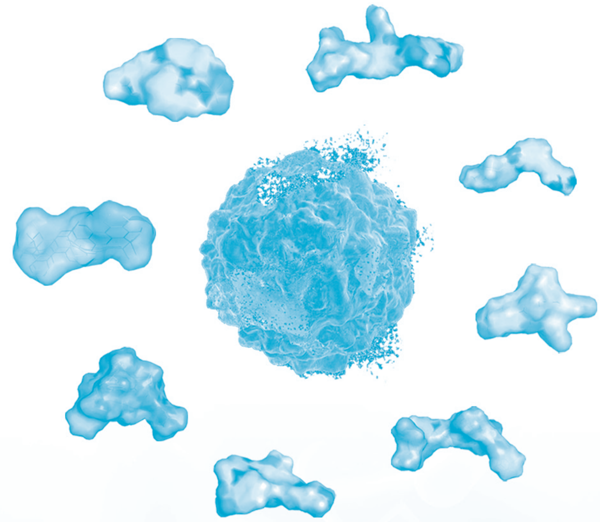

Definitions

In this annual report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.

"AGM"	annual general meeting of the Company
"Articles" or "Articles of Association"	the articles of association of the Company as amended from time to time
"Ascentage Australia"	Jiangsu Ascentage Pharma Pty. Ltd., a company incorporated in New South Wales, Australia with limited liability on March 24, 2016, our indirectly wholly-owned subsidiary
"Ascentage HK" or "SPV III"	Ascentage Investment Limited (亞盛投資有限公司), a company incorporated in Hong Kong with limited liability on April 20, 2018, our indirectly wholly-owned subsidiary
"Ascentage International"	Ascentage International Limited (亞盛國際有限公司), a limited liability company incorporated in Hong Kong on October 28, 2015, our wholly-owned subsidiary
"Ascentage Investment" or "SPV II"	Ascentage Investment International, an exempted company incorporated in the Cayman Islands with limited liability on March 22, 2018, our wholly-owned subsidiary
"Ascentage Jiangsu"	Jiangsu Ascentage Pharma Co., Ltd (江蘇亞盛醫藥開發有限公司), a limited liability company incorporated in the PRC on June 1, 2010, our indirectly wholly-owned subsidiary
"Ascentage Pharma (HK)"	Ascentage Pharma Group Corp Limited (亞盛醫藥集團(香港)有限公司), a company incorporated in Hong Kong with limited liability on May 22, 2009, our wholly-owned subsidiary
"Ascentage Shanghai"	Shanghai Yasheng Pharmaceutical Technology Co., Ltd. (上海亞盛醫藥科技有限公司) (formerly known as 上海亞晟醫藥科技有限公司), a limited liability company incorporated in the PRC on December 10, 2015, our indirectly wholly-owned subsidiary
"Ascentage Suzhou"	Suzhou Yasheng Pharmaceutical Co., Ltd. (蘇州亞盛藥業有限公司), a limited liability company incorporated in the PRC, our indirectly wholly-owned subsidiary
"Ascentage US"	Ascentage Pharma Group Inc., a corporation incorporated in Delaware, United States on November 4, 2015, our indirectly wholly-owned subsidiary
"Audit Committee"	the audit committee of the Board
"Board Committees"	the Audit Committee, the Remuneration Committee and the Nomination Committee
"Board of Directors" or "Board"	our board of Directors
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules

"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Chairman"	the chairman of the Board
"Company", "our Company", "Ascentage Pharma", "Group", "our Group", "we", "our" or "us"	Ascentage Pharma Group International (亞盛醫藥集團) (stock code: 6855), an exempted company incorporated in the Cayman Islands with limited liability on November 17, 2017
"Concert Party Confirmation Deed"	the concert party confirmation deed dated August 11, 2018 executed by Dr. Yang, Dr. Wang, Dr. Guo, Dr. Zhai, the Founders SPV and the Dr. Zhai SPV, to confirm, agree and acknowledge, among other things, that they are parties acting in concert in relation to our Group since December 5, 2016 and will continue to act in concert after the Listing
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires refers to the Founders, the Founders SPV, Dr. Zhai, Dr. Zhai SPV
"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules. For the purposes of this annual report, our Core Product is HQP1351
"Deed of Non-Competition"	the deed of non-competition dated April 24, 2019 entered into by our Controlling Shareholders, in favour of our Company (for itself and as trustee for each of our subsidiaries), particulars of which are set out in the paragraph headed "Relationship with Controlling Shareholders — Non-competition undertakings" in the Prospectus
"Director(s)"	the director(s) of the Company or any one of them
"Dr. Guo"	Dr. Guo Edward Ming, our chief operating officer and Controlling Shareholder
"Dr. Wang"	Dr. Wang Shaomeng, our non-executive director and Controlling Shareholder
"Dr. Yang"	Dr. Yang Dajun, our chairman, chief executive officer, Controlling Shareholder, and spouse of Dr. Zhai
"Dr. Zhai"	Dr. Zhai Yifan, our chief medical officer, Controlling Shareholder, and spouse of Dr. Yang
"Dr. Zhai SPV"	HealthQuest Pharma Limited, a company incorporated in BVI with limited liability and wholly owned by Dr. Zhai (for herself and as settlor of the Zhai Family Trust), our Controlling Shareholder
"FDA"	U.S. Food and Drug Administration
"Founders"	Dr. Yang, Dr. Wang and Dr. Guo
"Founders Family Trusts"	Yang Family Trust, Wang Family Trust and Guo Family Trust
"Founders SPV"	Ascentage Limited, a company incorporated in BVI with limited liability which is owned by Dr. Yang (for himself and as settlor of the Yang Family Trust) as to 45.53%, Dr. Guo (for himself and as settlor of the Guo Family Trust) as to 27.69% and Dr. Wang (for himself and as settlor of the Wang Family Trust) as to 26.78% as at the Latest Practicable Date, our Controlling Shareholder

Definitions

"FVTPL"	fair value through profit or loss
"Global Offering"	the Hong Kong public offering and international offering as described in the Prospectus
"Guo Family Trust"	Ming Edward Guo Dynasty Trust, a discretionary family trust established by Dr. Guo as settlor for the benefits of Dr. Guo's family members, of which South Dakota Trust is a trustee
"Healthquest Pharma"	Guangzhou Healthquest Pharma Co., Ltd. (廣州順健生物醫藥科技有限公司), a limited liability company incorporated in the PRC on July 3, 2012, our indirectly wholly-owned subsidiary
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"Independent Auditor"	Ernst & Young
"IPO"	the initial public offering of the Company, having become unconditional in all aspects on October 28, 2019
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	October 28, 2019, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"NDA"	new drug application
"Nomination Committee"	the nomination committee of the Board
"Post-IPO Share Option Scheme"	the post-IPO share option scheme approved by the board of directors of the Company on September 28, 2019 as amended from time to time
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved by the board of directors of the Company on July 13, 2018 as amended from time to time
"Prospectus"	the prospectus of the Company dated October 16, 2019
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Board

"Reporting Period"	the one-year period from January 1, 2019 to December 31, 2019
"RMB"	Renminbi, the lawful currency of the PRC
"RSU Scheme"	The restricted share unit scheme approved by the board of directors of the Company on July 6, 2018 as amended from time to time
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of US$0.0001 each
"Shareholder(s)"	holder(s) of Shares
"South Dakota Trust"	South Dakota Trust Company LLC, the trustee of each of Founders Family Trusts and Zhai Family Trust
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Unity"	Unity Biotechnology, Inc.
"U.S." or "the United States"	the United States of America, its territories, its possession and all areas subject to its jurisdiction
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"Wang Family Trust"	Shaomeng Wang Dynasty Trust, a discretionary family trust established by Dr. Wang as settlor for the benefits of Dr. Wang's family members, of which South Dakota Trust is a trustee
"Yang Family Trust"	Dajun Yang Dynasty Trust, a discretionary family trust established by Dr. Yang as settlor for the benefits of Dr. Yang's family members, of which South Dakota Trust is a trustee
"Zhai Family Trust"	Yifan Zhai Dynasty Trust, a discretionary family trust established by Dr. Zhai as settlor for the benefits of Dr. Zhai's family members, of which South Dakota Trust is a trustee
"%"	per cent.

In this report, unless otherwise indicated, the terms "associate", "associated corporation", "connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.

Corporate Information

BOARD OF DIRECTORS

Executive Director

Dr. Yang Dajun *(Chairman and chief executive officer)*

Non-executive Directors

Dr. Wang Shaomeng
Dr. Tian Yuan
Mr. Zhao Qun
Dr. Lu Simon Dazhong
Mr. Liu Qian

Independent non-executive Directors

Mr. Ye Changqing
Dr. Yin Zheng
Mr. Ren Wei

COMPANY SECRETARY

Mr. Wong Cheung Ki Johnny

AUTHORISED REPRESENTATIVES

Mr. Yang Dajun
Mr. Wong Cheung Ki Johnny

AUDIT COMMITTEE

Mr. Ye Changqing *(chairman)*
Dr. Lu Simon Dazhong
Dr. Yin Zheng

REMUNERATION COMMITTEE

Dr. Yin Zheng *(chairman)*
Dr. Tian Yuan
Mr. Ren Wei

NOMINATION COMMITTEE

Dr. Yang Dajun *(chairman)*
Mr. Ren Wei
Mr. Ye Changqing

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

REGISTERED OFFICE

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

218 Xinghu Street, Building B7, 7th Floor
Suzhou Industrial Park
Suzhou, Jiangsu
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

9/F, Wah Yuen Building
149 Queen's Road Central
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

COMPLIANCE ADVISER

First Shanghai Capital Limited
19/F Wing On House,
71 Des Voeux Road Central,
Central
Hong Kong

HONG KONG LEGAL ADVISER

Wilson Sonsini Goodrich & Rosati
Suite 1509, 15/F, Jardine House
1 Connaught Place, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

HONG KONG SHARE REGISTRAR

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

STOCK CODE

Stock Code: 6855

WEBSITE

www.ascentagepharma.com

Financial Highlights

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

	For the year ended December 31,			
	2016	2017	2018	**2019**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	7,667	6,328	6,807	**14,513**
Research and development expenses	(102,692)	(118,815)	(249,565)	**(463,883)**
Administrative expenses	(22,032)	(26,314)	(89,717)	**(161,643)**
Loss for the year	(107,839)	(118,514)	(345,307)	**(1,480,714)**
Total comprehensive loss for the year	(107,342)	(120,299)	(369,084)	**(1,579,513)**

	As at December 31,			
	2016	2017	2018	**2019**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Total current assets	463,699	414,713	990,219	**909,105**
Total non-current assets	129,642	166,951	239,157	**295,945**
Total current liabilities	77,618	79,535	105,269	**202,062**
Total non-current liabilities	530,329	633,926	2,135,693	**112,513**
Total equity/(deficit)	(14,606)	(131,797)	(1,011,586)	**890,475**

* The shares of the Company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rule on October 28, 2019.

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present our first annual report for the financial year ended December 31, 2019.

The year of 2019 witnessed Ascentage Pharma's glorious and significant milestones as we made meaningful progress across all aspects of our business. We successfully listed our Shares on the Main Board of the Hong Kong Stock Exchange on October 28, 2019, marking our first step in the long journey of fulfilling our mission to discover and develop innovative therapies with first-and best-in class potentials to address unmet medical needs globally.

Focusing on difficult-to target protein-protein interactions, or PPIs, key regulatory proteins for apoptosis (or programmed cell death) and next generation tyrosine kinase inhibitors, or TKIs, we have built a robust pipeline of eight clinical stage drug candidates, including HQP1351, a third generation BCR-ABL/KIT inhibitor and apoptosis targeting compounds, APG-2575 (a Bcl-2 selective inhibitor), APG-1387 (a pan-IAP inhibitor), APG-115 (an MDM2-p53 inhibitor) and so on.

Ascentage Pharma's clinical development effort continued to progress with acceptance and recognition by international academic community. We presented nine abstracts at the 2019 American Association for Cancer Research (AACR) Annual Meeting. We announced our new clinical data at American Society of Clinical Oncology (ASCO) Annual Meeting 2019 and were listed the "Top Companies by Numbers of Biomedtracker Events". We gave an oral report at the 2019 American Society of Hematology Annual Meeting in November 2019 and the report was nominated for the "Best of ASH". We expect more data update and release of our clinical programs in major academic conferences to enhance our influence.

Moreover, we actively seek strategic partnership globally to further promote our competences. In 2019, Ascentage Pharma announced a compound license agreement with Unity for UBX1967 as lead development candidate in its ophthalmology pipeline and Unity plans to submit an IND application in early 2020. In China, the Company entered into a combination therapy strategic collaboration with Shanghai Henlius Biotech Inc., working together to conduct clinical trial of the combination therapy between APG-2575 and Rituximab Injection. Also, we entered into a clinical collaboration with Shanghai Junshi Bioscience Co., Ltd. evaluating the combination of APG-1387 and Toripalimab in treating cancers. These strategical collaborations and partnerships that help rapidly advance the development of drug candidate in our broad clinical pipeline allow us to capture additional commercialization opportunities.

Ascentage Pharma is positioned to become a fully integrated and globally focused biotechnology company with a comprehensive set of capabilities beyond our core competency in research and development. In November 2019, the groundbreaking ceremony for our China-based global R&D center and manufacturing facility where we intend to produce drug product for clinical or, in the future, commercial use, was held at Suzhou Industrial Park, marking another milestone in Ascentage Pharma's path of developing innovative therapies.

Finally, on behalf of Ascentage Pharma, I would like to express my heartfelt gratitude to our colleagues for their devotion and dedication. I would also like to extend my deep appreciation for the trust and faith in our ability to develop innovative therapies and drugs and create long term value for investment from our shareholders.

Dr. Yang Dajun
Chairman and Chief Executive Officer

Suzhou, PRC, March 29, 2020

Management Discussion and Analysis

OVERVIEW

We are a globally-focused, clinical-stage biotechnology company engaged in developing novel therapies for cancers, hepatitis B virus, or HBV, and age-related diseases. Leveraging our technical expertise in structure-based drug design and our innovative drug discovery engine, we have developed a robust pipeline of eight clinical stage small molecule drug candidates. Our pipeline consists of novel small molecule drug candidates that disrupt complex and difficult-to-target PPIs, and next generation TKIs. Our Core Product, HQP1351, is a third generation BCR-ABL inhibitor targeting a broad spectrum of BCR-ABL mutants, including those with the T315I mutation.

Our PPI drug candidates are intended to treat cancer and other diseases by restoring the normal function of key intrinsic apoptotic pathways, including the Bcl-2/Bcl-xL, MDM2-p53 and IAP pathways, which play a pivotal role in regulating apoptosis. We are also developing several next generation TKIs to treat diseases with high unmet medical needs. Our compounds are being developed for use as a single agent or in combination with other therapies. As of December 31, 2019, we are conducting more than 30 Phase I or II clinical trials to evaluate our eight drug candidates in the United States, Australia and China. In addition, we are developing and implementing biomarker strategies in our drug discovery with the goal of improving the success rates of our clinical trials.

Product Pipeline

We have a pipeline of eight clinical stage small molecule drug candidates. The following table summarizes our pipeline and the development status of each candidate as at February 29, 2020:

Candidate	Mechanism	Lead Indications	Preclinical	Ph I	Ph II	Countries
HQP1351	BCR-ABL mutant	Resistant CML			pivotal phase II	China
	KIT	GIST				China
APG-2575	Bcl-2 Selective	CLL/SLL				China, U.S. & Australia
		WM				U.S. & Australia
		AML				China
APG-1252	Bcl-2/Bcl-xL	SCLC/NSCLC				China, U.S. & Australia
		NSCLC (Combo)				China
APG-115	MDM2-p53	Solid tumors (IO combo)				China & U.S.
		AML				China & U.S.
APG-1387	IAP Dimer	Solid tumors (IO combo)				China & U.S.
		Hepatitis B				China
AT-101	Bcl-2/Bcl-xL/Mcl-1	CLL				China & U.S.
APG-2449	FAK/ALK/ROS1	NSCLC				China
HQP8361	c-Met selective	Cancer (c-Met+)				China
Bcl-2 related	Strategic relationship with Unity to develop senolytic drugs.					U.S.

BUSINESS REVIEW

During the Reporting Period, we have made significant progress with respect to our product pipeline:

Core Product Candidate

HQP1351

Our Core Product, HQP1351, is a third generation BCR-ABL/KIT inhibitor targeting BCR-ABL mutants, including those with the T315I mutation.

With the "one-time umbrella approval" of HQP1351 in China, we are currently developing HQP1351 as monotherapy for the treatment of patients with TKI resistant CML or with the T315I mutation; and for the treatment of patients with TKI resistant/refractory GIST. Two pivotal Phase II clinical trials in CP-CML and AP-CML patients with T315I mutation are ongoing. We have completed the enrollment for these two studies. We plan to submit NDA in China in 2020. The third pivotal study in resistant/intolerant to 1st and 2nd generation TKIs is ongoing and is active in enrollment.

In addition, the FDA confirmed that we may proceed with an IND for a Phase Ib clinical trial in the United States for the treatment of patients with T315I mutations or TKI resistant CML in July 2019. The first patient has been dosed in January 2020.

We reported topline tolerability and efficacy data of the Phase I trial of HQP1351 at the annual meeting of the American Society of Hematology ("ASH") in December 2019 and was nominated as "Best of ASH" research. The results of preliminary Phase 1 study have been presented orally at the 2018 ASH annual meeting for the first time.

Data from the clinical trial showed that HQP1351 has achieved significant antitumor activity in drug resistant CML patients with favorable safety profile.

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET HQP1351 SUCCESSFULLY.

Key Product Candidates

APG-2575

APG-2575 is a novel, orally administered Bcl-2 selective inhibitor developed for the treatment of hematologic malignancies with Bcl-2 overexpression, including leukemia, lymphoma and multiple myeloma, or MM. The initial indications we plan to seek approval for are CLL and AML.

In addition to our planned Phase I trial of APG-2575 monotherapy in patients with various hematologic malignancies, we also intend to explore the combination of APG-2575 with other therapeutic agents, such as BTK inhibitors and anti-CD20 mAbs in clinically relevant indications, including NHL, AML and MM.

We have initiated open-label, multi-center Phase I trial of APG-2575 as a single agent for the treatment of patients with hematologic malignancies in the United States and Australia. As of February 2020, we have completed six dose levels, from 20mg to 600mg. The most recent data analysis showed that two CLL/SLL patients had PR. Six CLL/SLL patients completed the daily dose ramp-up without TLS. The absolute lymphocyte counts of 4 CLL patients have recovered to normal range within the first cycle. APG-2575 was well-tolerated in all 6 dose cohorts tested, no DLT has been reported and the MTD has not been reached. For APG-2575 phase I clinical trial in China, as of February 2020, the third dose level is ongoing.

In addition to these two Phase I trials in which APG-2575 is administrated as a single agent, we have obtained approval from the FDA to start a phase Ib/II clinical trial of APG-2575, single agent and in combination with other agents in CLL/SLL and WM patients. We also obtained approval in China to commence Phase Ib/II clinical trial in AML. In 2020 we plan to initiate several clinical trials in blood cancers, including MM and NHL.

APG-1252

APG-1252 is a novel, highly potent, small molecule drug designed to restore apoptosis through selective inhibition of the Bcl-2 and Bcl-xL proteins for the treatment of SCLC, lymphoma and other solid tumors.

We are currently conducting two Phase I dose-escalation trials in patients with advanced cancers in the United States and Australia. In parallel, APG-1252 is being tested in a Phase I dose-escalation/expansion trial as a monotherapy in patients with SCLC in China.

As of December 31, 2019, 65 patients have been treated with APG-1252 in 8 dose cohorts. APG-1252 has been well-tolerated up to the 320mg dose cohort. Pending Phase I results, we are planning a Phase II trial in relapsed/refractory SCLC, or r/r SCLC, in the United States and China.

As of December 31, 2019, the most recent data analysis showed that of 29 evaluable SCLC patients who have had at least one tumor assessment post-treatment, one patient with relapsed progressive SCLC has achieved confirmed partial response, or PR. 4 patients from China had SD and SD was maintained for 2 of these patients for more than 4 treatment cycles. In addition, 5 SDs were observed in the clinical trial in Australia in other tumor types. APG-1252 was found to be well-tolerated across all dose levels tested. The MTD has not yet been reached.

APG-115

APG-115 is an orally bioavailable, highly selective, small molecule inhibitor of the MDM2-p53 PPI. APG-115 was designed to activate p53 by blocking the MDM2-p53 interaction.

We are currently conducting two Phase I clinical trials of APG-115 as a monotherapy in the United States and China for patients with advanced solid tumors or lymphoma. A clinical trial of APG-115 plus pembrolizumab is also on-going in the United States. The Phase I tolerability trial showed that APG-115 was well tolerated and had manageable AEs across all dose levels tested.

We made an oral presentation on the preliminary results at the International Congress on Targeted Anticancer Therapies by European Society for Medical Oncology in February 2019. Preliminary data suggested that APG-115 has shown promising anti-tumor activity in treatment of patients with MDM2-amplification and TP53-WT liposarcoma. Safety profile and PD effect were consistent with other MDM2 inhibitors.

In addition, our IND for a Phase Ib/II clinical trial for APG-115 in combination with chemotherapeutic or other targeted agents for the treatment of patients with hematologic malignancies was approved by the NMPA in China in July 2019. We also submitted an Orphan Drug Designation Application to the Office of Orphan Products Development of the FDA in February 2019. We plan to submit additional INDs for combination trials in China and the United States in 2020.

Other Clinical or IND-stage Candidates

APG-1387

APG-1387 is a novel, small molecule inhibitor of the inhibitors of apoptosis proteins, or IAP proteins, that we are developing for the treatment of advanced solid tumors and chronic HBV infection.

APG-1387 is the first IAP-targeting drug to enter clinical trials in China and has completed the Phase I clinical trials as a single agent in solid tumors in Australia and China. We are currently conducting a Phase I clinical trial in the United States, testing combination of APG-1387 with pembrolizumab ("Keytruda"), an anti-PD-1 mAb in solid tumors. In addition, a Phase I trial of single agent APG-1387 in treatment of naive Chronic Hepatitis B (CHB) patients have completed the enrollment in China. With the positive preliminary result, a phase II clinical trial of APG-1387 combo with nucleic acids will be initiated.

As of December 31, 2019, a total of 103 patients were enrolled in the studies. As of the Latest Practicable Date, APG-1387 has been shown to be good safety and well-tolerated. One APG-1387 related Grade 2 facial nerve disorder was reported as SAE due to the hospitalization of the patient. The patient recovered without serious health consequences. No cytokine release syndrome, or CRS, has been reported. The preliminary data have demonstrated the immune modulatory, anti-tumor and antiviral activities in monotherapy and combination settings.

In February 2020, the Company obtained approval to commence Phase Ib/II clinical trial in combination with the nab-paclitaxel plus gemcitabine doublet chemotherapy in advanced pancreatic cancer. In addition, two Phase Ib/II clinical trials of APG-1387 combined with immuno-checkpoint inhibitor or chemotherapy in advance solid tumors have been approved by Center for Drug Evaluation (CDE) to be conducted in China.

Lead Pre-clinical Assets

AS00491 and APG-3526

In preclinical studies of our Mcl-1 inhibitors, we observed impressive antitumor activity in xenograft tumor models. Mcl-1 is a member of the Bcl-2 family proteins that regulate apoptosis. Mcl-1 is in one of the top 10 most frequently amplified gene regions for cancer. Overexpression of Mcl-1 contributes to the evasion of apoptosis and is one of the major resistance mechanisms for many types of chemotherapy, including venetoclax. Mcl-1 mediates its effects primarily through interactions with pro-apoptotic BH3-containing proteins, and traditionally it has been a difficult target for drug development in the PPI field. Currently, there are only three Mcl-1 inhibitors that have entered into Phase I clinical development.

We have discovered multiple lead compounds of Mcl-1 inhibitors using PPI platform, including AS00491 and APG-3526, which exhibit high binding affinity to Mcl-1 and anti- proliferative activity in cell-based assays. In xenograft model studies in vivo, AS00491 and APG-3526 demonstrated significant antitumor activity in human AML MV-411 and MM NCI-929 and OPM-2 models. Treatment with these lead compounds led to equivalent or more potent antitumor activity compared with the reference agent AZD-5991 in human AML and MM xenograft models. Complete response (CR) was achieved after a single intravenous administration of AS00491 or APG-3526. The pharmacodynamics (PD) study using tumor samples further revealed caspase 3 activation and PARP cleavage triggered by APG-3526, which disrupts MCL-1:BIM complex thus freeing BIM to initiate the apoptotic cascade.

Management Discussion and Analysis

RESEARCH AND DEVELOPMENT

We have a proven track record of researching, developing and commercializing biopharmaceuticals. We plan to continue to diversify and expand our product pipeline through both in-house research and development and through collaboration with biotechnology and pharmaceutical companies, as well as academic institutions. We have an experienced scientific advisory board, chaired by Dr. Wang Shaomeng, our co-founder. Members of our scientific advisory board are renowned scientists with expertise in cancer research and development. They are not our employees but will from time to time provide us with assistance upon our request.

For the years ended December 31, 2018 and 2019, our research and development expenses were RMB249.6 million and RMB463.9 million, respectively.

INTELLECTUAL PROPERTIES

Intellectual property rights are fundamental to our business. Through our robust research and development, we have strategically developed a global intellectual property portfolio with exclusive licenses to issued patents or patent applications worldwide with respect to our product candidates. As of December 31, 2019, we have 80 issued patents and more than 200 patent applications globally, among which, about 67 patents have been issued overseas.

Two patent applications in China for APG-115 and APG-2575 were issued in January 2020 and four combination applications for APG-2575, one combination application for each of APG-1252, APG-115 and APG-1387 were published in February 2020.

BUSINESS DEVELOPMENT

In addition to our strong in-house research and development team, we have established global collaboration relationships with leading biotechnology and pharmaceutical companies and academic institutions.

In April 2019, we entered into a clinical collaboration agreement with Junshi Biosciences to explore the synergies of our IAP inhibitor, APG-1387, and Junshi Biosciences' anti-PD-1 therapy, toripalimab, in clinical trials in solid and hematological tumors in China. Approval to commence the clinical studies has been obtained.

In November 2019, we entered into a strategic collaboration with Shanghai Henlius Biotech, Inc., to conduct clinical trials of the combination therapy between APG-2575, our novel, orally administered Bcl-2 selective inhibitor and 漢利康® (Rituximab Injection) for the treatment of chronic lymphocytic leukemia (CLL) in the PRC.

We believe our global collaboration network provides us with global endorsement and enhances our brand recognition. Our collaborations also lead to better access to leading drugs and candidates and potentially offer an extra funding source to advance our product development.

MANUFACTURING

We lease an approximately 4,480 square meter facility for research and development and manufacturing in China Medical City, Taizhou, Jiangsu Province, PRC, where we produce and supply preclinical test articles and clinical trial materials for some of our drug candidates. In addition, we expect to build an approximately 100,000 square meter facility in Suzhou, Jiangsu Province, PRC for R&D and manufacturing (the "**Suzhou Facility**").

In November 2019, the groundbreaking ceremony for the Suzhou Facility was held at the Suzhou Industrial Park. At the Suzhou Facility, we intend to produce drug product for clinical or, in the future, commercial use. The Suzhou Facility is expected to consist of two oral-solid-dosage production lines, for both tablet and capsule formulations, and two parenteral liquid/lyophilization powder-for-injection production lines.

EXPECTED COVID-19 IMPACT

The Company expects that the novel coronavirus pneumonia ("**COVID-19**") COVID-19 pandemic will have a negative impact on its global operations, including clinical trial recruitment and participation, regulatory interactions, drug supply and manufacturing and R&D facility construction, particularly in the first half of 2020 and beyond depending on the scope and duration of the pandemic.

In addition, it is not certain if the jurisdictions where we operate will further extend any of the current restrictions or if further measures will be put into place. Because of the spread of the COVID-19 to countries outside of China, there has been significant restrictions on domestic and international travel. Businesses and governments have imposed quarantine policies. The potential economic impact caused by the COVID-19, both in general and in particular, in the Chinese and United States economies, may be difficult to assess or predict, and its actual effects will depend on various factors beyond our control.

The Company is closely monitoring the impact of COVID-19 and will operate our clinical trials in compliance with applicable regulatory guidelines on clinical trials during the COVID-19 pandemic to minimize delays and disruptions to deliver its our clinical and regulatory goals in 2020.

FINANCIAL REVIEW

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Revenue	**14,513**	6,807
Other income*	**48,538**	21,566
Other gains and losses (net)*	**(913,471)**	919
Research and development expenses	**(463,883)**	(249,565)
Administrative expenses**	**(126,250)**	(62,887)
Listing expenses	**(35,393)**	(26,830)
Finance costs	**(4,274)**	(36,919)
Loss for the year	**(1,480,714)**	(345,307)
Total comprehensive loss for the year	**(1,579,513)**	(369,084)

*: "Other income" and "other gains and losses (net)" here were presented differently from the "other income and gains" and "other expenses" in the consolidated statement of profit or loss for management review purpose.

**: exclusive of listing expenses recognized in profit or loss.

Overview

For the year ended December 31, 2019, the Group recorded revenue of RMB14.5 million, as compared with RMB6.8 million for the year ended December 31,2018, and the total comprehensive loss of RMB1,579.5 million, as compared with RMB369.1 million for the year ended December 31, 2018. The loss of the Group was RMB1,480.7 million for the year ended December 31, 2019, as compared with RMB345.3 million for the year ended December 31, 2018, primarily due to the losses of RMB836.7 million in fair value change of the Company's convertible redeemable preferred shares. The research and development expenses of the Group was RMB463.9 million for the year ended December 31, 2019, as compared with RMB249.6 million for the year ended December 31, 2018. The administrative expenses (exclusive of listing expenses) were RMB126.3 million for the year ended December 31, 2019 as compared with RMB62.9 million for the year ended December 31, 2018.

Management Discussion and Analysis

Revenue

For the year ended December 31, 2019, the Group generated revenue of RMB14.5 million from the non-recurring research and development services provided to the customers and an IP license fee income from Unity, as compared to RMB6.8 million for the year ended December 31, 2018. We have not commercialized any of our product candidates and therefore did not generate any revenue from sales of drug products.

Other Income

The Group's other income consists of (i) government grants related to income; (ii) interest income on term deposit at banks; and (iii) realized and unrealized gain from other financial assets, including structured deposits and short-term financial products. Government grants mainly represent the subsidies received from local governments for the purpose of compensation for expenses rising from research activities and clinical trials, awards for new drugs development. These government grants related to income were recognized in profit or loss when related costs are subsequently incurred and the Group received government acknowledge of compliance.

For the year ended December 31, 2019, other income of the Group increased to RMB48.5 million, from RMB21.6 million for the year ended December 31, 2018, primarily due to the increase of government grants resulting from increased research and development activities of the Group and bank interest income earned from the proceeds from the Listing.

Other Gains and Losses

The Group's other gains and losses consist of (i) fair value gains or losses on financial assets or liabilities; (ii) foreign exchange gains or losses; and (iii) fair value loss on contingent consideration in relation to our acquisition of Healthquest Pharma.

For the year ended December 31, 2019, the Group reported net other losses of RMB913.5 million, as compared to net other gains of RMB0.9 million, primarily attribute to: (i) fair value loss on convertible redeemable preferred shares of RMB836.7 million for the year ended December 31, 2019, as compared to a fair value gain of RMB12.1 million for the year ended December 31, 2018; (ii) fair value loss on financial assets at FVTPL of RMB35.9 million for the year ended December 31, 2019, as compared to an fair value gain of RMB26.7 million for the year ended December 31, 2018; and (iii) the increase of fair value loss on long-term payables measured at FVTPL from RMB4.1 million for the year ended December 31, 2018 to RMB41.2 million for the year ended December 31, 2019; partially offset by: (i) the decrease of an one-off loss of RMB18.6 million in relation to the issuance of Series C Shares in the year ended December 31, 2018; and (ii) the foreign exchange gain of RMB0.4 million for the year ended December 31, 2019, as compared to the foreign exchange loss of RMB12.3 million for the year ended December 31, 2018.

The gain and loss on fair value of the convertible redeemable preferred shares was non-cash and non-recurring adjustments recognized prior to the Listing Date. Since all of the Group's convertible redeemable preferred shares were converted to ordinary shares upon the Listing, the Group will not incur any additional gain or loss related to the fair value changes of the convertible redeemable preferred shares in 2020.

The loss on fair value of the financial assets at FVTPL was a non-cash adjustment that represented the change in fair value arising from the common stock of Unity held by the Group.

The loss on fair value of the long-term payables measured at FVTPL was a non-cash adjustment that represented the change in fair value of contingent consideration payable in relation to the acquisition of Healthquest Pharma in December 2016.

Research and Development Expenses

The Group's research and development expenses primarily consist of clinical trial expenses, staff costs, experiment and other third-party contracting expenses, materials, patent related and research costs, depreciation and amortization and share option expenses.

For the year ended December 31, 2019, the research and development expenses of the Group increased by 85.9% to RMB463.9 million from RMB249.6 million for the year ended December 31, 2018. The increase was primarily attributable to additional clinical trials of the Company's drug candidates, increased research and development headcount, and increased expenses in relation to the Pre-IPO Share Option Scheme.

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

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Clinical trial expenses	**57,128**	34,252
Staff costs	**178,110**	93,077
Experiment and other third party contracting expenses	**97,975**	36,127
Materials	**35,918**	31,760
Depreciation and amortization	**14,406**	12,393
Share option expenses	**50,580**	22,077
Others	**29,766**	19,879
Total	**463,883**	249,565

Administrative Expenses

For the year ended December 31, 2019, the administrative expense of the Group increased 80.2% to RMB161.6 million from RMB89.7 million for the year ended December 31, 2018. The increase was primarily attributable to increased management and administrative headcount and increased expenses in relation to the Pre-IPO Share Option Scheme.

Finance Costs

Finance costs represented mainly interest expenses from bank borrowings and lease liabilities.

For the year ended December 31, 2019, the finance costs of the Group decreased to RMB4.3 million from RMB36.9 million for the year ended December 31, 2018. The Group designated Series A-1 Financing, Series A-2 Financing and Series B Financing (previously recognized as other non-current liabilities measured at amortized cost) as financial liabilities measured at FVTPL with change in fair value recorded as other income and gains or other expenses after the completion of Series C Financing in July 2018.

Loss for the Reporting Period

As a result of the above factors, the loss of the Company increased to RMB1,480.7 million for the year ended December 31, 2019 from RMB345.3 million for the year ended December 31, 2018.

Management Discussion and Analysis

Cash Flows

For the year ended December 31, 2019, net cash flows used in operating activities of the Group amounted to RMB460.3 million, as compared to that of RMB237.7 million for the year ended December 31, 2018, mainly due to the expansion of our research and development activities.

For the year ended December 31, 2019, net cash flows used in investing activities of the Group amounted to RMB201.3 million, which mainly consisted of (i) purchase of items of property, plant and equipment and other intangible assets of RMB81.4 million; and (ii) increase in time deposits of RMB139.5 million, partially offset by the net proceeds from redemption of other financial assets of RMB19.6 million. For the year ended December 31, 2018, net cash flow from investing activities amounted to of RMB292.8 million, which mainly consisted of the net proceeds from redemption of other financial assets of RMB375.6 million, partially offset by a prepayment of land lease payment of RMB33.9 million and a cash consideration of RMB33.4 million paid in connection with the acquisition of Healthquest Pharma.

For the year ended December 31, 2019, net cash flows from financing activities of the Group amounted to RMB442.4 million, which mainly consisted of net proceeds of RMB404.3 million* from issuance of shares through Global Offering and net borrowings of RMB50.0 million from banks. For the year ended December 31, 2018, net cash flows from financing activities amounted to RMB860.2 million, which mainly consisted of net proceeds of RMB910.6 million from issuance of preferred shares and net borrowings of RMB35.0 million from banks, partially offset by the capital repurchase of RMB75.6 million.

* representing proceeds from issue of shares minus cash payment of share issue expenses recorded as a deduction of share premium in the year ended December 31, 2019.

Key Financial Ratios

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

	As at December 31,	
	2019	2018
Current ratio(1)	**4.5**	9.4
Quick ratio(2)	**4.5**	9.4
Gearing ratio(3)	**N/A**(4)	N/A(4)

Notes:

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

(2) Quick ratio is calculated using current assets less inventories and divided by current liabilities as of the same date.

(3) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by (deficiency of) total Equity and multiplied by 100%.

(4) As at December 31, 2018 and 2019, the Group's cash and bank balances exceeded the financial liabilities (excluding other non-current liabilities and convertible redeemable preferred shares). As such, no gearing ratio as at December 31, 2018 and 2019 is presented.

Material Investments

The Group did not make any material investments during the year ended December 31, 2019.

Foreign Exchange Risk

Our financial statements are expressed in RMB, but certain of our cash and bank balances, other receivables and other assets, other investments classified as financial assets measured at FVTPL and trade and other payables are denominated in foreign currencies, and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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 December 31, 2019.

Bank Loans and Other Borrowings

As of December 31, 2019, we had bank loans of RMB85.0 million with fixed interest rate and denominated in RMB and lease liabilities of RMB16.4 million.

Contingent Liabilities

As at December 31, 2019, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

The following table sets forth a breakdown of our employees as at December 31, 2019 by function:

Function	Number	%
Research and Development	327	79.8
Administrative	83	20.2
Total	**410**	**100.0**

As of December 31, 2019, we had 410 full-time employees, including a total of 115 employees with M.D. or Ph.D. degrees. Of these, 327 are engaged in full-time research and development and laboratory operations and 83 are engaged in full-time general and administrative functions. Our research and development personnel includes 98 employees with M.D. or Ph.D. degrees and more than 103 holders of master's degrees, and many of them have experience working in research institutions and hospitals and in the FDA drug approval process.

Our senior management team has extensive experience and expertise in the biotechnology industry and has been instrumental in driving the success of our business. As of December 31, 2019, we had 26 senior employees who have an average of 15 to 20 years of experience in relevant fields.

We have also enjoyed more than 90% retention rate over the last two years, which facilitates the growth of our institutional knowledge base. We are actively recruiting talents globally by offering a collaborative work environment, competitive compensation, effective incentive plans, and the opportunity to work on cutting-edge science projects.

Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our PRC-based employees.

The Company has also adopted the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and the RSU Scheme. Please refer to the section headed "Statutory and General Information — D. Employee Incentive Schemes" in Appendix IV to the Prospectus for further details.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2019, the Group's cash and bank balances decreased to RMB882.5 million from RMB957.1 million as at December 31, 2018. The decrease primarily resulted from the payment of the Group's research and development expenses and partially offset by the cash inflow of proceeds from the Listing.

As at December 31, 2019, the Group's cash and bank balances were held mainly in U.S. dollars and RMB.

As at December 31, 2019, the current assets of the Group were RMB909.1 million, including cash and bank balances of RMB882.5 million and other current assets of RMB26.6 million. As at December 31, 2019, the current liabilities of the Group were RMB202.1 million, including trade payables of RMB13.1 million, other payables and accrued expenses of RMB96.7 million and borrowings of RMB92.2 million.

FUTURE AND OUTLOOK

Leveraging our extensive experience in the global biotechnology industry, we will continue to accelerate our development of eight drug candidates in our highly differentiated novel clinical pipeline to next phases and apply for NDAs across the globe.

We will invest more resources to support our key product development through accelerating clinical trial sites development, boosting clinical trial recruitment and strengthening material communications with competent authorities. Meanwhile, we also expect to report significant near-term milestones for several key products in global academic conferences on our encouraging preclinical or clinical data, so as to increase our influence and seek global collaboration opportunities.

We target to become a fully integrated globally-focused biotechnology company with a comprehensive set of capabilities focusing on business development and commercialization beyond our core competency in research and development. In anticipation of the potential commercialization of our drug candidates, we plan to capture additional commercialization opportunities in global oncology pharmaceutical markets through actively pursuing strategic partnerships with global biotechnology and pharmaceutical companies for cooperation over our pipeline assets.

Additionally, we expect to expand our intellectual property portfolio by actively seeking patent rights for our product candidates. For each of our clinical programs, we seek to extend the coverage to additional indications and obtain new method of new use patent for our drug candidates, as appropriate. As of December 31, 2019, we have 80 issued patents and more than 200 patent applications globally, among of which, about 67 patents are issued overseas. We will further enhance our comprehensive and growing global intellectual property portfolio in the future.

Looking forward, we will constantly extend our capability to develop the innovative therapies with better efficacy and affordable costs for patients to address the unmet medical needs, improve patient health and bring benefits to the society globally. At the same time, we will constantly strive to consolidate our position as a leading biotechnology company and maintain good financial health to protect the interests of our shareholders.

EVENTS AFTER THE REPORTING PERIOD

In February 2020, the Group entered into a fixed asset loan facility agreement amounting up to RMB1,050 million at a floating interest rate. The Group intends to utilize the loan facility for the construction of the Suzhou Facility.

For the clinical development of our drug candidates subsequent to the year ended December 31, 2019, please refer to the above section headed "Business Review" in this annual report.

For the impact of COVID-19 on the Company, please refer to above section headed "Expected COVID-19 Impact" in this annual report.

DIRECTORS

Executive Director

Yang Dajun (楊大俊), M.D., Ph.D., aged 57, is the co-founder of our Group, Chairman of the Board and chief executive officer of our Company. For positions with other members of our Group, Dr. Yang is also a director of each of Ascentage Pharma (HK), Ascentage Jiangsu, Ascentage International, Ascentage Suzhou, Ascentage Shanghai, Ascentage Australia and Ascentage US. Dr. Yang is the spouse of Dr. Zhai, our chief medical officer and a member of our senior management.

Prior to founding the Group in 2009, Dr. Yang has worked in the following companies and/or institutions:

- Dr. Yang co-founded Ascenta Therapeutics, Inc., where he was a senior vice president of research and preclinical development between 2004 and 2008. Ascenta Therapeutics, Inc. was dissolved in January 2017.

- Dr. Yang was the principal responsible person for establishing Ascenta R&D Center in Shanghai as a wholly-owned subsidiary of Ascenta Therapeutics, Inc., and served as the first general manager and a member of its board of directors between 2005 and 2008.

- Dr. Yang served as a part-time professor and supervisor of doctoral students at Cancer Center at Sun Yat-sen University from September 2003 to September 2006.

- Dr. Yang was appointed as the vice president of Biology of S*BIO Ltd Pte, a Singapore-Chiron joint venture from 2002 to 2003.

Dr. Yang is the author or co-author of 92 publications and the inventor of 14 patents. He was a co-founder, chief staff writer and editor for two national magazines in China, namely “Chinese Medical Students” and “Family Doctors”. Nowadays “Family Doctors” has a monthly publication volume of over one million and it has the mission to promote both healthcare and a healthy lifestyle in China.

Dr. Yang obtained his Bachelor’s degree in medicine and Master’s degree in Oncology from Sun Yat-sen University of Medical Sciences (中山醫科大學) (now renamed as the Sun Yat-sen University (中山大學)) in July 1983 and June 1986 respectively, and he received a Ph.D. degree in Genetics from Michigan State University in the United States in June 1992.

Non-executive Directors

Wang Shaomeng (王少萌), Ph.D., aged 56, was appointed as our Director on November 17, 2017 and was re-designated as non-executive Director on August 15, 2018. For positions with other members of the Group, Dr. Wang is the director of Ascentage International Dr. Wang is the co-founder of Ascentage Pharma (HK) and has been appointed as its chairman of scientific advisory board since 2010.

Dr. Wang joined the University of Michigan in July 2001 as a tenured faculty and is currently a Warner-Lambert/Parke Davis Professor in Medicine at the University of Michigan, Ann Arbor, where he also serves as the co-director of the experimental therapeutics program at the University of Michigan Comprehensive Cancer Center (the Rogel Cancer Center) and director of the Michigan Center for Therapeutic Innovation. Dr. Wang was also appointed as the editor-in-chief of the Journal of Medicinal Chemistry in 2011, and was re-appointed to the same role in 2015.

Dr. Wang obtained his Bachelor’s degree in Chemistry from Peking University (北京大學) in July 1986. He received his Ph.D. degree in Chemistry from Case Western Reserve University in the United States in January 1993.

Directors and Senior Management

Tian Yuan (田源), Ph.D., aged 65, was appointed as our Director on July 6, 2018 and was re-designated as non-executive Director on August 15, 2018. Prior to joining the Group, Dr. Tian established China International Futures Corporation (a PRC-based company mainly engaged in futures investment business) in 1992 and served as the chairman from 1992 to 2007. Dr. Tian is the founding partner of Yuanming Capital, a healthcare specialty fund focusing on China-US cross-border investments with offices in Beijing and New York City. He also served as the chairman of China Chengtong Holdings Group Limited (a company primarily engaged in integrated logistics service, assets operation and management in the PRC) from July 1997 to September 2002.

Dr. Tian is the founder of, and has been serving as the chairman of China Entrepreneurs Forum (中國企業家論壇) since 2001 and China-US Business Leaders Roundtable (中美商業領袖圓桌會議) since 2010. He has also served as the chairman of Investment Committee of China Pharmaceutical Industry Research and Development Association (中國醫藥創新促進會投資專業委員會) since May 2018. He is the recipient of the China Economics Theory Innovation Award (中國經濟理論創新獎) in 2011. Since June 2018, he has served as a member on the Biotech Advisory Panel of the Stock Exchange, and he is responsible for providing advice to assist the Stock Exchange in its review of listing applications from biotech companies when being consulted by the Stock Exchange.

Dr. Tian obtained his Master's degree and Doctoral degree in Economics from Wuhan University (武漢大學) in September 1983 and August 1992, respectively.

Zhao Qun (趙群), aged 44, was appointed as our Director on July 6, 2018 and was re-designated as non-executive Director on August 15, 2018.

From July 2012 to November 2013, Mr. Zhao served as a senior investment manager at SIP Oriza PE Fund Management Co., Ltd. (蘇州元禾重元股權投資基金管理有限公司), a company mainly engaged in private equity investment. Since December 2013, Mr. Zhao served as the partner of SIP Oriza Seed Fund Management Co., Ltd. (蘇州工業園區元禾原點創業投資管理有限公司) ("Oriza"), a company mainly engaged in venture capital investment.

As at the date of this Annual Report, Mr. Zhao is a director of a number of companies engaged in the pharmaceutical sector and his major appointments as at the date of this Annual Report include: (1) CStone Pharmaceuticals (基石藥業), a company listed on the Stock Exchange (stock code: 2616), which is principally engaged in developing cancer therapeutics with a special focus on immuno-oncology based combination therapies; (2) GeneQuantum Healthcare (Suzhou) Co., Ltd (啟德醫藥科技(蘇州)有限公司) which is a biotech enterprise focusing on development of innovative biologics. The company has established its own innovative and leading platform for bioconjugation drug development and manufacturing, and is principally engaged in developing series of next generation anti-tumor Antibody-Drug-Conjugates (ADCs) to satisfy the unmet clinical demands worldwide; (3) Singleron Biotechnologies Limited (新格元(南京)生物科技有限公司) which is principally engaged in analyzing DNA, RNA, protein, and metabolites in a biological sample at single cell level deciphers the molecular and cellular mechanisms of development and diseases with unbeatable high resolution; and (4) Oncopia Therapeutics Inc. which is principally engaged in developing BET bromodomain.

Mr. Zhao graduated with a Bachelor's degree in Pharmaceutical Analysis (藥物分析) from China Pharmaceutical University (中國藥科大學) in July 1998, and he received his Executive Master's degree in Business Administration from Nankai University (南開大學) in June 2006.

Lu Simon Dazhong (呂大忠), Ph.D., aged 51, was appointed as our Director on July 6, 2018 and was re-designated as non-executive Director on August 15, 2018.

Dr. Lu has more than 20 years of experience in the investment and consulting business. Between 1999 and 2002, Dr. Lu worked in a number of financial institutions, including China International Capital Corporation Limited (中國國際金融股份有限公司), an investment bank based in the PRC. From September 2002 to December 2007, Dr. Lu served as the investment manager and partner of Shanghai Newmargin Ventures (上海聯創投資管理公司), a venture capital management company based in the PRC. Between 2008 and 2009, Dr. Lu worked at CEL Partners, a private equity firm that focuses on buy-outs, acquisitions and mergers. Since August 2009, Dr. Lu served as the managing director and partner of SDIC Fund Management Company Ltd., a PRC-based private equity fund manager.

Dr. Lu graduated with a Bachelor's degree in Economics from Nankai University (南開大學) in June 1991. He received his Master's degree in Business Administration from McGill University in Canada in June 1999, and Ph.D. in Economics from Nankai University in June 2010.

Dr. Lu was a director of Innovent Biologics, Inc. (信達生物製藥) between 2016 and 2018 prior to its listing on the Stock Exchange. As at the date of this Annual Report, Dr. Lu was a director of a number of companies engaged in the pharmaceutical sector. The major appointments as at the date of this Annual Report include: (1) BrightGene Bio-Medical (Suzhou) Co., Ltd. (博瑞生物醫藥(蘇州)股份有限公司) which was principally engaged in developing complex generic drugs; (2) CF PharmTech, Inc. (長風藥業股份有限公司) which was principally engaged in developing a potent product pipeline of affordable medicines by using the leading innovative technology platform, such as Nanotechnology and sustained release technology, primarily of anti-infective, anti-tumor and cardiovascular drugs; and (3) Dizal (Jiangsu) Pharma Co., Ltd. (迪哲(江蘇)醫藥有限公司) whose pipeline targets include NSCLC (non-small-cell lung carcinoma), autoimmune disease, solid and liquid tumours, solid tumour, CKD (chronic kidney disease) and infectious diseases of the respiratory tract (呼吸道感染).

Liu Qian (劉騫), aged 48, was appointed as our Director on August 1, 2018 and was re-designated as non-executive Director on August 15, 2018.

From July 1993 to July 1997, he worked as a financial analyst at Shenzhen Development Bank Inc., a bank based in Shenzhen, Guangdong, China. From June 1999 to June 2005, he worked for Morgan Stanley Investment Management, including as an executive Director and portfolio manager. From July 2005 to September 2006, he worked as a managing director at Chatham Asset Management. From October 2006 to December 2008, he worked as a director and trader in Global Markets, Deutsche Bank. Since December 2008, he has been serving as the chief investment officer of Prudence Investment Management (Hong Kong) Limited, a Hong Kong-based investment management company.

Mr. Liu graduated with a Bachelor's degree in Economics from Wuhan University in July 1993. He received his Master's degree in Business Administration from the Wharton School of the University of Pennsylvania in the United States in May 1999.

Directors and Senior Management

Independent non-executive Directors

Ye Changqing (葉長青), aged 49, was appointed as an independent non-executive Director on June 13, 2019. He is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Ye has over 25 years of experience in professional accounting, financial advisory and investment. From April 1993 to January 2011, Mr. Ye worked at the China office of PricewaterhouseCoopers, with his last position as the partner and service line leader of the firm's advisory services and transaction services. From February 2011 to December 2015, Mr. Ye served as the managing director, chief financial officer and a member of the investment committee at CITIC Private Equity Funds (中信產業基金) (a PRC-based private equity fund). Since May 2016, Mr. Ye has been an independent non-executive director of Baozun Inc., a company listed on NASDAQ (stock code: BZUN) (the holding company of a PRC-based provider of e-commerce business solutions). Since October 2018, Mr. Ye has been an independent non-executive director of Niu Technologies (stock code: NIU) (the holding company of a PRC-based manufacturer of e-scooter). Since December 2018, Mr. Ye has been an independent non-executive director of Luzhou City Commercial Bank Co., Ltd. (stock code: 1983). Since June 2019, Mr. Ye has also been an independent non-executive director of Jinxin Fertility Group Limited (stock code: 1951).

Mr. Ye obtained a Bachelor's degree in Journalism from Huazhong University of Science and Technology (華中理工大學)(now renamed as 華中科技大學) in July 1992, and a Master's degree in Business Administration from the University of Warwick in the United Kingdom in November 1999. Mr. Ye has been a Certified Public Accountant of the PRC since December 1994. Mr. Ye is our Director with appropriate professional accounting or related financial management expertise for the purpose of Rule 3.10(2) of the Listing Rules through his experiences listed above.

Yin Zheng (尹正), Ph.D., aged 48, was appointed as an independent non-executive Director on June 13, 2019. He is primarily responsible for supervising and providing independent judgement to our Board.

Dr. Yin worked as research scientist at S*Bio Pte Ltd from September 2000 to April 2004. He then worked as principal scientist at Novartis Institute for Tropical Diseases Pte Ltd until December 2008. Dr. Yin served as a vice dean of school of pharmacy from July 2009 to November 2011, and dean of school of pharmacy from November 2011 to April 2015 at Nankai University. He also served as a professor at Tsinghua University. Dr. Yin joined SDIC Fund Management Co., Ltd. as executive director and then managing director responsible for pharma/biotech sector between August 2016 and July 2018. Since August 2018, he has been serving as the executive director and manager of Sany Innova (Beijing) Investment Management Co., Ltd (三一創新(北京)投資管理有限公司).

Dr. Yin obtained a Bachelor's degree and Master's degree in Science from Nankai University (南開大學) in July 1994 and July 1997 respectively. He obtained his Doctoral degree in Chemistry from National University of Singapore in August 2001.

Ren Wei (任為), aged 39, was appointed as an independent non-executive Director on June 13, 2019. He is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Ren has over 15 years of legal experience covering onshore and offshore securities issues, PRC-related mergers & acquisitions and foreign investment. He has been a lawyer in Jingtian & Gongcheng since March 2003 and has become a partner since January 2009.

Mr. Ren obtained a Bachelor's degree in Law and a Bachelor's degree in Economics both from the Peking University (北京大學) in July 2003. He has been qualified to practice law in the PRC since 2008.

SENIOR MANAGEMENT

Yang Dajun (楊大俊), M.D., Ph.D., aged 57, is the Chairman, chief executive officer and an executive Director. Please refer to "Directors — Executive Director" in this section for his biography.

Guo Edward Ming (郭明), Ph.D., aged 63, is our co-founder and chief operating officer. For positions with members of the Group, Dr. Guo is a director of Ascentage Suzhou and Ascentage International. Dr. Guo has more than 20 years of industrial experience in research and development of new drug, regulatory, project management, corporate management, strategic planning, and entrepreneurship. From 1995 to 2005, he served in various technical and managerial roles at Pfizer Inc. From March 2005 to 2010, he worked at Ascenta Therapeutics, Inc. as the vice president of pharmaceutical sciences and manufacturing. Dr. Guo served as an adjunct professor from 2007 to 2009 and served as a teaching staff as well a supervisor for master thesis since 2009 at Peking University (北京大學). Dr. Guo served as the independent non-executive director at Porton Fine Chemicals Ltd. (重慶博腾製藥科技股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code of 300363) from October 2012 to March 2016.

Dr. Guo was the recipient of "Special Contribution Award" from the China Food and Drug Administration (國家食品藥品監督管理總局) in 2009.

Dr. Guo obtained a Bachelor's degree in Chemistry from Peking Normal University (北京師範大學) in January 1982. He received his Master's degree in Medicine from Peking Union Medical College (中國協和醫科大學) in June 1985, and his Ph.D. degree in Chemistry from the University of California at San Diego in the United States in March 1991.

Zhai Yifan (翟一帆), M.D., Ph.D., aged 57, is our chief medical officer. For position with other members of the Group, Dr. Zhai is the founder and a director of Healthquest Pharma. Being the author of more than 27 academic papers, Dr. Zhai has over 25 years of experience in cancer research and new drug development since 1984. Dr. Zhai was a postdoctoral fellow at the surgery branch, National Cancer Institute between 1993 and 1996. She also served as a scientist at Human Genome Sciences Inc., now GSK, between 1996 and 1999; senior research scientist at Bayer Pharmaceuticals Corp. between 1999 and 2001; director of the department of pharmacology at Exelixis Inc. between 2001 and 2003; President of HealthQuest Inc. between 2003 and 2005; and chief scientific officer at Oncomax Acquisition Corp. between 2005 and 2007. Dr. Zhai served as executive director of Anaborex (Shanghai) R & D Co., Ltd. between 2007 and 2008. She joined Celladon Corporation as chief scientific officer in 2007 until 2010. She founded Healthquest Pharma in July 2012 and served as president and chief executive officer (首席執行官). Dr. Zhai was the president of Chinese Biopharmaceutical Association-USA (美國華人生物醫藥科技協會) from 2009 to 2010.

Dr. Zhai obtained her Medicine degree (M.D.) from Sun Yat-sen University of Medical Sciences (中山醫科大學) (now renamed as the Sun Yat-sen University (中山大學)) in July 1984, and received her Ph.D. degree in Pharmacology and Toxicology from Michigan State University in the United States in August 1993.

Dr. Zhai is the spouse of Dr. Yang who is our chairman of the Board and chief executive officer.

Directors and Senior Management

Raymond Jeffrey Kmetz, aged 62, has been the chief business officer since February 1, 2019. Mr. Kmetz has more than 18 years of experience in management of the formulation and execution of drug commercialization strategies. From February 2001 to August 2007, he was associate director of oncology marketing at Berlex Laboratories Inc., which provides medicine to patients and healthcare providers. Mr. Kmetz joined Bayer Corporation (a multinational pharmaceutical and life science company) in August 2007, initially as director of global strategic marketing and later as hematology franchise head until December 2010. From 2010 to 2012, he was the director of marketing at Alexion Pharmaceuticals, Inc., which is an ultra-orphan/rare disease biotech company listed on NASDAQ (stock code: ALXN). Mr. Kmetz joined Pharmacyclics LLC., a biopharmaceutical company focusing on development of cancer therapies, as senior director in marketing from July 2012 and later as head of commercial development (vice president) until March 2018. From April 2018 to October 2018, he was a chief business officer in Pulse Biosciences Inc., a clinical stage medical device company listed on NASDAQ (stock code: PLSE), responsible for developing business strategies for clinical and commercial development for immune oncology technology.

Mr. Kmetz obtained a Bachelor's degree in Science, Biology from Virginia Tech in the United States in June 1980. He also received a Marketing Certificate from Anderson School of Business at the University of California, Los Angeles in the United States in September 2003.

Thomas Joseph Knapp, aged 67, is the senior vice president, general counsel. Mr. Knapp joined our Group in September 2018 serving as senior vice president in legal affairs and was promoted to senior vice president, general counsel of our Group in March 2019.

Mr. Knapp has more than 39 years of experience in the legal, regulatory and compliance fields, with particular focus in pharmaceutical and biotech companies. He was appointed as the assistant attorney general of State of Illinois, Chicago in September 1978 and later served in various legal positions, including as labor counsel of The Burlington Northern & Santa Fe Railway Co. From May 1996 to June 1998 and November 1999 to March 2002, he was of counsel at Paul Hastings LLP while acting as the assistant general counsel of The Boeing Company between June 1998 and October 1999. From March 2003 to May 2008, he was vice president, general counsel and corporate secretary at Northwestern Corporation, a publicly-owned utility company in the United States which is listed on the New York Stock Exchange (stock code: NWE). From August 2009 to February 2010, he was of counsel at Exemplar Law Partners, LLC, advising clients on renewable energy, financing funding and various issues. From February 2010 to May 2015, he was executive vice president, chief legal officer and corporate secretary of Sucampo Pharmaceuticals, Inc., a global biopharmaceutical company. From June 2015 to January 2018, he was the interim general counsel and corporate secretary at Galena Biopharma, Inc., a biopharmaceutical company previously listed on NASDAQ with development stage targeted oncology therapeutics. From January 2018 to February 2019, after the merger of Galena Biopharma, Inc. and SELLAS Life Sciences Group, he became consultant at SELLAS Life Sciences Group, Inc. which is a listed company on NASDAQ (stock code: SLS). He also has been a legal consultant providing outside general counsel services to various pharmaceutical, biotech and IT companies from January 2018 to September 2018, and was a member of the board of directors and the audit, compensation and nominating committees of Osiris Therapeutics, Inc., a company listed on NASDAQ (stock code: OSIR) from February 2017 to April 2019.

Mr. Knapp obtained a Bachelor's degree in Political Science/Business from the University of Illinois-Urbana in the United States in May 1974. He also received a Juris Doctor degree from the Loyola University of Law in the United States in June 1977. He is licensed to practice law in the District of Columbia of the United States and U.S. Supreme Court since 1980 and 1987, respectively. He was also a mediation panelist of the American Bar Association from 2015 to 2018.

Zhang Su (張甦), aged 42, has been our chief financial officer since August 26, 2019. For positions with members in the Group, he is the supervisor of Ascentage Jiangsu and Ascentage Shanghai. Mr. Zhang has more than 18 years of experiences in the finance industry. In December 2006, Mr. Zhang joined Exane BNP Paribas as an equity analyst. Mr. Zhang then joined Standard Chartered Bank Hong Kong in June 2013 and served as an equity analyst covering emerging healthcare companies until February 2015. From April 2015 to December 2016, he was a research analyst of research department at BNP Paribas, Hong Kong. Before joining our Group, Mr. Zhang served as a director of the equity research department covering healthcare sector at China Merchant Securities Co., Ltd until August 2019.

Mr. Zhang obtained a Bachelor's degree in Economics in International Business from Fudan University in July 2000. He also received a Master's degree in Business Administration from HEC School of Management in September 2007 and a Master's degree in Science in Accounting and Finance from the London School of Economics and Political Science in July 2007.

COMPANY SECRETARY

Wong Cheung Ki Johnny (王章旗), aged 36, was appointed as the company secretary of our Company on July 30, 2018 and is responsible for our company secretarial affairs. Mr. Wong has more than 12 years of experience in the area of accounting and financial management. Currently, Mr. Wong is the sole proprietor of Jovial Wings CPA Company.

Mr. Wong is a company secretary of China MeiDong Auto Holdings Limited and Zheng Li Holdings Limited, which are companies listed on the Main Board and GEM of the Stock Exchange respectively. He is a joint company secretary of China Hongguang Holdings Limited, a company listed on the GEM of the Stock Exchange.

Mr. Wong received a Bachelor's degree in Business Administration in Accounting from the Hong Kong University of Science and Technology in November 2005. He also obtained a Master's degree in Corporate Governance from the Hong Kong Polytechnic University in September 2016. Mr. Wong is currently a certified public accountant, a fellow of the Hong Kong Institute of Certified Public Accountants, and a fellow of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators).

Report of the Directors

The Directors present their report and the audited consolidated financial statements for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company is an exempted company incorporated in the Cayman Islands with limited liability on November 17, 2017. The Group is a globally-focused, clinical-stage biotechnology company engaged in developing novel therapies for cancers, hepatitis B virus, or HBV, and age-related diseases.

Particulars of the Company' principal subsidiaries as at December 31, 2019 are set out in Note 1 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group, the outlook of future development of the business of the Group as well as a discussion and analysis of the Group's performance during the Reporting Period and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Companies Ordinance (Chapter 622 of The Laws of Hong Kong) can be found in the section headed "Management Discussion and Analysis" of this annual report. The financial risk management objectives and policies of the Group are set out in Note 39 to the consolidated financial statements.

RESULTS AND DIVIDEND

Details of the consolidated loss of the Group for the Reporting Period and the Group's financial position as at December 31, 2019 are set out in the consolidated financial statements.

No dividend was paid or declared by the Company or other members of the Group during the years ended December 31, 2018 and 2019.

The Board does not recommend payment of a dividend for the year ended December 31, 2019.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth. The Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, waste reduction and energy saving.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks Related to our Financial Position and Need for Additional Capital

— We have incurred net losses in the Reporting Period, and currently do not generate revenue from product sales and may not be able to achieve profitability.

— We will need to obtain additional financing to fund our operations, and if we are unable to obtain such financing, we may be unable to complete the development and commercialization of our drug candidates.

— Raising additional capital may cause dilution to our Shareholders, restrict our operations or require us to relinquish rights to our technologies or drug candidates.

Risks Related to Clinical Development of our Drug Candidates

— We depend substantially on the success of our drug candidates, which are in clinical development. Clinical trials of our drug candidates may not be successful.

— If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

— If clinical trials of our drug candidates fail to demonstrate safety and efficacy to the satisfaction of the FDA, NMPA, EMA or other comparable regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates.

Risks Related to Obtaining Regulatory Approval for our Drug Candidates

— The regulatory approval processes of the FDA, NMPA, EMA and other comparable regulatory authorities are lengthy, time consuming and inherently unpredictable, and if we are ultimately unable to obtain regulatory approval for our drug candidates, our business will be substantially harmed.

— Our drug candidates may cause undesirable adverse events or have other properties that could interrupt, delay or halt clinical trials, delay or prevent regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following any regulatory approval.

— Even if we receive regulatory approval for our drug candidates, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our drug candidates.

Risks Related to Commercialization of our Drug Candidates

— If we are not able to obtain, or experience delays in obtaining, required regulatory approvals, we will not be able to commercialize our drug candidates, and our ability to generate revenue will be materially impaired.

— Even if any of our drug candidates receives regulatory approval, they may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success.

— We manufacture and intend to continue to manufacture at least a portion of our drug candidates ourselves. Delays in completing and receiving regulatory approvals for our manufacturing facility could delay our development plans and thereby limit our revenues and growth.

— We have never commercialized a product candidate and we may lack the necessary expertise, personnel and resources to successfully commercialize any of our products that receive regulatory approval on our own or together with collaborators.

— We face substantial competition, which may result in others discovering, developing or commercializing competing drugs before or more successfully than we do.

— Even if we are able to commercialize any drug candidates, the drugs may become subject to unfavorable pricing regulations, third party reimbursement practices or healthcare reform initiatives, which could harm our business.

Risks Related to our Intellectual Property

- If we are unable to protect our proprietary technology, or obtain and maintain patent protection for our product candidates, our competitors could develop and commercialize technology and drugs similar or identical to ours, and our ability to successfully commercialize our technology and drugs may be adversely affected.

- We are dependent on licensed intellectual property. If we were to lose our rights to licensed intellectual property, we may not be able to continue developing or commercializing our product candidates, if approved.

Risks Related to our Reliance on Third Parties

- We rely on third parties to conduct our preclinical studies and clinical trials and we must work effectively with collaborators to develop our drug candidates. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed.

- We expect to rely on third parties to manufacture at least a portion of our drug candidate supplies, and we intend to rely on third parties for at least a portion of the manufacturing process of our drug candidates, if approved, and drugs. Our business could be harmed if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices.

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

Risks Related to our Industry, Business and Operations

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

- Our employees, independent contractors, consultants, commercial partners and vendors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

- Any failure to comply with applicable regulations and industry standards or obtain various licenses and permits could harm our reputation and our business, results of operations and prospects.

Risks Related to our Doing Business in the PRC

- The pharmaceutical industry in the PRC is highly regulated and such regulations are subject to change which may affect approval and commercialization of our drugs.

- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

- We may be restricted from transferring our scientific data abroad.

- In the future, we may rely to some extent on dividends and other distributions on equity from our principal operating subsidiaries to fund offshore cash and financing requirements.

- We and our Shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a PRC establishment of a non-PRC company, or other assets attributable to a PRC establishment of a non-PRC company.

- Restrictions on currency exchange may limit our ability to utilize our revenue effectively.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2019, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Revenue attributable to the Group's five largest customers and the largest customer accounted for 100% and 96%, respectively, of the Group's total revenue for the Reporting Period.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 25% and 7%, respectively, of the Group's total purchases for the Reporting Period.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had a material interest in the Group's five largest customers or suppliers during the Reporting Period.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 1 to the consolidated financial statements in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2019 are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2019 and details of the Shares issued during the year ended December 31, 2019 are set out in Note 30 to the consolidated financial statements.

DONATION

During the year ended December 31, 2019, the Group made HK$1 million of charitable donations to the Community Chest of Hong Kong.

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December 31, 2019.

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme as set out in this annual report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2019.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2019.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force for the year ended December 31, 2019. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

As of December 31, 2019, the Company did not have any distributable reserves.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2019 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 22 to the consolidated financial statements in this annual report.

DIRECTORS' SERVICE CONTRACTS

Our executive Director has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date and subject to termination in accordance with his respective terms.

Each of the non-executive Director has signed a letter of appointment with the Company for an initial term of three years with effect from the Listing Date and subject to termination in accordance with their respective terms.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the Listing Date and subject to termination in accordance with their respective terms.

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

Save as disclosed above, none of the Directors has entered into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation).

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors' fees and other emoluments are supervised by the Remuneration Committee and determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 8, Note 9 and Note 36(c) to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the Note 36 to the consolidated financial statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2019.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

At no time during the Reporting Period had the Company or any of its subsidiaries, and any of the controlling shareholders (as defined in the Listing Rules) of the Company or any of their subsidiaries (as the case may be) entered into any contract of significance or any contract of significance for the provision of services by any such controlling shareholders or their subsidiaries (as the case may be) to the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2019.

DIRECTORS OF SUBSIDIARIES

Other than the Directors and senior management named in the section headed "Directors and Senior Management" of this annual report, the persons who serve on the boards of the subsidiaries of the Company as at the date of this annual report include each of Zhang Yubin and Ho Chong who serves as a director of Ascentage Suzhou and Ascentage Australia, respectively.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period and up to the date of this annual report, none of the Directors is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules. In relation to Dr. Wang's interest in OncoFusion Therapeutics, Inc., Medsyn Biopharma LLC, and Oncopia Therapeutics, Inc. (the "**Retained Business**"), the Directors are of the view that the Retained Business does not compete or is not likely to compete with the business of the Group since (i) there is clear business delineation between the Retained Business and the Group's core business in terms of their drug targets, technological platform and stage of product development; and (ii) the drug candidates of the Retained Business are still in preclinical stage. For further details, please refer to the section headed "Relationship with Controlling Shareholders" in the Prospectus.

NON-COMPETITION ARRANGEMENTS

Each of the Controlling Shareholders provided certain non-competition undertakings in favor of the Company, pursuant to which the said parties have given certain non-competition undertakings to the Company. Details of the non-competition agreements are set out in the section headed "Relationship with Controlling Shareholders — Non-Competition Undertaking" in the Prospectus.

The Controlling Shareholders confirmed that they have complied with the non-competition undertakings for the Reporting Period. The independent non-executive Directors have conducted such review for the Reporting Period and also reviewed the relevant undertakings and are satisfied that the non-competition undertakings have been fully complied with.

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

As at December 31, 2019, the interests and short positions of the Directors or chief executives of our Company in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules were as follows:

Name of Director or chief executive	Nature of Interest[1]	Number of Ordinary Shares	Approximate percentage of shareholding interest
Dr. Yang	Interest of controlled corporation[4] Interests held jointly with other persons[2] Interest of spouse[3] Settlor of discretionary trust[4]	67,204,967	32.17%
Dr. Wang	Interest of controlled corporation[4] Interests held jointly with other persons[2] Settlor of discretionary trust[4]	67,204,967	32.17%
Dr. Guo	Interest of controlled corporation[4] Interest held jointly with other persons[2] Settlor of a discretionary trust[4]	67,204,967	32.17%
Dr. Zhai	Interest of controlled corporation[5] Interest held jointly with other persons[2] Interest of spouse[3] Settlor of a discretionary trust[5]	67,204,967	32.17%
Dr. Tian Yuan	Interest of controlled corporation[6, 7, 8] Beneficial owner[11]	20,431,962 292,714	9.78% 0.14%
Mr. Liu Qian	Interest of controlled corporation[9] Beneficial owner[11]	10,743,772 37,688	5.14% 0.02%
Mr. Zhao Qun	Interest of controlled corporation[10] Beneficial owner[11]	4,419,421 292,714	2.11% 0.14%
Dr. Lu Dazhong Simon	Beneficial owner[11]	41,457	0.01%
Mr. Raymond Jeffrey Kmetz	Beneficial owner[11]	452,531	0.21%

Notes:

1. All interests stated are long position.

2. Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV are parties to the Concert Party Confirmation Deed, according to which they have been actively cooperating, communicating and acting in concert with each other with respect to their interests in or the business of the relevant members of our Group since December 5, 2016 and will continue to act in concert after Listing. Accordingly, each of Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV is deemed to be interested in an aggregate of 32.17% shareholding interest in our Company.

3. Dr. Yang and Dr. Zhai are spouse and are therefore deemed to be interested in the Shares held by each other under the SFO.

4. The Founders SPV is beneficially owned by (i) Dr. Yang (0.84%), (ii) Dr. Wang (13.39%), (iii) Dr. Guo (4.20%), (iv) the Yang Family Trust (44.69%), (v) the Wang Family Trust (13.39%) and (vi) the Guo Family Trust (23.49%). The Yang Family Trust, the Wang Family Trust and the Guo Family Trust were respectively established by Dr. Yang, Dr. Wang and Dr. Guo as settlor for the benefits of their respective family members. South Dakota Trust is the trustee of each of the Founders Family Trusts. Dr. Yang is also a director of the Founders SPV.

5. Dr. Zhai SPV is beneficially owned by (i) Dr. Zhai (3%) and (ii) the Zhai Family Trust (97%). The Zhai Family Trust was established by Dr. Zhai as settlor for the benefits of her family members. South Dakota Trust is the trustee of the Zhai Family Trust. Dr. Zhai is also a director of Dr. Zhai SPV.

6. Yuanming Prudence SPC is a segregated portfolio company managed by Yuanming Capital Management Limited. Yuanming Capital Management Limited is owned by Yuanming Capital Group Limited as to 50%. Dr. Tian Yuan, our non-executive Director, owned 100% shareholding interest in Yuanming Capital Group Limited. Dr. Tian is therefore deemed to be interested in 10,743,772 Shares held by Yuanming Prudence SPC.

7. YM Investment Ltd ("YM Investment") is indirectly wholly owned by Zhuhai Hengqin Yuanming Private Equity (Limited Partnership) (珠海橫琴元明股權投資基金(有限合夥)) whose general partner is Zhuhai Hengqin Yuanming Asset Management Co., Ltd. (珠海橫琴元明資產管理有限公司), of which Dr. Tian Yuan, our non-executive Director, is the general manager and also a shareholder holding 50% shareholding interest. Dr. Tian is therefore deemed to be interested in 8,416,400 Shares held by YM Investment.

8. QHYM Investment Ltd ("QHYM") is indirectly wholly owned by Shenzhen Qianhai Yuanming Healthcare Fund (Limited Partnership) (深圳前海元明醫療產業投資基金(有限合夥)) whose general partner is Shenzhen Qianhai Yuanming Asset Management Co., Ltd. (深圳前海元明資產管理有限公司), of which Dr. Tian Yuan, our non-executive Director, is the executive director and also a shareholder holding 90% shareholding interest. Dr. Tian is therefore deemed to be interested in 1,271,790 shares of the Company held by QHYM.

9. Yuanming Prudence SPC is a segregated portfolio company managed by Yuanming Capital Management Limited. Yuanming Capital Management Limited is owned by Fangyuan Financial Holdings Group as to 50%. Fangyuan Financial Holdings Group was owned as to 80% by Prudence Financial Holdings Group Limited which is in turn owned as to 75% by Mr. Liu Qian, our non-executive Director. Mr. LIU is therefore deemed to be interested in 10,743,772 Shares held by Yuanming Prudence SPC.

10. Mr. Zhao Qun, our non-executive Director, owned 40% interest in Oriza Seed Limited, which is the general partner of and also held 50% interest in Oriza Seed L.P., which is in turn the general partner of and also held 1% interest in Oriza Seed Fund I L.P.. Mr. Zhao is the sole director of Oriza Seed Venture Capital II Limited. Accordingly, Mr. Zhao is deemed to be interested in 4,419,421 Shares held by Oriza Seed Fund I L.P. and Oriza Seed Venture Capital II Limited.

11. Interests in options granted pursuant to the Pre-IPO Share Option Scheme.

Save as disclosed above, as at December 31, 2019, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

As at December 31, 2019, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Substantial Shareholder	Nature of Interest[1]	Number of Ordinary Shares	Approximate percentage of shareholding interest
Li Ju-Yun	Interest of spouse[2]	67,204,967	32.17%
Gao Sharon Xia	Interest of spouse[3]	67,204,967	32.17%
Founders SPV	Beneficial owner Interest held jointly with other persons[4]	67,204,967	32.17%
Dr. Zhai SPV	Beneficial owner Interest held jointly with other persons[4]	67,204,967	32.17%
South Dakota Trust	Trustee[5,6]	67,204,967	32.17%
Future Industry Investment Co., Limited	Beneficial owner[7]	19,076,840	9.13%
Future Industry Investment Fund	Interest of controlled corporation[7]	19,076,840	9.13%
SDIC Fund Management Co., Ltd.	Interest of controlled corporation[7]	19,076,840	9.13%
Chen Yiwen	Interest of spouse[8]	10,781,460	5.16%
Prudence Financial Holdings Group Limited	Interest of controlled corporation[9]	10,743,772	5.14%
Fangyuan Financial Holdings Group	Interest of controlled corporation[9]	10,743,772	5.14%
Yuanming Capital Group Limited	Interest of controlled corporation[9]	10,743,772	5.14%
Yuanming Capital Management Limited	Interest of controlled corporation[9]	10,743,772	5.14%
Yuanming Prudence SPC	Beneficial owner[9]	10,743,772	5.14%
Zhao Li	Interest of spouse[10]	20,724,676	9.92%

Notes:

1. All interests stated are long position.

2. Ms. Li Ju-Yun is Dr. Wang's spouse, and is therefore deemed to be interested in the Shares held by Dr. Wang.

3. Ms. Gao Sharon Xia is Dr. Guo's spouse, and is therefore deemed to be interested in the Shares held by Dr. Guo.

4. Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV are parties to the Concert Party Confirmation Deed, according to which they have been and will be actively cooperating, communicating and acting in concert with each other with respect to their interests in or the business of the relevant members of our Group since December 5, 2016 and will continue to act in concert after Listing. Accordingly, each of Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV is deemed to be interested in an aggregate of 32.17% shareholding interest in our Company immediately after the Listing.

5. The Founders SPV is beneficially owned by (i) Dr. Yang (0.84%), (ii) Dr. Wang (13.39%), (iii) Dr. Guo (4.20%), (iv) the Yang Family Trust (44.69%), (v) the Wang Family Trust (13.39%) and (vi) the Guo Family Trust (23.49%). The Yang Family Trust, the Wang Family Trust and the Guo Family Trust were respectively established by Dr. Yang, Dr. Wang and Dr. Guo as settlor for the benefits of their respective family members. South Dakota Trust is the trustee of each of the Founders Family Trusts. Dr. Yang is also a director of the Founders SPV.

6. Dr. Zhai SPV is beneficially owned by (i) Dr. Zhai (3%) and (ii) the Zhai Family Trust (97%). The Zhai Family Trust was established by Dr. Zhai as settlor for the benefits of her family members. South Dakota Trust is the trustee of the Zhai Family Trust. Dr. Zhai is also a director of Dr. Zhai SPV.

7. Future Industry Investment Co., Limited is wholly owned by Future Industry Investment Fund, whose executive partner is SDIC Fund Management Co., Ltd. Accordingly, each of Future Industry Investment Fund and SDIC Fund Management Co., Ltd. is deemed to be interested in the Shares held by Future Industry Investment Co., Limited under the SFO.

8. Ms. Chen Yiwen is Mr. Liu Qian's spouse, and is therefore deemed to be interested in the Shares held by Mr. Liu Qian.

9. Yuanming Prudence SPC is wholly owned by Yuanming Capital Management Limited. Yuanming Capital Management Limited is owned as to (i) 50% by Fangyuan Financial Holdings Group which is in turn owned as to 80% by Prudence Financial Holdings Group Limited and (ii) 50% by Yuanming Capital Group Limited.

10. Ms. Zhao Li is Dr. Tian Yuan's spouse, and is therefore deemed to be interested in the Shares held by Dr. Tian Yuan.

EQUITY PLANS

1. Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to reward the eligible participants who have contributed or will contribute to the Group and to encourage them to continue to work for the Group towards enhancing the value of the Shares which will benefit the Group and the Shareholders as a whole.

A summary of the principal terms of the Pre-IPO Share Option Scheme is set out below:

Eligible Participants

Those eligible to participate in the Pre-IPO Share Option Scheme include any substantial shareholder, existing or incoming employees of the Group which include the directors (including executive directors, non-executive directors and independent non-executive directors) and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, where required under the Listing Rules, the independent non-executive directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group.

Maximum Number of Shares Available for Issue under the Pre-IPO Share Option Scheme

The overall limit on the number of underlying shares which may be delivered pursuant to share options granted under the Pre-IPO Share Option Scheme is 12,307,533 Shares, representing 5.89% of the issued capital of the Company, with a par value of US$0.0001 each.

Consideration

Consideration of HK$1.00 is required to be paid by the grantees for the grant of awards under the Pre-IPO Share Option Scheme.

Determination of Exercise Price

The exercise price of all the share options granted under the Pre-IPO Share Option Scheme is HK$0.01 as determined by the Board at the time of the grant.

Life of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was approved and adopted pursuant to the resolutions of the shareholders passed on July 13, 2018 and may be terminated by the Board or the Company by ordinary resolution in general meeting. No further option will be granted or offered after the Listing Date. In the event of termination, the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted during the life of the Pre-IPO Share Option Scheme and which remain unexpired immediately prior to the termination of the Pre-IPO Share Option Scheme.

Outstanding Share Options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as of December 31, 2019. All the options under the Pre-IPO Share Option Scheme were granted on or before the Listing Date and no further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date. For further details on the movement of the options during the Reporting Period, please see Note 32 to the consolidated financial statements and the below summary:

Relevant Grantee	Number of underlying Shares to be issued upon exercise of the option in full	Date of Grant	Outstanding as at the Listing Date	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at December 31, 2019
Directors of the Company						
Tian Yuan	292,714	August 15, 2018	292,714	–	–	292,714
Zhao Qun	292,714	August 15, 2018	292,714	–	–	292,714
Lu Dazhong Simon	41,457	August 15, 2018	41,457	–	–	41,457
Liu Qian	37,688	August 15, 2018	37,688	–	–	37,688
Chief executives of the Company						
Raymond Jeffrey Kmetz	452,531	May 15, 2019	452,531	–	–	452,531
Thomas Joseph Knapp	374,472	May 15, 2019	374,472	–	–	374,472
Other grantees						
Employees of the Group	10,812,906	Between August 15, 2018 to September 16, 2019	10,812,906	–	–	10,812,906
Total			**12,304,482**	**–**	**–**	**12,304,482**

Notes:

1. The period during which the option can be exercised are set forth in the relevant offer letters in accordance with the Pre-IPO Share Option Scheme and disclosed in the Prospectus.

2. All the options are exercisable upon vesting at an exercise price of HK$0.01 per Share.

2. Post-IPO Share Option Scheme

The purpose of the Post-IPO Share Option Scheme is to enable the Company to grant options to eligible participants incentives or rewards for their contribution or potential contribution to the Group and to provide the eligible participants an opportunity to have a personal stake in the Company with the view to motivate the eligible participants to optimize their performance efficiency for the benefit of the Group; attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group; and/or for such purposes as the Board may approve from time to time.

A summary of the principal terms of the Post-IPO Share Option Scheme is set out below:

Eligible Participants

The Board may, at its absolute discretion, offer to grant options to the following persons:

(i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group;

(ii) a director or proposed director (including an independent non-executive director) of any member of the Group;

(iii) any substantial shareholder of any member of the Group;

(iv) a supplier of goods or services to any member of the Group;

(v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;

(vi) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and

(vii) an associate of any of the persons referred to in paragraphs (i) to (iii) above.

Maximum Number of Shares Available for Issue under the Post-IPO Share Option Scheme

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes of our Group is 20,707,462, being no more than 10% of the Shares in issue as of the Listing Date (the "**Scheme Mandate Limit**").

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

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Shares in issue from time to time. No options may be granted under the Post-IPO Share Option Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

As at December 31, 2019, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 20,707,462, Shares, representing 9.91% of the issued share capital of the Company.

Maximum entitlement of Each Participant

Unless approved by the Shareholders in a general meeting, the maximum number of Shares underlying the options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue for the time being.

Life of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

Exercise Price

Pursuant to the Post-IPO Share Option Scheme, the participants may subscribe for the Shares on the exercise of an option at the price determined by the Board provided that it shall be at least the highest of (a) the nominal value of a Share; (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the date of grant.

Consideration

Consideration of HK$1.00 is required to be paid by the grantees for the grant of awards under the Post-IPO Share Option Scheme and such payment must be made within 28 days from the date the share option grant offer is made to the grantee.

3. RSU Scheme

The purpose of the RSU Scheme is to incentivize the existing and incoming Directors, senior management and employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

Eligible Participants

Persons eligible to receive RSUs under the RSU Scheme are existing or incoming employees, directors (whether executive or non-executive) or officers of our Company or any member of our Group. Our Board selects the eligible persons to receive RSUs under the RSU Scheme at its discretion.

Maximum Number of Shares pursuant to RSUs

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been canceled in accordance with the rules of the RSU Scheme) shall be 5,274,657 ordinary shares representing 2.52% of the issued shares of the Company.

Life of the RSU Scheme

The RSU Scheme will be valid and effective for a period of ten years, commencing on July 6, 2018.

As at December 31, 2019, the Company has not identified any grantee under the RSU Scheme or granted any restricted shares to any grantee.

Further details of the RSU Scheme are set out in the Prospectus and Note 30 to the consolidated financial statements.

CONNECTED TRANSACTIONS

The Group has not conducted any non-exempt continuing connected transaction for the year ended December 31, 2019. Details of related party transactions of the Group for the year ended December 31, 2019 are set out in Note 36 to the consolidated financial statements. The related party transactions disclosed in Note 36 were not regarded as connected transactions and were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the period from the Listing Date to December 31, 2019.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2019.

The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2019.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company's Shares were listed on the Stock Exchange on October 28, 2019 with a total of 14,008,000 offer shares (including shares issued as a result of the full exercise of the over-allotment option) issued and the net proceeds raised from the Global Offering were approximately HK$369.8 million. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus as follows:

- approximately 42% of the net proceeds (approximately HK$155.2 million) allocated to the research and development to bring our Core Product, HQP1351, to commercialization as follows:

  - o **clinical trials:** approximately 18% of the net proceeds (approximately HK$66.5 million) will be allocated to the ongoing Phase II clinical trial for CML in China, approximately 5% of the net proceeds (approximately HK$18.5 million) allocated to a planned Phase Ib/II clinical trial in the United States, and approximately 1% of the net proceed (approximately HK$3.7 million) allocated to the ongoing Phase I clinical trial for GIST in China;

  - o **manufacturing:** approximately 13% of the net proceeds (approximately HK$48.0 million) will be allocated to construction of our GMP-compliant production line in Suzhou in preparation for the commercialization of our Core Product, HQP1351;

  - o **commercialization:** approximately 5% of the net proceeds (approximately HK$18.5 million) allocated to the preparation for commercialization of our Core Product, HQP1351. We plan to hire senior personnel with experience of commercialization, including sales and marketing and regulatory compliance;

- approximately 13% of the net proceeds (approximately HK$48.1 million) for ongoing and planned clinical trials of APG-1252, with approximately 2% of the net proceeds (approximately HK$7.4 million) allocated to the ongoing Phase I clinical trial in China, approximately 2% of the net proceeds (approximately HK$$7.4 million) allocated to the ongoing Phase I clinical trial in the United States, approximately 1% of the net proceeds (approximately HK$3.7 million) allocated to the ongoing Phase I clinical trial in Australia, and approximately 8% of the net proceeds (approximately HK$29.6 million) allocated to planned Phase II clinical trials in the United States, China and Australia;

- approximately 19% of the net proceeds (approximately HK$70.3 million) for ongoing and planned clinical trials of APG-2575, with approximately 13% of the net proceeds (approximately HK$48.1 million) allocated to the ongoing Phase I clinical in the United States, approximately 5% of the net proceeds (approximately HK$18.5 million) allocated to the planned Phase I clinical trial in China, and approximately 1% of the net proceeds (approximately HK$3.7 million) allocated to the ongoing Phase I clinical trial in Australia; and

- approximately 19% of the net proceeds (approximately HK$70.3 million) for ongoing and planned clinical trials of APG-115, with approximately 1% of the net proceeds (approximately HK$3.7 million) allocated to the ongoing Phase I clinical trial in China, and approximately 18% of the net proceed (approximately HK$66.6 million) allocated to the ongoing Phase Ib/II clinical trial in the United States;

- approximately 6% of the net proceeds (approximately HK$22.2 million) allocated to ongoing and planned clinical trials for the rest of our clinical programs, APG-1387 and APG-2449, including approximately 3% of the net proceeds (approximately HK$11.1 million) allocated to the ongoing Phase I clinical trials for APG-1387 in the United States and China, and 3% of the net proceeds (approximately HK$11.1 million) allocated to the ongoing Phase I clinical trial for APG-2449 in China; and

- approximately 1% of the net proceeds (approximately HK$3.7 million) allocated to our working capital and general corporate purposes.

The net proceeds from the Global Offering have been and will be utilized in accordance with the purposes set out above. The table below sets out the planned applications of the net proceeds and actual usage up to the date of this annual report:

Use of proceeds		**Planned allocation of Net Proceeds** (HKD million)	**Planned allocation of Net Proceeds** (RMB million)	**Utilized amount (as at the date of this annual report)** (RMB million)	**Expected timeline for utilizing the remaining balance of net proceeds from the Global Offering[(2)]**
Research and development to bring our Core Product, HQP1351, to commercialization	42%	155.2	138.2	27.7	December 31, 2021
Ongoing and planned clinical trials of APG-1252	13%	48.1	42.8	8.6	March 31, 2021
Ongoing and planned clinical trials of APG-2575	19%	70.3	62.5	12.5	March 31, 2021
Ongoing and planned clinical trials of APG-115	19%	70.3	62.5	12.5	March 31, 2021
Ongoing and planned clinical trials for the rest of our clinical programs, APG-1387 and APG-2449	6%	22.2	19.7	4.0	March 31, 2021
Working capital and general corporate purposes	1%	3.7	3.3	0.7	March 31, 2021
Total	100.0%	369.8	329.1	66.0	—

Notes:

(1) The sum of the data may not add up to the total due to rounding.

(2) The expected timeline for utilizing the remaining balance of net proceeds is based on the best estimation of the market conditions made by the Group and it is subject to our R&D progress which may be affected by the COVID-19.

(3) Net proceeds from the Global Offering were received in Hong Kong dollars and translated to Renminbi for application planning. The plan was adjusted slightly due to the fluctuation of the exchange rate since the Global Offering.

Report of the Directors

PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Group have been audited by Ernst & Young, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

Future Plans for Material Investments and Capital Assets

Save as disclosed in this annual report, we do not have other plans for material investments and capital assets.

On Behalf of the Board
Dr. Yang Dajun
Chairman and Chief Executive Officer

Suzhou, PRC, March 29, 2020

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximizing shareholders' interests.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and code provisions as set out in the CG Code. Save for the deviation disclosed below, in the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code from the Listing Date to the date of publication of this annual report.

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. We do not have a separate chairman and chief executive officer, and Dr. Yang Dajun currently performs these two roles. The Board believes that such arrangement will not impair the balance of power and authority between the Board and the management of the Company, because (a) decision to be made by our Board requires approval by at least a majority of our Directors and that our Board comprises three independent non-executive Directors out of nine Directors, which represents one-third of the Board composition and satisfies the Listing Rules requirement, and we believe that there is sufficient check and balance in the Board; (b) Dr. Yang and other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; (c) 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; and (d) strategic decisions and other key business, financial, and operational policies of our Group are formalized 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 our Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

THE BOARD

RESPONSIBILITIES

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established the Board Committees, namely the **Nomination Committee**, the **Remuneration Committee** and the **Audit Committee**. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

BOARD COMPOSITION

As at the date of this annual report, the Board comprises nine Directors, including one executive Director, five non-executive Directors and three independent non-executive Directors as set out below:

Corporate Governance Report

EXECUTIVE DIRECTOR:

Dr. Yang Dajun *(Chairman and chief executive officer)*

NON-EXECUTIVE DIRECTORS:

Dr. Wang Shaomeng
Dr. Tian Yuan
Mr. Zhao Qun
Dr. Lu Simon Dazhong
Mr. Liu Qian

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Ye Changqing
Dr. Yin Zheng
Mr. Ren Wei

All Directors have distinguished themselves in their field of expertise, and have exhibit high standards of personal and professional ethics and integrity. The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

From the Listing Date to the year ended December 31, 2019, the Board at all times met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive director representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

None of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Director.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under relevant status, laws, rules and regulations.

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

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

According to code provision A.6.5 of the CG Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Below is the record of participation in continuous professional development programme by the Directors in year 2019 relevant to the directors' duties and responsibilities, regulatory updates and business, financial and operational matters of the Group.

	Attending seminars/ conferences/ forums	Giving talks at seminars/ conferences/ forums	Reading materials
Executive Director			
Dr. YANG Dajun		✓	
Non-executive Directors			
Dr. WANG Shaomeng	✓	✓	✓
Dr. TIAN Yuan	✓	✓	✓
Mr. ZHAO Qun			✓
Dr. LU Simon Dazhong	✓		✓
Mr. LIU Qian	✓	✓	✓
Independent Non-executive Directors			
Mr. YE Changqing	✓		✓
Dr. YIN Zheng			✓
Mr. REN Wei	✓	✓	✓

Corporate Governance Report

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The executive Director entered into a service contract with the Company for a term of three years commencing from the Listing Date which may be terminated by either party and is subject to termination provisions therein and retirement and re-election at the AGMs in accordance with the Articles of Association or any other applicable laws from time to time whereby he shall vacate his office.

Each of non-executive Directors and independent non-executive Directors has entered a letter of appointment with the Company for a term of three years commencing from the Listing Date, unless terminated by either party before expiry of the existing term and is subject to retirement by rotation in accordance with the Articles of Association.

None of the Directors has a service agreement which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the provisions of the Articles of Association, every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election; any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of Company after his appointment and be subject to re-election at such meeting; and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

The procedures and process of appointment, re-appointment and continuation (or not) in service of any Director are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-appointment and continuation (or not) in service of any Director.

BOARD MEETINGS

The Company has adopted the practice of holding board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than 14 days will be given for all regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice will generally be given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

Minutes of the board meetings and committee meetings will be recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each board meeting and committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

From the Listing Date to the date of publication of this annual report, one board meeting was held and the attendance of the individual Directors at the meeting is set out in the table below:

Name of Director	Attended/ Eligible to attend Board meeting
Dr. Yang Dajun	1/1
Dr. Wang Shaomeng	1/1
Dr. Tian Yuan	1/1
Mr. Zhao Qun	1/1
Dr. Lu Simon Dazhong	1/1
Mr. Liu Qian	1/1
Mr. Ye Changqing	1/1
Dr. Yin Zheng	1/1
Mr. Ren Wei	1/1

MODEL CODE FOR SECURITIES TRANSACTIONS

We have also adopted our own code of conduct regarding securities transactions, namely the policy on management of securities transactions by directors (the "Securities Transactions Code"), which applies to all Directors on terms not less exacting than the required standard indicated by the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Model Code.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code from the Listing Date to the date of publication of this annual report. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group from the Listing Date to the date of publication of this annual report.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Director could have resource to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTION

The Board delegated the Company's corporate governance functions to the Audit Committee to perform the following corporate governance duties:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report of the Company.

From the Listing Date to the date of publication of this annual report, the Board approved the terms of reference of the Nomination Committee, the Audit Committee and the Remuneration Committee.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended December 31, 2019 are set out in Note 8 and Note 36(c) to the consolidated financial statements in this annual report.

The biographies of the senior management are disclosed in the section headed "Directors and Senior Management" in this annual report. Remuneration paid to the top senior management (excluding the Directors) for the year ended December 31, 2019 fell within the following bands as follows:

Remuneration Band	No. of employees
USD600,001 to USD700,000	1
USD400,001 to USD500,000	4
USD300,001 to USD400,000	5
	10

DIRECTORS' LIABILITY INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against its Directors.

BOARD COMMITTEES

NOMINATION COMMITTEE

The Nomination Committee was established on September 28, 2019 and written terms of reference of the Nomination Committee have been adopted by the Board and are posted on the websites of the Company and the Stock Exchange.

The Nomination Committee is comprised of three members, namely Dr. Yang Dajun, Mr. Ye Changqing and Mr. Ren Wei. Dr. Yang Dajun is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include:

— reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

— making recommendation to the Board on the appointment or re-appointment of Directors and succession plans for Directors, in particular the chairman and the chief executive officer;

— identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

— assessing the independence of independent non-executive Directors;

— evaluating the balance of Directors;

— reviewing annually the time required from the non-executive Directors; and

— making recommendation to the Board concerning (a) formulating succession plans for executive Directors and non-executive Directors; (b) assessing the independence of the independent non-executive Directors; (c) memberships of the Company's audit and remuneration committees, in consultation with the chairman of those committees; (d) the re-appointment of any non-executive Director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required; and (e) the continuation (or not) in service of any Director who has reached the age of 70.

From the Listing Date to the date of publication of this annual report, the Nomination Committee held one meeting during which the Nomination Committee has performed the following major works:

— assessed the independence of the independent non-executive Directors of the Company;

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

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

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

— reviewed the board diversity policy of the Company.

The attendance record of each committee member at the meeting is set out below:

Name of committee members	Attendance/ Number of Meeting
Dr. Yang Dajun	1/1
Mr. Ye Changqing	1/1
Mr. Ren Wei	1/1

POLICY FOR THE NOMINATION OF DIRECTORS

The Company follows a formal, considered and transparent procedure for the appointment of new Directors for the Board to achieve a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's strategic focus and specific business needs. Recognising the vitality of diversity for the Board, the Company has adopted a board diversity policy.

The Nomination Committee reviews the structure, size and composition of the Board regularly and makes recommendation to the Board to complement the corporate strategy of the Company. The appointment of a new Director is a collective decision of the Board, taking into consideration the procedures for Shareholders to propose a person for election as a Director of the Company and the Board Diversity Policy. The Board believes that changes to the Board composition shall be managed without undue disruption, and shall continue to provide a balanced composition of the executive Directors, the non-executive Directors (including independent non-executive Directors) so that there is a strong independent element in the Board, which can effectively exercise independent judgement.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company has adopted a board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board. Pursuant to the board diversity policy, the Company seeks to achieve board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural education background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Nomination Committee is delegated by the Board to be responsible for compliance with relevant codes governing board diversity under the CG Code. The Nomination Committee will continue to review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose about the implementation of the board diversity policy in the next annual report of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee was established on September 28, 2019 and written terms of reference of the Remuneration Committee have been adopted by the Board and are posted on the websites of the Company and the Stock Exchange.

The Remuneration Committee is comprised of three members, namely Dr. Yin Zheng, Dr. Tian Yuan and Mr. Ren Wei. Dr. Yin Zheng is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include:

— making recommendations to the Board on the Company's remuneration policy and structure for the Directors and senior management;

— being responsible for either (i) determining, with delegated responsibility by the Board, the remuneration packages of the individual executive Directors and senior management; or (ii) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

— making recommendations to the Board on the remuneration of non-executive Directors;

— considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company;

— reviewing and approving the remuneration packages of all Directors and senior management with reference to corporate goals and objectives resolved by the Board from time to time;

— reviewing and approving compensation payable to the executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and reasonable and not excessive;

— reviewing and approving compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

— ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration;

— advising the Shareholders on how to vote with respect to any service contracts of the Directors that require the Shareholders' approval under the Listing Rules; and

— reviewing the Company's policy on expense reimbursements for the Directors and senior management.

From the Listing Date to the date of publication of this annual report, the Remuneration Committee held one meeting during which the Remuneration Committee has performed the following major works:

— evaluated and reviewed the performance of executive Director and senior management for the year ended December 31, 2019 and made recommendations to the Board on (i) the discretionary bonuses for the year ended December 31, 2019, and (ii) respective remuneration packages for the year ending December 31, 2020; and

— made recommendations to the Board on the remuneration packages of non-executive Directors (including independent non-executive Directors) for the year ending December 31, 2020.

The attendance record of each committee member at the meeting is set out below:

Name of committee members	Attendance/ Number of Meeting
Dr. Yin Zheng	1/1
Dr. Tian Yuan	1/1
Mr. Ren Wei	1/1

AUDIT COMMITTEE

The Audit Committee was established on September 28, 2019 and written terms of reference of the Audit Committee have been adopted by the Board and are posted on the websites of the Company and the Stock Exchange.

The Audit Committee is comprised of three members, namely Mr. Ye Changqing, Dr. Lu Simon Dazhong and Dr. Yin Zheng with Mr. Ye Changqing possessing the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. Mr. Ye Changqing is the chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's external auditor.

The primary duties of the Audit Committee include:

— making recommendations to the Board on the appointment, re-appointment and removal of the external auditor;

— reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

— developing and implementing policies on engaging an external auditor to supply non-audit services;

— discussing with the external auditor the nature and scope of the audit and relevant reporting obligation;

— monitoring integrity of the Company's financial statements, annual reports and accounts, half-year reports and reviewing significant financial reporting judgements contained therein;

— reviewing the Company's financial controls, risk management and internal control systems;

— ensuring co-ordination between the internal and external auditors;

— reviewing the Company's financial and accounting policies and practices;

— reporting to the Board on the matters in the CG Code as set out in Appendix 14 to the Listing Rules; and

— preforming the corporate governance functions delegated by the Board.

From the Listing Date to the date of publication of this annual report, the Audit Committee held one meeting during which the Audit Committee has performed the following major works:

— acknowledged the letter from Ernst & Young regarding its independence;

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

— noted Ernst & Young's report to the Audit Committee, including the draft management letter of the Directors;

— reviewed and approved the draft audited consolidated financial statements of the Group and the reports of the Directors and Independent Auditors of the Company for the Reporting Period, and recommended to the Board for approval;

— reviewed the draft audited annual results announcement of the Group for the Reporting Period, and recommended to the Board for approval;

— reviewed and approved the fees charged by Ernst & Young for the non-audit services provided to the Group during the Reporting Period;

— considered the re-appointment of Ernst & Young as Independent Auditor of the Company for the financial statements of the Group for the year ending December 31, 2020, and recommended to the Board for shareholders' approval;

— reviewed the Company's financial and accounting policies and practices;

— reviewed the Company's policies and practices related to corporate governance and make recommendations to the Board;

— reviewed the training and continuous professional development of Directors and senior management;

— reviewed the Company's policies and practices regarding compliance with legal and regulatory requirements;

— reviewed the effectiveness of the risk management and internal control systems and internal audit function; and

— reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The attendance record of each committee member at the meeting is set out below:

Name of committee members	Attendance/ Number of Meeting
Mr. Ye Changqing	1/1
Dr. Lu Simon Dazhong	1/1
Dr. Yin Zheng	1/1

Each of the Controlling Shareholders of the Company has provided with the Company a confirmation on compliance pursuant to their undertakings under the Deed of Non-Competition. The Audit Committee has reviewed the confirmations and noted that during the period from the Listing Date to the date of publication of this annual report, each of the Controlling Shareholders of the Company has complied with the Deed of Non-Competition. The Audit Committee was not aware of any significant issues that would have an adverse impact on the effectiveness of the corporate governance measures.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements for the year ended December 31, 2019 and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

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

The statement by the Independent Auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 61 and 62 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Company's risk management and internal control systems and for reviewing its effectiveness on an ongoing basis. The Group's internal audit team and senior management conduct reviews of the effectiveness of the risk management and internal control systems of the Group. The Audit Committee reviews the findings and recommendations of the internal audit team and the senior management in their meetings held at least 3 times a year and reports to the Board on such review.

The risk management and internal control systems are designed to manage, rather than eliminate business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss. In addition, it should provide a basis for the maintenance of proper and fair accounting records and assist in the compliance with relevant rules and regulations.

From the Listing Date to the date of publication of this annual report, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programs and budget.

The Board believes that there are no material internal control deficiencies that may affect the shareholders of the Company and an effective and adequate risk management and internal control system is in place to safeguard the assets of the Group. The Audit Committee and senior management together monitor the implementation of risk management policies on an ongoing basis to ensure the policies and implementation are effective and sufficient.

DISSEMINATION OF INSIDE INFORMATION

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has internal policy and procedures which strictly prohibit unauthorized use of inside information and has communicated to all staff; the Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. In addition, only Directors and delegated officers can act as the Group's spokesperson and respond to external enquires about the Group's affairs.

AUDITOR'S REMUNERATION

For the year ended December 31, 2019, the total remuneration paid or payable to the Company's auditors, Ernst & Young, for annual audit and other audit services totally RMB3.1million.

An analysis of the remuneration paid or payable to Ernst & Young is set out below:

Description of services performed	**Amount** (RMB'000)
Audit and audit related services (including IPO audit services)	2,820
Non-Audit services	270
Total	3,090

The Board and the Audit Committee have agreed on the re-appointment of Ernst & Young as the Independent Auditor of the Group for the year 2020 and the proposal will be submitted for approval at the AGM to be held on June 19, 2020.

COMPANY SECRETARY

The Company Secretary is Mr. Wong Cheung Ki Johnny. Mr. Wong has been appointed as the Company Secretary of the Company since July 2018. Mr. Wong has assisted on the company secretarial matters of the Company since the Listing, and has duly complied with relevant training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Directors are aware of the importance of maintaining good relations and communications with the shareholders of the Company and in appropriate circumstances, the investment community at large. The Board established a Shareholders Communication Policy setting out the principles of the Company in relation to the communication between the shareholders, the investment community and the Company, with the objective of ensuring that its communication with the shareholders and the investment community are timely provided with information about the Company.

The Company uses a range of communication tools, such as AGMs, annual reports, various notices, announcements and circulars, to ensure the shareholders of the Company are kept well informed of the Group's key business imperatives.

The Company has maintained a website at www.ascentagepharma.com which serves as a forum for corporate communications with the shareholders and the general public. All corporate communications required under the Listing Rules are displayed and archived since the Listing Date on the Company's website and there are established procedures to ensure timely update in compliance with the Listing Rules.

At the AGM, separate resolutions will be proposed by the Chairman in respect of each itemized on the agenda, including the re-election of the Directors. The chairman, the chairman of each of the Nomination Committee, the Remuneration Committee and the Audit Committee and members of senior management, together with representative(s) from the Independent Auditor, will attend the AGM to answer questions from the Shareholders.

The notice of the AGM will be distributed to all shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules.

SHAREHOLDERS' RIGHTS

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS AND PUTTING FORWARD PROPOSALS

Under the Articles of Association, an extraordinary general meeting ("EGM") may be convened by the Board upon requisition by any one or more shareholders holding not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. The shareholder(s) shall make a written requisition to the Board or the Company Secretary at the Company's principal place of business in Hong Kong, specifying the shareholding information of the shareholder(s), his/her/its contact details and the proposal regarding any specifying transaction/business and its supporting documents.

If within 21 days of deposit of such written requisition, the Board fails to proceed to convene such EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

MAKING ENQUIRIES TO THE BOARD

The shareholders of the Company shall direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

In addition, the shareholders and the investment community may at any time contact either the Company's Investor Relations Department or the Company Secretary to enquire about the information published by the Company.

POLICY ON PAYMENT OF DIVIDENDS

We are a holding company incorporated in the Cayman Islands. We have never declared or paid any dividends on our ordinary shares or preferred shares. We may need dividends and other distributions on equity from our PRC subsidiaries to satisfy our liquidity requirements. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of their respective registered capital. Our PRC subsidiaries may also allocate a portion of its after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends. Furthermore, if our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements we currently have in place in a manner that would materially and adversely affect our PRC subsidiaries' ability to pay dividends and other distributions to us.

We currently intend to retain all available funds and any future earnings, if any, to fund the research and development of our product candidates and we do not anticipate paying any cash dividends in the foreseeable future.

CONSTITUTIONAL DOCUMENTS

In September 2019, the Company has adopted an amended and restated memorandum and articles of association of the Company, a copy of which is available on the websites of the Company (www.ascentagepharma.com) and the Stock Exchange (www.hkexnews.hk).

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Independent auditor's report
To the shareholders of Ascentage Pharma Group International
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Ascentage Pharma Group International (the "Company") and its subsidiaries (the "Group") set out on pages 63 to 140, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Risk of misstatement of research and development expenses	
For the year ended December 31, 2019, the Group incurred research and development ("R&D") expenses amounting to RMB463,883,000. The R&D expenses mainly include clinical trial expenses and service fees paid to contract research organizations ("CROs"). The R&D activities with these CROs are documented in the detailed agreements and are billed usually based on the milestones. Allocation of these R&D expenses to the appropriate financial reporting period based on the progress of the R&D activities involves significant management's judgements. In addition, determining the amounts to be capitalized or expensed requires management to make assumptions regarding technical feasibility, intention and ability to complete the intangible asset, ability to use or sell the asset, generation of future economic benefits and the ability to measure the costs reliably. The disclosures about accounting policies of R&D expense recognition are included in note 2.4 "Summary of significant accounting policies" and note 3 "Significant accounting judgements and estimates".	We updated our understanding of the internal control over the R&D expenses process, performed walkthroughs and test of controls, and assessed the effectiveness of the design and implementation of the relevant internal controls. We inquired management about the reasons for periodical fluctuations in R&D expenses and assessed the reasonableness of those fluctuations. We, on a sample basis, reviewed the terms in R&D related agreements and evaluated the measurement basis of the R&D expenses and relevant accruals with the reference to the progress reported by the relevant CRO and/or by the audit confirmation. We, on a sample basis, reviewed R&D expenses payments and other supporting documents in both current and subsequent period to determine whether those expenses were recorded in the appropriate financial reporting period. Regarding the capitalization or expense of development expenditures, we conducted interview with the key management members in charge of R&D department, to understand the current R&D projects in process, and to obtain certifications related to different stages of development activities and commercial and technical feasibility reports, if any. We also focused on the adequacy of the disclosures of the R&D expenses.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
March 29, 2020

Consolidated Statement of Profit or Loss

Year ended December 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**14,513**	6,807
Cost of sales		**(2,096)**	—
Gross profit		**12,417**	6,807
Other income and gains	5	**49,116**	60,630
Administrative expenses		**(161,643)**	(89,717)
Research and development expenses		**(463,883)**	(249,565)
Other expenses		**(914,049)**	(38,145)
Finance costs	7	**(4,274)**	(36,919)
LOSS BEFORE TAX	6	**(1,482,316)**	(346,909)
Income tax credit	10	**1,602**	1,602
LOSS FOR THE YEAR		**(1,480,714)**	(345,307)
Attributable to:			
Owners of the parent		**(1,480,714)**	(345,307)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
— For loss for the year (RMB)		**(12.69)**	(4.16)

Consolidated Statement of Comprehensive Income

Year ended December 31, 2019

	2019 RMB'000	2018 RMB'000
LOSS FOR THE YEAR	**(1,480,714)**	(345,307)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(98,799)**	(23,777)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(98,799)**	(23,777)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(1,579,513)**	(369,084)
Attributable to:		
Owners of the parent	**(1,579,513)**	(369,084)

Consolidated Statement of Financial Position

December 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**93,787**	26,853
Right-of-use assets	14(a)	**48,500**	40,387
Goodwill	15	**24,694**	24,694
Other intangible assets	16	**72,192**	75,280
A financial asset at fair value through profit or loss ("FVTPL")	17	**32,191**	59,518
Other non-current asset	18	**24,581**	12,425
Total non-current assets		**295,945**	239,157
CURRENT ASSETS			
Prepayments, other receivables and other assets	19	**26,648**	18,732
Other financial assets	20	**—**	14,399
Cash and bank balances	21	**882,457**	957,088
Total current assets		**909,105**	990,219
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	22	**92,194**	37,587
Trade payables	23	**13,084**	5,081
Other payables and accruals	24	**96,738**	62,556
Contract liabilities		**46**	45
Total current liabilities		**202,062**	105,269
NET CURRENT ASSETS		**707,043**	884,950
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,002,988**	1,124,107
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	22	**9,211**	4,457
Deferred tax liabilities	25	**16,957**	18,559
Long-term payables measured at FVTPL	26	**51,248**	10,034
Contract liabilities		**50**	94
Deferred income	27	**35,047**	26,938
Convertible redeemable preferred shares	29	**—**	2,075,611
Total non-current liabilities		**112,513**	2,135,693
Net assets/(liabilities)		**890,475**	(1,011,586)
DEFICIT IN EQUITY			
Equity attributable to owners of the parent			
Share capital	30	**142**	63
Treasury shares	30	**(4)**	(4)
Capital and reserves	31	**890,337**	(1,011,645)
Total equity/(deficit)		**890,475**	(1,011,586)

Dr. Yang Dajun
Director

Dr. Wang Shaomeng
Director

Consolidated Statement of Changes in Equity

Year ended December 31, 2019

	Attributable to owners of the parent						
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital and reserves RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At January 1, 2019	63	(4)	43,698	(412,030)	(27,496)	(615,817)	(1,011,586)
Loss for the year	–	–	–	–	–	(1,480,714)	(1,480,714)
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	–	–	–	–	(98,799)	–	(98,799)
Total comprehensive loss for the year	–	–	–	–	(98,799)	(1,480,714)	(1,579,513)
Conversion of convertible redeemable preferred shares to ordinary shares	69	–	3,013,148	–	–	–	3,013,217
Issue of shares from initial public offering ("IPO")	9	–	376,073	–	–	–	376,082
Issue of shares from exercise of an over-allotment option	1	–	56,196	–	–	–	56,197
Share issue expenses	–	–	(34,744)	–	–	–	(34,744)
Equity-settled share option arrangement	–	–	–	70,822	–	–	70,822
At December 31, 2019	142	(4)	3,454,371*	(341,208)*	(126,295)*	(2,096,531)*	890,475

	Attributable to owners of the parent						
	Share capital RMB'000	Treasury shares RMB'000 (note 30)	Share premium RMB'000 (note 30)	Capital and reserves RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total deficit RMB'000
At January 1, 2018	–	–	–	142,432	(3,719)	(270,510)	(131,797)
Loss for the year	–	–	–	–	–	(345,307)	(345,307)
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	–	–	–	–	(23,777)	–	(23,777)
Total comprehensive loss for the year	–	–	–	–	(23,777)	(345,307)	(369,084)
Group reorganization	44	–	–	(44)	–	–	–
Cancellation of Series A Shares	(2)	–	–	–	–	–	(2)
Issue of ordinary shares	23	(4)	43,698	(43,702)	–	–	15
Cancellation of ordinary shares	(1)	–	–	–	–	–	(1)
Equity-settled share option arrangement	–	–	–	27,575	–	–	27,575
Transfer to convertible redeemable preferred shares (i)	–	–	–	(455,941)	–	–	(455,941)
Capital repurchase (ii)	–	–	–	(59,657)	–	–	(59,657)
Repurchase of Ordinary Shares (iii)	(1)	–	–	(22,693)	–	–	(22,694)
At December 31, 2018	63	(4)	43,698*	(412,030)*	(27,496)*	(615,817)*	(1,011,586)

* These reserve accounts comprise the consolidated capital and reserves of RMB890,337,000 (2018: RMB (1,011,645,000)) in the consolidated statements of financial position.

i During the reorganization, the equity interests held by the Series A-1 Investors and Series B Investors were repurchased by the issuing of the Company's Series A-1 Shares and Series B Shares. The Group designated all the instruments (i.e., Series A-1 Shares and Series B Shares) as financial liabilities measured at FVTPL, presented as convertible redeemable preferred shares in the consolidated statements of financial position. The difference amounting to RMB455,941,000 between the carrying amount of the other non-current liabilities of RMB625,180,000 and the fair value of convertible redeemable preferred shares of RMB1,081,121,000 was recognized in equity. Further details are given in notes 28 and 29.

ii During the reorganization, equity interests of certain investors ("Exiting A-1 Investors") were repurchased by the Group (note 28).

iii The repurchased Ordinary Shares were cancelled after the repurchase. Further details are given in note 29.

Consolidated Statement of Cash Flows

Year ended December 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(1,482,316)**	(346,909)
Adjustments for:			
Depreciation of property, plant and equipment	6	**10,442**	7,640
Depreciation of right-of-use assets	6	**8,943**	4,098
Amortization of other intangible assets	6	**7,048**	6,724
Share option expenses	6	**70,822**	27,575
Gain on other financial assets	5	**(5,208)**	(5,875)
Loss on disposal of items of property, plant and equipment		**47**	—
Fair value loss/(gain) on equity investment measured at FVTPL	6	**35,897**	(26,673)
Fair value loss on long-term payables measured at FVTPL	6	**41,214**	4,108
Series C Shares issue expenses	6	**—**	18,643
Fair value loss/(gain) on convertible redeemable preferred shares	6	**836,738**	(12,148)
Finance costs	7	**4,274**	36,919
Foreign exchange difference		**651**	21,153
		(471,448)	(264,745)
Increase of restricted bank balances		**(3,947)**	—
Increase in investment at FVTPL		**(8,383)**	—
(Increase)/decrease in prepayments, other receivables and other assets		**(14,337)**	3,413
Increase in other non-current assets		**(12,101)**	(6,535)
Increase in trade payables		**8,003**	1,259
Increase in other payables and accruals		**33,842**	17,870
Decrease in contract liabilities		**(43)**	(2,246)
Increase in deferred income		**8,109**	13,317
Net cash flows used in operating activities		**(460,305)**	(237,667)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		**—**	2
Acquisition of a subsidiary, net of cash acquired		**—**	(33,378)
Purchases of other financial assets		**(1,806,601)**	(507,715)
Proceeds from other financial assets		**1,826,208**	883,359
Purchases of items of property, plant and equipment		**(77,456)**	(14,257)
Purchases of items of other intangible assets		**(3,960)**	(1,295)
Prepayment for right-of-use assets		**—**	(33,908)
Increase in time deposits with original maturity of more than three months		**(139,524)**	—
Net cash flows (used in)/from investing activities		**(201,333)**	292,808

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of preferred shares		**–**	910,601
Proceeds from issue of Ordinary Shares		**–**	15
Proceeds from issue of shares		**432,279**	–
Share issue expenses		**(27,989)**	(4,630)
Capital repurchase		**–**	(75,592)
Interests paid		**(4,268)**	(1,892)
New bank loans		**85,000**	85,000
Repayment of bank loans		**(35,000)**	(50,000)
Principal portion of lease payments		**(7,660)**	(3,339)
Net cash flows from financing activities		**442,362**	860,163
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(219,276)**	915,304
Cash and cash equivalents at beginning of year		**957,088**	14,821
Effect of foreign exchange rate changes, net		**1,174**	26,963
CASH AND CASH EQUIVALENTS AT END OF YEAR		**738,986**	957,088
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of cash flow	21	**738,986**	957,088
Restricted bank balances	21	**3,947**	–
Time deposits with original maturity of more than three months	21	**139,524**	–
Cash and bank balances as stated in the consolidated statement of financial position		**882,457**	957,088

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on November 17, 2017. The registered office of the Company is located at the office of Walkers Corporate Limited, with the registered address of Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. The Company became the holding company of the subsidiaries now comprising the Group upon completion of the reorganisation in July 2018. The Group were principally engaged in developing novel small-scale therapies for cancers, hepatitis B virus, or HBV, and certain age-related diseases.

On October 28, 2019, the shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange (the "Stock Exchange"). In connection with the Company's listing, 12,180,900 new shares of the Company were issued and allotted at the offer price of HK$34.2 per share. On November 25, 2019, an aggregate of 1,827,100 over-allotment shares were issued and allotted by the Company at HK$34.2 per share.

In the opinion of the directors, the ultimate controlling shareholders of the Company are Dr. Yang Dajun ("Dr. Yang"), Dr. Guo Edward Ming ("Dr. Guo"), Dr. Wang Shaomeng ("Dr. Wang"), Dr. Zhai Yifan ("Dr. Zhai"), the Founders SPV (defined in note 30) and Dr. Zhai SPV (defined in note 30).

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of business	Nominal value of issued/registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal business
Ascentage Pharma Group Corp Limited@	Hong Kong May 22, 2009	Hong Kong dollar ("HK$") 16,666	100%	–	Investment holding and business development
Ascentage Jiangsu Pharmaceutical Co., Ltd.*@ (江蘇亞盛醫藥開發有限公司) ("Ascentage Jiangsu")	People's Republic of China ("PRC")/ Mainland China June 1, 2010	United States dollars ("US$") 7,505,770	–	100%	Medical research and development
Guangzhou Healthquest Pharma Co., Ltd.*@ (廣州順健生物醫藥科技有限公司) ("Healthquest Pharma")	PRC/Mainland China July 3, 2012	RMB50,000,000	–	100%	Clinical development
Ascentage International Limited#	Hong Kong October 28, 2015	HK$100,000	100%	–	Investment holding
Ascentage Pharma Group Inc.#	United States of America ("United States") November 4, 2015	US$1	–	100%	Clinical trials operation

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Company name	Place and date of incorporation/ registration and place of business	Nominal value of issued/registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal business
Ascentage Shanghai Pharmaceutical Co., Ltd.*@ (上海亞盛醫藥科技有限公司)	PRC/ Mainland China December 10, 2015	RMB40,000,000	–	100%	Medical research and development
Jiangsu Ascentage Pharma Pty. Ltd.#	Australia March 24, 2016	Australian dollar ("AUD")1,000	–	100%	Clinical trials operation
Ascentage Pharma (Suzhou) Co., Ltd.*@ (蘇州亞盛藥業有限公司) ("Ascentage Suzhou")	PRC/ Mainland China June 1, 2016	RMB660,000,000	–	100%	Medical research and development
Ascentage Investment International#	Cayman Islands March 22, 2018	US$50,000	100%	–	Investment holding
Ascentage Investment Limited#	Hong Kong April 20, 2018	HK$1	–	100%	Investment holding

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

\# No audited financial statements have been prepared for these entities for the year ended December 31, 2019, as the entities are not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

@ The statutory financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except for financial assets at FVTPL, other financial assets, long-term payables measured at FVTPL and convertible redeemable preferred shares which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

All IFRSs effective for the accounting period commencing from January 1, 2019 set below had been early adopted by the Group in the preparation of the consolidated financial statements for each of the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 in connection with the listing of the Company's shares on the Stock Exchange. Thus, the effectiveness of the below accounting policies and disclosures have no impact to the Group's financial statements for the year end December 31, 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]

1 Effective for annual periods beginning on or after January 1, 2020
2 Effective for annual periods beginning on or after January 1, 2021
3 Effective for annual periods beginning on or after January 1, 2022
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from January 1, 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after January 1, 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from January 1, 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 clarify the criteria for determining a liability as non-current. The amendments states that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date, and the classification is unaffected by the likelihood that an entity will exercise its deferral right. The Group expects to adopt the amendments prospectively from January 1, 2022. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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

Leasehold improvements	Over the shorter of the lease terms and 10 years
Furniture and equipment	10% to 33.33%
Motor vehicles	20% to 25%

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

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

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

Intangible assets (other than goodwill)

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

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

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

Software	3 to 10 years
Intellectual property	14 years

The useful lives of software are assessed by the Group considering different purpose and usage of the software, and the authorized period for use. The useful life of intellectual property is assessed based on the remaining patent protection period after acquisition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Research and development costs

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

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

Leases

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

Group as a lessee

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

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Prepaid land lease payments	30 years
Buildings	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(b) *Lease liabilities (Continued)*

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

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") and FVTPL.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

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

Subsequent measurement

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

Financial assets at amortized cost (debt instruments)

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

Financial assets designated at FVOCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at FVOCI are not subject to impairment assessment.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on equity investments classified as financial assets at FVTPL are also recognized as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

General approach

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings and payables, as appropriate.

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

The Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings, other non-current liabilities, convertible redeemable preferred shares and long-term payables measured at FVTPL.

Subsequent measurement

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Financial liabilities at FVTPL *(Continued)*

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Convertible redeemable preferred shares

Convertible redeemable preferred shares issued by the Company are redeemable at the option of the holders at any time if the Company fails to complete a qualified initial public offering on or before 3rd anniversary of Series C. This instrument can be converted into ordinary shares upon occurrence of the closing of a qualified initial public offering.

The Group designated the convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. Subsequent to initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognized in the consolidated statement of profit or loss.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

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

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

Provisions

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

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

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

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

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

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

(i) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

(i) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

The government grants whose primary condition is to compensate for research and development projects or other than purchase, construct or otherwise acquire long-term assets are designated as grants related to income. Some of the grants related to income have future related costs expected to be incurred, and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss when related costs are subsequently incurred and the Group received government acknowledge of compliance.

Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

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

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

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

The Group recognizes revenue from the following major sources:

(a) *Intellectual property license fee*

The Group provides licenses of its patented intellectual property ("IP") or commercialisation licenses to customers and revenue is recognized when the customers obtain rights to use the underlying IP or licenses. The consideration for licenses comprises a fixed element (the upfront payment) and variable elements (including but not limited to development milestones). The upfront fee is recognized as revenue when customers have the ability to use the underlying IP or licenses. Milestone payments are recognized as transaction price when the Group can conclude that it is highly probable that there will not be a subsequent reversal of a significant amount of revenue. Sales-based royalties are not included in the transaction price until customers make the sales.

(b) *Compounds Library license fee*

The Group grants a right to a customer to use the information of the Group's collection of certain inhibitor compounds ("Compounds Library") to identify compounds with potential utility in the identified fields. Revenue is recognized throughout the license period when the customer obtains rights to access the Compounds Library.

(c) *Research and development service fee*

The Group earns revenues by providing research services to its customers through fee-for-service contracts. Contract duration ranges from a few months to years. Upfront payment received by the Group is initially recognized as a contract liability. Service revenue is recognized as a performance obligation satisfied over time based on the stage of completion of the contract. Milestone payments are included in the transaction price when the Group can conclude that it is highly probable that there will not be a subsequent reversal of a significant amount of revenue.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Other income

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

Contract liabilities

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

Share-based payments

The Company adopted of a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") in July 2018 for the purpose of rewarding participants who have contributed or will contribute to the Group. Before adoption of the Pre-IPO Option Scheme, the Group operated a share grant scheme for the purpose of providing incentives and rewards to eligible participants. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for share grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer or management using a binomial model, further details of which are given in note 32 to the financial statements.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of loss per share.

Other employee benefits

Pension scheme

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

Borrowing costs

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

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting date, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting date and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2019 was RMB24,694,000 (December 31, 2018: RMB24,694,000). Further details are given in note 15.

3. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The details of unrecognized tax losses and deductible temporary differences are included in note 25 to the financial statements.

Fair value of other financial assets

Fair value of other financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations are based on certain assumptions about future cash flows, volatility and liquidity risks associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. There was no other financial assets balance at December 31, 2019 (December 31, 2018: RMB14,399,000). Further details are included in note 20 to the financial statements.

Fair value of long-term payables measured at FVTPL

The fair value of long-term payables measured at FVTPL is determined using valuation techniques, including a discounted cash flow analysis. Valuation techniques are certified by independent and recognized valuers. Such valuation is based on certain assumptions about future cash flows, credit risks and possibility of payment, which are subject to uncertainty and might materially differ from the actual results. The fair values of a long-term payables measured at FVTPL at December 31, 2019 was RMB51,248,000 (December 31, 2018: RMB10,034,000). Further details are included in note 26 to the financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Fair value of convertible redeemable preferred shares measured at FVTPL

The fair value of the convertible redeemable preferred shares measured at FVTPL are determined using the valuation techniques, including back-solve method and equity allocation model. Such valuation is based on certain assumptions about discounts for lack of marketability and volatility, which are subject to uncertainty and might materially differ from the actual results. There was no convertible redeemable preferred shares balance at December 31, 2019 (December 31, 2018: RMB2,075,611,000). Further details are included in note 29 to the financial statements.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a binomial model for the Pre-IPO Share Option Scheme. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 32.

Useful lives of property, plant and equipment and intangible assets

The Group determines the estimated useful lives and related depreciation/amortization charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and other intangible assets of similar nature and functions. Estimate for IP is based on the patent protection period and the duration in which the future economic benefits from the IP flows into the Group. Management will increase the depreciation/amortization charge where useful lives are less than previously estimated lives.

Research and development expenses

Research and development expenses are capitalized in accordance with the accounting policy for research and development cost in note 2.4 to the financial statements. Determining the amounts to be capitalized requires management to make assumptions regarding the future economic benefits.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the development of novel small-scale therapies for cancers, hepatitis B virus, or HBV, and certain age-related 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

	2019 **RMB'000**	2018 RMB'000
United States	**13,913**	3,439
Mainland China	**600**	3,368
	14,513	6,807

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

(b) *Non-current assets*

	2019 RMB'000	2018 RMB'000
Mainland China	**259,248**	179,572
Hong Kong	**32,191**	59,518
United States	**4,377**	—
Others	**129**	67
	295,945	239,157

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue from customers amounting to over 10% to the total revenue of the Group in the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
Customer A	**13,913**	3,351

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2019 RMB'000	2018 RMB'000
Type of goods or services		
Research and development service fee income	**3,990**	6,764
IP license fee income	**10,523**	43
	14,513	6,807

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

Revenue from contracts with customers *(Continued)*

(a) ***Disaggregated revenue information*** (Continued)

	2019 RMB'000	2018 RMB'000
Timing of revenue recognition		
At a point in time		
IP license fee income*	**10,479**	—
Over time		
Research and development service fee income	**3,990**	6,764
Compounds Library license fee income*	**44**	43
	14,513	6,807

* As a consideration for the Group's license of IP to a customer established in the United States (the "US Customer"), the US Customer issued 133,333 shares of its common stock to the Group. Of such shares, 20% belonged to the original licenser and were recorded as the Group's cost of sales pursuant to the original IP contract.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019 RMB'000	2018 RMB'000
Type of goods or services		
Compounds Library license fee income	**44**	43
Research and development service fee income	**—**	2,207
	44	2,250

(b) ***Performance obligations***

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

IP license

The performance obligation is satisfied at a point in time as the customers obtain rights to use the underlying IP or license.

Compounds Library license

The performance obligation is satisfied over time as license is granted in the license period and payment is generally due within 30 days from the date of billing.

Research and development services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing.

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

Revenue from contracts with customers *(Continued)*

(b) Performance obligations *(Continued)*

Research and development services (Continued)

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

	2019 **RMB'000**	2018 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**46**	3,476
After one year	**50**	381
	96	3,857

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognized mainly related to the contracts of licensing IP and Compounds Library to customers and providing research service to customers, which have been recognized or partially recognized during the reporting period. The amounts disclosed above do not include variable consideration which is constrained.

Other income and gains

	2019 **RMB'000**	2018 RMB'000
Government grants related to income**	**30,424**	8,631
Gain on other financial assets***	**5,208**	5,875
Fair value gain on financial asset at FVTPL	**—**	26,673
Foreign exchange gain, net	**430**	—
Fair value gain on convertible redeemable preferred shares	**—**	12,148
Bank interest income	**12,906**	7,060
Others	**148**	243
	49,116	60,630

** Government grants related to income that have been received to compensate for expenses of the Group's research and development. Some of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These government grants related to income are recognized in profit or loss when related costs are subsequently incurred and the Group receives government acknowledge of compliance. Details of these grants are set out in note 27.

Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

*** Gain on other financial assets includes both realized gain and unrealized fair value gain.

6. LOSS BEFORE TAX

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

	2019 RMB'000	2018 RMB'000
Cost of sales	**2,096**	—
Depreciation of property, plant and equipment (note 13)	**10,442**	7,640
Depreciation of right-of-use assets (note 14)	**8,943**	4,098
Amortization of intangible assets (note 16)	**7,048**	6,724
Employee benefit expense (including directors' remuneration) (note 8):		
Wages and salaries	**213,139**	107,650
Share option expenses (note 32)	**70,822**	27,575
Pension scheme contributions (defined contribution scheme)	**12,071**	5,363
	296,032	140,588
Fair value loss on long-term payables measured at FVTPL (note 26)	**41,214**	4,108
Series C Shares issue expenses (note 29)	**—**	18,643
Lease payments not included in the measurement of lease liabilities (note 14)	**276**	496
Fair value loss/(gain) on convertible redeemable preferred shares (note 29)	**836,738**	(12,148)
Auditors' remuneration	**1,500**	269
Listing expenses	**35,393**	26,830
Foreign exchange (gain)/loss, net	**(430)**	12,325
Fair value loss/(gain) on financial asset at FVTPL	**35,897**	(26,673)

7. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest expenses on other non-current liabilities (note 28)	**—**	34,907
Interest expenses on bank loans	**3,442**	1,616
Interest expenses on lease liabilities (note 14)	**832**	396
	4,274	36,919

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2019 RMB'000	2018 RMB'000
Fees	**592**	—
Other emoluments:		
Salaries, allowances and benefits in kind	**4,527**	5,002
Share option expenses	**2,663**	1,340
Pension scheme contributions	**128**	135
	7,910	6,477

In August 2018, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

	2019 RMB'000	2018 RMB'000
Mr. Ye Changqing*	**203**	—
Dr. Yin Zheng*	**203**	—
Mr. Ren Wei*	**186**	—
	592	—

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

* Mr. Ye Changqing, Dr. Yin Zheng and Mr. Ren Wei were appointed as independent non-executive Directors on June 13, 2019. They are primarily responsible for supervising and providing independent judgement to the board of directors.

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

(b) Executive director and non-executive directors

	Fees RMB'000	Salaries, allowances and in benefits kind RMB'000	Share option expenses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended December 31, 2019					
Executive director:					
Dr. Yang Dajun**	**–**	**3,384**	**–**	**128**	**3,512**
Non-executive directors:					
Dr. Wang Shaomeng*****	**–**	**1,143**	**–**	**–**	**1,143**
Dr. Tian Yuan****	**–**	**–**	**1,173**	**–**	**1,173**
Mr. Zhao Qun****	**–**	**–**	**1,173**	**–**	**1,173**
Dr. Lu Simon Dazhong****	**–**	**–**	**166**	**–**	**166**
Mr. Liu Qian****	**–**	**–**	**151**	**–**	**151**
	–	**4,527**	**2,663**	**128**	**7,318**
Year ended December 31, 2018					
Executive director:					
Dr. Yang Dajun**	–	3,133	–	87	3,220
Non-executive directors:					
Dr. Guo Edward Ming***	–	845	–	48	893
Dr. Wang Shaomeng*****	–	1,024	–	–	1,024
Dr. Tian Yuan****	–	–	590	–	590
Mr. Zhao Qun****	–	–	590	–	590
Dr. Lu Simon Dazhong****	–	–	84	–	84
Mr. Liu Qian****	–	–	76	–	76
Ms. Su Dongmei***	–	–	–	–	–
Mr. Tan Bo***	–	–	–	–	–
	–	5,002	1,340	135	6,477

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2018: Nil).

** Dr. Yang Dajun ("Dr. Yang") was appointed as a director of the Company on November 17, 2017 upon its incorporation. Dr. Yang was appointed as the chief executive of the Company in July 2018, and his remuneration disclosed above included the remuneration for the services rendered by him as the chief executive.

*** Dr. Guo Edward Ming ("Dr. Guo") was appointed as a director of the Company on November 17, 2017 upon its incorporation. Dr. Guo, Ms. Su Dongmei and Mr. Tan Bo resigned as directors of the Company on July 6, 2018.

**** Dr. Tian Yuan, Mr. Zhao Qun and Dr. Lu Simon Dazhong were appointed as directors of the Company on July 13, 2018. Mr. Liu Qian was appointed as a director of the Company on August 1, 2018.

***** Dr. Wang Shaomeng ("Dr. Wang") was appointed as a director of the Company on November 17, 2017 upon its incorporation.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included no directors or the chief executive (2018: one director which is the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining five (2018: four) highest paid employees who are neither a director nor chief executive of the Company are as follow:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**16,115**	9,425
Share option expenses	**10,581**	3,900
Pension scheme contributions	**621**	155
	27,317	13,480

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

	2019	2018
RMB2,600,001 to RMB3,000,000	**–**	2
RMB3,800,001 to RMB4,200,000	**–**	2
RMB4,600,001 to RMB5,000,000	**1**	–
RMB5,000,001 to RMB5,400,000	**1**	–
RMB5,400,001 to RMB5,800,000	**2**	–
RMB5,800,001 to RMB6,200,000	**1**	–
	5	4

During the year and in prior years, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX CREDIT

The Group is subject to income tax on an entity basis on profits arising in or derived from the 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.

Hong Kong

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the reporting period.

10. INCOME TAX CREDIT *(Continued)*

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Mainland China are subject to corporate income tax ("CIT") at a rate of 25% on the taxable income. No provision for CIT has been made as the Group had no taxable profits in Mainland China during the reporting period.

United States

The provision for income tax of Ascentage Pharma Group Inc. incorporated in the United States is based on a rate of 21% (2018: 21%).

	2019 RMB'000	2018 RMB'000
Current	**–**	–
Deferred (note 25)	**(1,602)**	(1,602)
Total tax credit for the year	**(1,602)**	(1,602)

A reconciliation of the tax credit applicable to loss before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax credit at the effective tax rate is as follows:

2019

	Cayman		**Mainland China**		**Others**		**Total**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Loss before tax	**(846,086)**		**(405,461)**		**(230,769)**		**(1,482,316)**	
Tax at the statutory rate	**–**	**–**	**(101,365)**	**25.0**	**(46,895)**	**20.3**	**(148,260)**	**10.0**
Income not subject to tax	**–**	**–**	**–**	**–**	**(1,759)**	**0.8**	**(1,759)**	**0.1**
Tax incentives on eligible expenditures	**–**	**–**	**(52,072)**	**12.8**	**–**	**–**	**(52,072)**	**3.5**
Expenses not deductible for tax	**–**	**–**	**537**	**(0.1)**	**6,074**	**(2.6)**	**6,611**	**(0.4)**
Deductible temporary differences and tax losses not recognized	**–**	**–**	**151,298**	**(37.3)**	**42,580**	**(18.5)**	**193,878**	**(13.1)**
Tax credit at the Group's effective rate	**–**	**–**	**(1,602)**	**0.4**	**–**	**–**	**(1,602)**	**0.1**

10. INCOME TAX CREDIT *(Continued)*

2018

	Cayman		Mainland China		Others		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Loss before tax	(81,728)		(178,549)		(86,632)		(346,909)	
Tax at the statutory rate	—	—	(44,637)	25.0	(1,828)	2.1	(46,465)	13.4
Income not subject to tax	—	—	—	—	(4,564)	5.3	(4,564)	1.3
Tax incentives on eligible expenditures	—	—	(25,961)	14.5	—	—	(25,961)	7.5
Expenses not deductible for tax	—	—	1,677	(0.9)	2,429	(2.8)	4,106	(1.2)
Deductible temporary differences and tax losses not recognized	—	—	67,319	(37.7)	3,963	(4.6)	71,282	(20.5)
Tax credit at the Group's effective rate	—	—	(1,602)	0.9	—	—	(1,602)	0.5

11. DIVIDENDS

The board of directors resolved not to declare any final dividend for the year ended December 31, 2019 (2018: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 116,727,377 (2018: 83,067,399) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended December 31, 2019 and 2018 in respect of a dilution as the impact of the options and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	2019	2018
	RMB'000	RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:	**(1,480,714)**	(345,307)

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**116,727,377**	83,067,399

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
December 31, 2019					
Cost:					
At January 1, 2019	9,841	29,925	640	1,204	41,610
Additions	1,562	17,007	–	58,832	77,401
Disposals	–	(426)	–	–	(426)
Exchange realignment	20	7	–	–	27
At December 31, 2019	11,423	46,513	640	60,036	118,612
Accumulated depreciation:					
At January 1, 2019	4,671	9,660	426	–	14,757
Depreciation provided during the year	2,667	7,709	66	–	10,442
Disposals	–	(379)	–	–	(379)
Exchange realignment	3	2	–	–	5
At December 31,2019	7,341	16,992	492	–	24,825
Net carrying amount:					
At January 1, 2019	5,170	20,265	214	1,204	26,853
At December 31, 2019	4,082	29,521	148	60,036	93,787

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold improvements RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
December 31, 2018					
Cost:					
At January 1, 2018	6,699	20,082	640	–	27,421
Additions	3,142	9,911	–	1,204	14,257
Disposals	–	(68)	–	–	(68)
At December 31, 2018	9,841	29,925	640	1,204	41,610
Accumulated depreciation:					
At January 1, 2018	2,574	4,249	360	–	7,183
Depreciation provided during the year	2,097	5,477	66	–	7,640
Disposals	–	(66)	–	–	(66)
At December 31, 2018	4,671	9,660	426	–	14,757
Net carrying amount:					
At January 1, 2018	4,125	15,833	280	–	20,238
At December 31, 2018	5,170	20,265	214	1,204	26,853

At December 31, 2019, there was no pledged property, plant and equipment (2018: Nil).

14. LEASES

The Group as a lessee

The Group has lease contracts for buildings. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 1 to 5 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 5 years. Other leases generally have lease terms of 12 months or less and/or have low value items. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings	Prepaid land lease payments	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2018	5,092	—	5,092
Additions	5,485	33,908	39,393
Depreciation charge	(3,438)	(660)	(4,098)
As at December 31, 2018 and January 1, 2019	7,139	33,248	40,387
Additions	17,056	—	17,056
Depreciation charge	(7,813)	(1,130)	(8,943)
As at December 31, 2019	16,382	32,118	48,500

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2019	2018
	RMB'000	RMB'000
Carrying amount at January 1	**7,044**	4,898
New leases	**17,056**	5,485
Accretion of interest recognised during the year (note 7)	**832**	396
Payments	**(8,492)**	(3,735)
Exchange realignment	**(35)**	—
Carrying amount at December 31	**16,405**	7,044
Analysed into:		
Current portion	**7,194**	2,587
Non-current portion	**9,211**	4,457

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

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

	2019 RMB'000	2018 RMB'000
Interest on lease liabilities	**832**	396
Depreciation charge of right-of-use assets	**8,943**	4,098
Expense relating to short-term leases and other leases with remaining lease terms ended on or before December 31, 2019 (included in administrative expenses)	**276**	496
Total amount recognised in profit or loss	**10,051**	4,990

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 33(c) and 34(b), respectively, to the financial statements.

15. GOODWILL

	RMB'000
Cost and net carrying amount at December 31, 2019 and 2018	24,694
At December 31, 2019 and 2018:	
Cost	24,694
Accumulated impairment	—
Net carrying amount	24,694

The carrying amount of goodwill allocated to the cash-generating unit ("CGU") is as follows:

	Healthquest Pharma RMB'000
Carrying amount of goodwill as at December 31, 2019 and 2018	24,694

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to Healthquest Pharma for impairment testing. Upon the acquisition of Healthquest Pharma on December 30, 2016, the carrying amount of goodwill includes the tax amortization benefit of RMB21,763,000 arisen from the future amortization of intangible assets, which was not previously recognized at the financial statements of Healthquest Pharma.

15. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

As goodwill is a part of the CGU, the carrying amount of goodwill that results from the recognition of deferred tax liabilities should be removed for impairment testing purposes. At future impairment testing dates, the Group will adjust for any remaining difference between the nominal deferred tax liability at the impairment testing date and the original fair value of the assumed tax basis embedded in the intangible asset carrying value that remains at the impairment testing date. The carrying amount of goodwill adopted in the impairment testing as at December 31, 2019 was RMB7,737,000 (December 31, 2018: RMB6,135,000).

The recoverable amounts of the cash-generating units have been determined based on a value in use calculation using cash flow projections approved by senior management. The cash flows of the unit are projected based on the forecasted sales of the new drug after the approval of new drug application ("NDA") and within in the patent protection period. No revenue nor cash flow is forecasted after the expiration of the patent.

Assumptions were used in the value in use calculation of the cash-generating unit for the reporting period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate — The discount rate applied to the cash flow projections was 16.36% as at December 31, 2019 (December 31, 2018: 18.2%). The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumption are consistent with external information sources.

As at December 31, 2019, the recoverable amount of the cash-generating unit exceeds its carrying amount by RMB347,308,000 (December 31, 2018: RMB110,464,000).

The following table illustrates the breakeven point of the key variable, with all other variables held constant, where the recoverable amount of the cash-generating unit would have been approximately equal to the carrying amount.

	2019 **RMB'000**	2018 RMB'000
Discount rate	**37.4%**	29.6%

The following table sets forth the impact of possible changes of the key assumption, with all other variables held constant, of goodwill impairment testing as of the dates indicated.

	2019 **RMB'000**	2018 RMB'000
	Recoverable amount of the cash-generating unit exceeding its carrying amount by	
Possible changes of key assumptions		
Pre-tax discount rate increase by 1%	**316,976**	96,464
Pre-tax discount rate increase by 3%	**262,526**	71,564

In the opinion of the directors, there is no reasonably possible change in the key assumptions on which the recoverable amount is based that would cause the cash generating unit's carrying amount to exceed the recoverable amount.

16. OTHER INTANGIBLE ASSETS

	Software RMB'000	Intellectual property RMB'000	Total RMB'000
December 31, 2019			
Cost:			
At January 1, 2019	**1,381**	**87,050**	**88,431**
Additions	**3,960**	**—**	**3,960**
At December 31, 2019	**5,341**	**87,050**	**92,391**
Accumulated amortization:			
At January 1, 2019	**333**	**12,818**	**13,151**
Amortization provided during the year	**640**	**6,408**	**7,048**
At December 31, 2019	**973**	**19,226**	**20,199**
Net carrying amount:			
At January 1, 2019	**1,048**	**74,232**	**75,280**
At December 31, 2019	**4,368**	**67,824**	**72,192**

	Software RMB'000	Intellectual property RMB'000	Total RMB'000
December 31, 2018			
Cost:			
At January 1, 2018	86	87,050	87,136
Additions	1,295	—	1,295
At December 31, 2018	1,381	87,050	88,431
Accumulated amortization:			
At January 1, 2018	18	6,409	6,427
Amortization provided during the year	315	6,409	6,724
At December 31, 2018	333	12,818	13,151
Net carrying amount:			
At January 1, 2018	68	80,641	80,709
At December 31, 2018	1,048	74,232	75,280

17. A FINANCIAL ASSET AT FVTPL

	2019 RMB'000	2018 RMB'000
A financial asset at FVTPL	**32,191**	59,518

The financial asset is the equity security issued to the Group by a customer as a consideration for the Group's licenses of IP and Compounds Library (note 5). It is not held for trading and the Group does not intend to dispose of it in the near future. The equity security became listed on NASDAQ in May 2018.

18. OTHER NON-CURRENT ASSETS

	2019 RMB'000	2018 RMB'000
Prepayment for property, plant and equipment	**55**	—
Value added tax recoverable	**24,526**	12,425
	24,581	12,425

Value added tax recoverable was recorded as a non-current asset since it is expected to be deducted from value added tax payables arising from the Group's revenue which are not expected to be generated within the next 12 months from the end of the reporting period.

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 RMB'000	2018 RMB'000
Prepaid expenses	**21,523**	5,455
Deposits	**2,599**	1,603
Listing expenses	**—**	6,421
Interest receivable	**2,225**	5,071
Other receivables	**301**	182
	26,648	18,732

The carrying amounts of financial assets included in prepayments, other receivables and other assets approximate to their fair values.

The financial assets included in the above balances relate to receivables for which there was no recent history of default or past due amount. As at December 31, 2019 and 2018, the loss allowance was assessed to be minimal.

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(Continued)*

Set out below is the information about the credit risk exposure on the Group's financial assets included in prepayments, other receivables and other assets:

	2019 RMB'000	2018 RMB'000
Expected credit loss rate	**0%**	0%
Gross carrying amount (RMB'000)	**5,125**	6,856
Expected credit losses (RMB'000)	**—**	—

20. OTHER FINANCIAL ASSETS

	2019 RMB'000	2018 RMB'000
Investments in financial products at FVTPL	**—**	14,399

During the reporting period, the Group invested in financial products ("Financial Products") with several financial institutions in the PRC, which have been classified as financial assets at FVTPL on initial recognition. The fair value of the Financial Products was determined by reference to the performance of the underlying instruments in the currency market and the bond market.

21. CASH AND BANK BALANCES

	2019 RMB'000	2018 RMB'000
Cash and cash equivalents as stated in the consolidated statement of cash flows	**738,986**	957,088
Restricted bank balances	**3,947**	—
Time deposits with original maturity of more than three months	**139,524**	—
Cash and bank balances as stated in the consolidated statement of financial position	**882,457**	957,088
Denominated in:		
RMB	**231,115**	53,379
US$	**650,522**	901,972
Others	**820**	1,737
	882,457	957,088

The balance of restricted bank assets as at December 31, 2019 represents bank balances held by one subsidiary whose usage is under the supervision of local authorities and approval.

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.

21. CASH AND BANK BALANCES *(Continued)*

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default and no expected credit loss was expected to incur.

The carrying amounts of cash and bank balances approximate to their fair values.

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

2019

	Effective interest rate per annum (%)	**Maturity**	**RMB'000**
Current			
Bank loans — unsecured*	**4.35**	**2020**	**85,000**
Lease liabilities (note 14(b))	**4.00–4.35**	**2020**	**7,194**
			92,194
Non-current			
Lease liabilities (note 14(b))	**4.00–4.35**	**2021–2023**	**9,211**
			101,405

2018

	Effective interest rate per annum (%)	Maturity	RMB'000
Current			
Bank loans — unsecured*	4.35	2019	35,000
Lease liabilities (note 14(b))	4.35	2019	2,587
			37,587
Non-current			
Lease liabilities (note 14(b))	4.00–4.35	2020–2022	4,457
			42,044

Analysed into:		
Within one year	92,194	37,587
In the second year	4,720	2,151
In the third to fifth years, inclusive	4,491	2,306
	101,405	42,044

* These loans are all short-term loans repayable within one year, borrowed by the Group's subsidiary Ascentage Suzhou, to support its daily research and development activities.

23. TRADE PAYABLES

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

	2019 **RMB'000**	2018 RMB'000
Within 1 month	**12,296**	3,977
1 to 3 months	**—**	619
3 to 6 months	**788**	485
	13,084	5,081

The trade payables are non-interest-bearing and are normally settled in less than six months. The carrying amounts of trade payables approximate to their fair values.

24. OTHER PAYABLES AND ACCRUALS

	Note	**2019** **RMB'000**	2018 RMB'000
Other payables	(i)	**4,981**	14,294
Accrued interest		**126**	120
Other accrued expenses		**52,280**	24,717
Payroll payables		**37,751**	22,421
Tax payables other than income tax		**1,600**	1,004
		96,738	62,556

Note:

(i) Included in the Group's other payables were amounts due to Dr. Zhai, the Group's related party, of RMB1,000,000 as at December 31, 2019 (2018: RMB1,000,000). These balances were non-interest-bearing and repayable on demand.

The carrying amounts of financial liabilities included in other payables and accruals approximate to their fair values.

25. DEFERRED TAX

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

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary RMB'000
At January 1, 2018	20,161
Deferred tax credited to the consolidated statement of profit or loss during the year (note 10)	(1,602)
Deferred tax liabilities at December 31, 2018 and January 1, 2019	18,559
Deferred tax credited to the consolidated statement of profit or loss during the year (note 10)	(1,602)
Deferred tax liabilities at December 31, 2019	16,957

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

	2019 RMB'000	2018 RMB'000
Taxes losses	**2,045,716**	583,947
Deductible temporary differences	**297,525**	111,327
	2,343,241	695,274

The Group has tax losses arising in Mainland China of RMB900,530,000 that will expire in one to five years for offsetting against future taxable profits as at December 31, 2019 (December 31, 2018: RMB458,982,000). Deferred tax assets have not been recognized 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.

26. LONG-TERM PAYABLES MEASURED AT FVTPL

	2019 RMB'000	2018 RMB'000
Contingent cash consideration for acquisition of Healthquest Pharma, at fair value	**51,248**	10,034

Long-term payables measured at FVTPL represented the fair value of the contingent cash consideration payable to Dr. Zhai for the acquisition of Healthquest Pharma.

27. DEFERRED INCOME

	2019 RMB'000	2018 RMB'000
Government grants	**35,047**	26,938

The movements in government grants during the reporting period are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of the year	**26,938**	13,621
Received during the year	**21,685**	17,317
Recognized as income during the year	**(13,576)**	(4,000)
At end of the year	**35,047**	26,938

28. OTHER NON-CURRENT LIABILITIES

In March 2016, the Group and its series A-1 investors ("Series A-1 Investors") entered into a share subscription agreement ("Series A-1 Agreement") whereby the Series A-1 Investors made a total investment of US$13,490,000, equivalent to RMB87,298,000 ("Series A-1 Financing") for approximately 29.92% of the total equity interests in the Group upon completion. As part of the Series A-1 Financing, an investor made an investment of US$500,000 (equivalent to RMB3,236,000) as consideration for entitlement to receive certain ordinary shares. Among the Series A-1 Financing, RMB66,418,000 was received before 2016 and the remaining RMB24,116,000 was received in 2016.

On December 5, 2016, the Group and its series B investors ("Series B Investors") entered into a share subscription agreement ("Series B Agreement") whereby the Series B Investors made a total investment of US$70,119,000, equivalent to RMB485,000,000 ("Series B Financing") for approximately 22.05% of the total equity interests in the Group upon completion. Among the Series B Financing, RMB412,000,000 was received in 2016 and the remaining RMB73,000,000 was received in 2017.

Pursuant to the Series B Agreement, in the following circumstances, the Series A-1 Investors and Series B Investors shall have the right to require the Group and/or the founders (Dr. Yang, Dr. Guo and Dr. Wang, collectively, the "Founders") to repurchase all of the equity interests hold by the Series A-1 Investors and Series B Investors at the price ("Repurchase Price") agreed in the Series B Agreement.

(i) The material breach of the Series B Agreement by the Group or its Founders;

(ii) The Group failed to complete a qualified IPO (as defined in the Series B Agreement) within five years from the date of the Series B Agreement;

(iii) The main operating activities were significantly changed, or the Group fails to maintain the essential qualifications for further operation (only applicable to the Series B Investors); and

(iv) Significant deficiency in internal control that may cast great impact on the financial interests of the Group (only applicable to the Series B Investors).

28. OTHER NON-CURRENT LIABILITIES *(Continued)*

The Repurchase Price of the Series B Financing equivalent to the results of (i) the subscription price of Series B Financing, with an interest rate of ten percent (10%) per annum, compounded annually, starting from the completion date of the Series B Financing until the date of cash receipt by Series B Investors, and (ii) dividends declared but yet distributed, less (iii) dividends distributed.

The Repurchase Price of the Series A-1 Financing equivalent to the sum of (i) the subscription price of Series A-1 Financing, with an interest rate of ten per cent (10%) per annum, compounded annually, starting from December 5, 2016 (the execution date of the Series B Agreement) until the date of receipt by Series A-1 Investors of the price in full, and (ii) the accumulated retained earnings.

As the Group had an obligation to purchase its own equity instruments for cash, a financial liability is recognized initially at the present value of the repurchase amount and is reclassified from equity. Subsequently the financial liability is measured at amortized cost.

In the year ended December 31, 2016, the investment of Series A-1 Financing and Series B Financing of RMB502,534,000 was recognized as liability with an initial amount of RMB487,423,000, and the difference of RMB15,111,000 was remained as equity. In the year ended December 31, 2017, the investment of Series B Financing of RMB73,000,000 was recognized as liability with an initial amount of RMB69,936,000, and the difference of RMB3,064,000 was remained as equity.

Pursuant to the Reorganization, in July 2018, the equity interests held by the Series A-1 Investors and Series B Investors were repurchased by issuing the Company's Series A-1 Shares (defined in note 29) and Series B Shares (defined in note 29). According to the amended Memorandum of Association ("MOA") of the Company passed on July 16, 2018, certain terms of the Series A-1 Shares and Series B Shares were different with Series A-1 and B Financing. Before the MOA passed on July 16, 2018, if the Company issues additional equity securities for a consideration per share (the "Future Issuance Price") less than the Conversion Price (defined in note 29) of Series A-1 Shares or Series B Shares, the Founders shall transfer a certain number of ordinary shares they held to the holders of Series A-1 Shares or Series B Shares at an aggregate consideration of US$1.00, to the effect that the original issue price of Series B Shares and Series A-1 Shares, as applicable, shall be reduced concurrently with such issuance to a price equal to the Future Issuance Price. According to the MOA passed on July 16, 2018, if the Company issues additional equity securities for the Future Issuance Price less than the Conversion Price of any series of Preferred Shares (other than Series Seed Shares), taking into account of any share reclassification, share split and share combination, the applicable Conversion Price for each applicable class of Preferred Shares then in effect shall be reduced concurrently with such issuance to a price equal to the Future Issuance Price.

As a result of the change, the Group designated the entire instruments as financial liabilities measured at FVTPL, presented as convertible redeemable preferred shares in the consolidated statements of financial position. Details are set out in note 29.

28. OTHER NON-CURRENT LIABILITIES *(Continued)*

The movements in other non-current liabilities during the year ended December 31, 2018 were as follows:

	2018 RMB'000
At beginning of the year	589,000
Addition during the year *	3,335
Cancellation during the year **	(13,745)
Changes in carrying amount:	
— Interest accrued (note 7)	34,907
— Effect of change in foreign exchange rate	11,683
	46,590
Transfer to convertible redeemable preferred shares (note 29)	(625,180)
At end of the year	—

* Addition during the year ended December 31, 2018 represented the Series B Shares issued. Further details are given in note 29.

** During the reorganization, the Exiting A-1 Investors' equity interest was repurchased and then cancelled by the Group at a cash consideration of RMB73,402,000 (cash payment was RMB75,592,000 as part of the consideration was denominated in US$). RMB59,657,000, being the difference between the cash consideration of RMB73,402,000 and the then carrying amount of the other non-current liability of RMB13,745,000, was charged to equity.

29. CONVERTIBLE REDEEMABLE PREFERRED SHARES

Pursuant to the Reorganization, in July 2018, the Company issued 28,914,800 Series A-1 Shares with a par value of US$0.0001 per share to Series A-1 Investors (except for Exiting A-1 Investors). The Company also issued 30,840,880 Series B Shares with a par value of US$0.0001 per share to Series B Investors. This Reorganization step was to convert the equity interests of the Group previously held by the Series A-1 Investors and Series B Investors to shares of the Company.

In July 2018, the Company issued and allotted 219,920 Series B Shares with a par value of US$0.0001 per share to an investor for a cash consideration of US$500,000 (equivalent to RMB3,335,000) or US$2.2736 per share.

In July 2018, the Company issued 4,823,160 series A-2 shares ("Series A-2 Shares", together with Series A-1 shares, "Series A Shares") with a par value of US$0.0001 per share to a group of investors, who also lead the Series C Financing ("Series A-2 Investors", or "Lead C Investors"), for a cash consideration of US$11,339,000 (equivalent to RMB75,632,000) or US$2.3509 per share.

In July 2018, the Company issued 31,379,360 series C shares ("Series C Shares") with a par value of US$0.0001 per share to a group of investors ("Series C Investors") for a cash consideration of US$124,931,000 (equivalent to RMB831,634,000) or US$3.9813 per share ("Series C Financing").

Upon completion of Series C Financing and according to the MOA of the Company passed on July 16, 2018, the key terms of the Series Seed Shares (defined in note 30), Series A Shares, Series B Shares and Series C Shares (collectively, "Preferred Shares") are as follows:

29. CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

Conversion rights

Each holder of the Preferred Shares shall have the rights to convert Preferred Shares into ordinary shares at any time after the issuance date into such number of ordinary Shares as determined by dividing the relevant issue price by the then-effective conversion price ("Conversion Price"). The Conversion Price shall initially be the original Preferred Shares issue price, resulting in an initial conversion ratio of 1:1, and shall be subject to adjustment from time to time, including but not limited to share splits and combinations, share dividends and distributions, reorganization, consolidations or reclassifications, and adjustment upon issuance of new securities for a consideration per share less than the Conversion Price.

All outstanding Preferred Shares shall automatically be converted into ordinary shares upon the earlier of (i) the consummation of a qualified IPO ("Qualified IPO"), and (ii) (A) with respect to the Series Seed Shares, the written election of the majority-in-interest of the Series Seed Shareholders, (B) with respect to the Series A Shares, the written election of the majority-in-interest of the Series A Shareholders, (C) with respect to the of Series B Shares, the written election of the majority-in-interest of the Series B Shares, or (D) with respect to the Series C Shares, the written election of the majority-in-interest of the Series C Shares, where in each case, based on the then-effective relevant Conversion Price.

Qualified IPO means the closing of a firm commitment underwritten registered public offering by the Company of its ordinary shares on recognized national or international securities exchange in the United States or Hong Kong or any other exchange in any other jurisdiction (or any combination of such exchanges and jurisdictions) with a pre-offering valuation of at least 1.2 times of the post-money valuation upon closing of Series C Financing of the Company.

Redemption features

If the Company fails to complete a Qualified IPO on or before the 3rd anniversary of Series C Financing provided that, if applicable, the redeeming shareholder has not voted against such Qualified IPO, each of the Series C, Series B and Series A shareholders shall be entitled to require the Company to redeem all or any of such holder's Preferred Shares at a per share price ("Redemption Price") that is equal to (w) the relevant issue price (as adjusted), plus (x) all declared and unpaid dividends payable thereon for each year (or pro rata for a partial year) such Preferred Shares are issued and outstanding, plus (y) interest at a rate of ten percent (10%) per annum, compounded on an annual basis, of the relevant Preferred Share issue price over the period commencing from the closing of Series C Financing (for Series B Shares: December 5, 2016; for Series A Shares: date of payment of the Series A Financing) until the date of payment in full of the relevant redemption price, less (z) all declared and paid dividend payments made on each relevant Preferred Share.

If the Company's assets and funds which are legally available are insufficient to pay the full redemption price, such assets and funds shall be used to redeem the Preferred Shares, following the order firstly to holders of Series C Shares, secondly to holders of Series B Shares and lastly to holders of Series A Shares.

29. CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, the holders of Preferred Shares (excluding holders of Series Seed Shares) shall be entitled to receive, prior and in preference to any distribution of any of the assets and funds of the Company to the holders of ordinary shares and Series Seed Shares, the preference amount, which is equal to 100% of the original issue price as adjusted for any subdivision consolidations or share dividends, plus interest calculated based the loan rate published by the People's Bank of China during the corresponding period, plus all declared but unpaid dividends on the Preferred Shares. The assets and funds of the Company should be distributed to the holders of Preferred Shares (excluding holders of Series Seed Shares) in the sequence as follows:

(1) Series C Shares
(2) Series B Shares
(3) Series A Shares

If the assets and funds of the Company thus distributed among the holders of the less senior Preferred Shares shall be insufficient to permit the full payment to such holders of the preference amount of the less senior Preferred Shares, then the entire assets and funds of the Company legally available for distribution shall be rateably among the holders of the less senior Preferred Shares.

Voting rights

The holder of each Preferred Share shall be entitled to such number of votes that is equal to the whole number of ordinary shares into which such holder's collective Preferred Shares are convertible immediately after the close of business on the record date of the determination of the Company's shareholders entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the Company's shareholders is first solicited. The holders of Preferred Shares shall vote together with the holders of ordinary shares, and not as a separate class or series.

Dividends

No dividends or other distributions shall be made or declared with respect to any financial year, whether in cash or in property, to any shares of the Company if the retained net profit of the Company on a consolidated basis is lower than 8% of the aggregate Series C Issue Price for such financial year or if the loss incurred in previous financial years has not been fully offset. Notwithstanding the foregoing, if the after-tax net profit of the Company on a consolidated basis with respect to any financial year is at least US$30,000,000, each of the Series A Shareholders, Series B Shareholders and Series C Shareholders shall have the right to require the Company to distribute the surplus profit (including non-operating profits and one-time income, such as proceeds from the sale of assets) after the Company having reserved funds necessary for the operating budget of the subsequent financial year.

Subject to the above, each holder of the Preferred Shares shall be entitled to receive dividends at the rate no less than the rate for the holders of the ordinary shares (calculated on an as converted basis), payable out of funds or assets prior and in preference to any dividend on any ordinary shares.

In the event of any dividend or distribution of the Company, whether voluntary or involuntary, such dividend or distribution in sequence shall be distributed to Series C Shareholders, Series B Shareholders and Series A Shareholders at an amount equal to the higher of: (1) an amount equal to 8% of the original issue price of Series C, Series B and Series A Shares or (2) an amount with the interest rate as declared by the Board of Directors;

After setting aside or paying in full the dividends set out above, the remaining legally available profits of the Company shall be used for research, operation and development of the Company.

29. CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

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 FVTPL. 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 Preferred Shares attributable to changes of credit risk is not significant.

The movements of the convertible redeemable preferred shares are set out as follows:

	RMB'000
At January 1, 2018	—
Recognition of Series A-1 Financing and Series B Financing as convertible redeemable preferred shares*	1,081,121
Issuance of Series A-2 Shares	75,632
Repurchase of Ordinary Shares by issuing Series A-2 Shares**	22,693
Issuance of Series C Shares	831,634
Series C Shares issue expenses (note 6) ***	18,643
Fair value changes of convertible redeemable preferred shares (note 6)	(12,148)
Currency translation differences	58,036
At December 31, 2018 and January 1, 2019	2,075,611
Fair value changes of convertible redeemable preferred shares (note 6)	836,738
Currency translation differences	100,868
Transfer to ordinary shares	(3,013,217)
At December 31, 2019	—

* As aforementioned in note 28, during the Reorganization, due to the changes in certain terms of the Series A-1 Shares and Series B Shares as compared with those of Series A-1 and Series B Financing, the Group designated all the instruments as financial liabilities measured at FVTPL. The fair value upon the initial recognition amounted to RMB1,081,121,000, while the then carrying amount of Series A-1 and Series B Financing amounted to RMB625,180,000 (note 28). The difference of RMB455,941,000 was charged to equity.

** In July 2018, Founders SPV (defined in note 30) transferred 1,416,800 Ordinary Shares of the Company to certain Lead C Investors for a consideration of US$3,330,704 (equivalent to RMB22,693,000) or US$2.3509 per share. These Ordinary Shares were then repurchased by the Company from these Lead C Investors and the Company issued the same number of Series A-2 Shares to these shareholders on the same date.

*** In connection with the Series C Financing, the Lead C Investors allotted 6,239,960 Series A-2 Shares (including 4,823,160 shares issued by the Company for cash investment and 1,416,800 shares issued by the Company to repurchase the Ordinary Shares hold by the Lead C Investors) for a consideration of US$2.3509 per share, which was lower than fair value. The difference of RMB18,643,000 was offered to the Lead C Investors for the advisory and coordination services provided during the Series C Financing and was recognized as Series C Shares issue expenses in profit or loss.

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 values of the Preferred Shares as at the date of issuance and as at December 31, 2018.

29. CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

Presentation and classification *(Continued)*

Key valuation assumptions used to determine the fair value of Preferred Shares as at December 31, 2018 are as follows:

	December 31, 2018
Risk-free interest rate	2.9%
Discounts for lack of marketability ("DLOM")	7.0%
Volatility	61.0%

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 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 annualized standard deviation of daily stock price return of comparable companies for a period from the valuation date and with similar span as time to expiration.

On October 28, 2019, the Company has successfully listed on the Main Board of the Stock Exchange and made an offering of 12,180,900 shares at a price at HK$34.20 per share. All Preferred Shares were converted into ordinary shares upon completion of the IPO on October 28, 2019. The fair value of each of Preferred Share on the conversion date is the offer price in the global offering.

Changes in fair value of Preferred Shares were recorded in "fair value changes of convertible redeemable preferred shares". Management considered that fair value changes in the Preferred Shares that are attributable to changes of credit risk of this liability are not significant.

30. SHARE CAPITAL AND TREASURY SHARES

The Company was incorporated on November 17, 2017 with authorised share capital of US$50,000 divided into 500,000,000 ordinary shares ("Ordinary Shares") with a par value of US$0.0001 each. On December 27, 2017, the authorized share capital of the Company was changed to US$50,000, divided into 500,000,000 shares, consisting of (i) 477,066,437 Ordinary Shares with a par value of US$0.0001 each, (ii) 20,280,750 series seed preferred shares ("Series Seed Shares") with a par value of US$0.0001 each, and (iii) 2,652,813 series A preferred shares ("Series A Shares") (subsequently re-designated as Series A-1 Shares) with a par value of US$0.0001 each. After several changes, on December 31, 2018, the authorized share capital of the Company was US$50,000, divided into 500,000,000 shares, consisting of (i) 382,124,330 Ordinary Shares with a par value of US$0.0001 each, (ii) 20,280,750 redeemable and convertible Series Seed Shares with a par value of US$0.0001 each, (iii) 28,914,800 redeemable and convertible series A-1 preferred shares ("Series A-1 Shares") with a par value of US$0.0001 each and 6,239,960 redeemable and convertible series A-2 preferred shares ("Series A-2 Shares") with a par value of US$0.0001 each, (iv) 31,060,800 redeemable and convertible series B preferred shares ("Series B Shares") with a par value of US$0.0001 each, and (v) 31,379,360 redeemable and convertible series C preferred shares ("Series C Shares") with a par value of US$0.0001 each.

30. SHARE CAPITAL AND TREASURY SHARES *(Continued)*

Issued and fully paid

	As at December 31, 2019		
	Number of shares in issue	**Share capital US$**	**RMB equivalent RMB'000**
Ordinary Shares of US$0.0001 each	**208,901,727**	**20,890**	**142***

	As at December 31, 2018		
	Number of shares in issue	Share capital US$	RMB equivalent RMB'000
Ordinary Shares of US$0.0001 each	77,018,057	7,702	50*
Series Seed Shares of US$0.0001 each	20,280,750	2,028	13
	97,298,807	9,730	63

* This includes treasury shares as further disclosed below.

Movements in the issued share capital and treasury shares from January 1, 2018 (date of incorporation) to December 31, 2019 were as follows:

	Number of shares	**Share capital** RMB'000	**Treasury shares** RMB'000	**Share premium** RMB'000	**Total** RMB'000
At January 1, 2018	69,520,925	44	—	—	44
Cancellation of Series A Shares (a)	(2,652,813)	(2)	—	—	(2)
Issue of Ordinary Shares (b)	28,219,200	19	—	43,698	43,717
Issue of Ordinary Shares (c)	5,274,657	4	(4)	—	—
Cancellation of Ordinary Shares (d)	(1,646,362)	(1)	—	—	(1)
Repurchase of Ordinary Shares (e)	(1,416,800)	(1)	—	—	(1)
At December 31, 2018 and January 1, 2019	97,298,807	63	(4)	43,698	43,757
Conversion of preferred shares and Series Seed Shares to ordinary shares (f)	97,594,920	69	—	3,013,148	3,013,217
Issue of shares from initial public offering (g)	12,180,900	9	—	376,073	376,082
Issue of shares from exercise of an over-allotment option (h)	1,827,100	1	—	56,196	56,197
Share issue expenses	—	—	—	(34,744)	(34,744)
At December 31, 2019	208,901,727	142	(4)	3,454,371	3,454,509

Notes:

(a) These Ordinary Shares were issued and allotted to an entity 100% owned by the Founders (the "Founders SPV") at par, which were subsequently cancelled in July 2018.

30. SHARE CAPITAL AND TREASURY SHARES *(Continued)*

Issued and fully paid *(Continued)*

Notes (continued):

(b) Among these shares, 11,505,847 Ordinary Shares with a par value of US$0.0001 each were issued and allotted to the Founders SPV at par, as per the Reorganization. 6,358,950 Ordinary Shares were issued and allotted to an entity 100% owned by Dr. Zhai ("Dr. Zhai SPV") for the acquisition of Healthquest Pharma. 7,730,161 Ordinary Shares were issued and allotted to Dr. Zhai SPV at par for the fulfilment of previous share grants. The remaining 2,624,242 Ordinary Shares were issued at par to fulfil the share grants and share-based payments previously committed.

(c) In July 2018, 5,274,657 Ordinary Shares were issued at par to Best Elevation Limited ("RSU Holdco"), a business company incorporated in the British Virgin Islands with limited liability which holds the Ordinary Shares of the Company on trust for the benefits of selected future employees of the Company. The RSU Holdco was considered as an extension of the Company and such Ordinary Shares were accounted for as treasury shares in both consolidated financial statements of the Group and separate financial statements of the Company.

(d) In July 2018, 1,646,362 Ordinary Shares with a par value of US$0.0001 each held by the Founders SPV were cancelled.

(e) These Ordinary Shares were repurchased by the Company from certain shareholders and the Company issued the same quantity of Series A-2 Shares to these shareholders on the same date (note 29). The repurchased shares were then cancelled by the Company.

(f) Upon completion of the IPO, each issued Preferred Share converted into an ordinary share by re-designation and reclassification of every Preferred Share in issue as ordinary share on a one for one basis and all the unissued and authorized Preferred Shares were re-designated and reclassified as ordinary shares. As a result, the financial liabilities for Preferred Shares were derecognized and recorded as share capital and share premium.

(g) In connection with the Company's listing on October 28, 2019, 12,180,900 new shares of the Company were issued and allotted at an offer price of HK$34.2 per share.

(h) In connection with the exercised over-allotment option, 1,827,100 new shares of the Company were issued and allotted at an offer price of HK$34.2 per share on November 25, 2019.

31. RESERVES

The amounts of the Group's capital and reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 66 to 67 of the financial statements.

Upon completion of the IPO, each issued Preferred Share converted into an ordinary share by re-designation and reclassification of every Preferred Share in issue as ordinary share on a one for one basis and all the unissued and authorized Preferred Shares were re-designated and reclassified as ordinary shares. As a result, the financial liabilities for Preferred Shares were derecognized and RMB3,013,148,000 was recorded as share premium.

In connection with the Company's listing on October 28, 2019, 12,180,900 new shares of the Company were issued and RMB376,073,000 was recorded as share premium.

Upon completion of the IPO, the Company capitalized related IPO expense. RMB34,744,000 was recorded as a debit balance in the share premium accordingly.

In connection with the exercised over-allotment option, 1,827,100 new shares of the Company were issued and RMB56,196,000 was recorded as share premium.

32. SHARE-BASED PAYMENTS

Share option scheme

In July 2018, the Company adopted the Pre-IPO Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who have contributed or will contribute to the Group. Eligible participants of the Pre-IPO Share Option Scheme may include any substantial shareholder, existing or incoming employees of the Group which include the directors (including executive directors, non-executive directors and independent non-executive directors) and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the board of directors consider, in its sole discretion, have contributed or will contribute to the Group.

The maximum number of shares which may be issued upon the exercise of all Pre-IPO share options is 12,307,533. The exercise price for each share under the Pre-IPO share options is HK$0.01.

Subject to any restriction contained in the Pre-IPO Share Option Scheme, an option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme and the terms of grant thereof, provided that part of Pre-IPO share options in respect of 1,758,219 shares ("Special Options") which may be issued shall only be vested/exercised upon the earliest occurrence of the following events: (a) the listing, (b) trade sale, (c) any liquidation event, and (d) change of control of the Company.

On August 15, 2018, the Company has granted options to 282 grantees to subscribe for an aggregate of 11,438,960 shares under the Pre-IPO Share Option Scheme, including 926,797 Special Options. Subject to terms and conditions as set out in the Pre-IPO Share Option Scheme, the Special Options will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the listing date. The remaining 10,512,163 options (the "2018 Granted Options") will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the grant date of the options.

On May 15, 2019, the Company has granted options to 100 grantees to subscribe for an aggregate of 3,314,532 shares under the Pre-IPO Share Option Scheme. Subject to terms and conditions as set out in the Pre-IPO Share Option Scheme, 3,267,573 shares granted to 95 grantees (the "2019 Granted Options") will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the grant date of the options, and the remaining options granted to five grantees in respect of 46,959 shares (the "Supplemental Options") will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of August 15, 2018, i.e., the grant date of the 2018 Granted Options.

Pursuant to the Board resolution in July 2019, the first vesting period of the 2018 Granted Options and the Supplemental Options (together, the "Relevant Options") was amended from August 15, 2019 (i.e., the first anniversary of August 15, 2018) to the first day of the third month after the listing of the Company. In addition, the proportion to be vested on the first vesting date of the Relevant Options was amended from 25% to 35%, whilst the proportion to be vested on the second vesting date of the Relevant Options, being August 15, 2020, was be amended from 25% to 15%.

On September 16, 2019, the Company has granted options to 16 grantees to subscribe for an aggregate of 542,955 shares under the Pre-IPO Share Option Scheme. Subject to terms and conditions as set out in the Pre-IPO Share Option Scheme, 522,955 shares granted to 15 grantees (the "Second 2019 Granted Options") will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the grant date of the options, and the remaining options granted to a grantee in respect of 20,000 Special Options will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the listing date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

32. SHARE-BASED PAYMENTS *(Continued)*

Share option scheme *(Continued)*

The following share options were outstanding under the Pre-IPO Share Option Scheme during the year:

	2019 Weighted average exercise price HK$ per share	**2019** Number of options '000	2018 Weighted average exercise price HK$ per share	2018 Number of options '000
At January 1	**0.01**	**10,043**	0.01	—
Granted during the year	**0.01**	**3,857**	0.01	11,439
Forfeited during the year	**0.01**	**(1,671)**	0.01	(1,396)
At December 31	**0.01**	**12,229**	0.01	10,043

As at December 31, 2019 and December 31, 2018, all of the Pre-IPO share options had not been exercised and remained outstanding.

The fair value of the share options granted during the year ended December 31, 2019 was RMB84,335,000 (2018: RMB145,003,000), of which and the Group recognized a share option expense of RMB70,822,000 (2018: RMB27,575,000).

The fair values of certain equity-settled share options, including 2018 Granted Options, Supplemental Options and 2019 Granted Options were estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2018 Granted Options	Supplemental Options	2019 Granted Options
Dividend yield (%)	—	—	—
Expected volatility (%)	60.28	58.31	58.35
Risk-free interest rate (%)	2.86	2.35	2.38
Expected life of options (year)	10.00	9.25	10.00
Weighted average share price (RMB per share)	15.18	20.87	20.87

32. SHARE-BASED PAYMENTS *(Continued)*

Share option scheme *(Continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2019

Number of options '000	**Exercise price HK$ Per Share**	**Exercise period**
8,461	**0.01**	**Jan 28, 2020 — Aug 15, 2028**
3,225	**0.01**	**May 15, 2020 — May 15, 2029**
543	**0.01**	**Sept 16, 2020 — Sept 16, 2029**
12,229		

2018

Number of options '000	Exercise price HK$ Per Share	Exercise period
10,043	0.01	Aug 15, 2019 — Aug 15, 2028

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The fair value of the Second 2019 Grant Options of HK$34.2 each was estimated as at the date of grant, which is close to the Company's listing price.

No other feature of the options granted was incorporated into the measurement of fair value.

As at December 31, 2019, the Company had 12,229,000 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 12,229,000 additional Ordinary Shares of the Company and additional share capital and share premium of US$30,626,000, equivalent to RMB207,671,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 12,229,000 share options outstanding under the Scheme, which represented approximately 5.85% of the Company's shares in issue as at that date.

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

i. In August 2018, the Company granted 11,438,960 shares under the Pre-IPO Share Option Scheme to 282 grantees, including 926,797 Special Options. In May 2019, the Company granted 3,314,532 shares under the Pre-IPO Share Option Scheme to 100 grantees. In September 2019, the Company granted 542,955 shares under the Pre-IPO Share Option Scheme to 16 grantees. Further details are given in note 32.

ii. During the year, the Company had non-cash additions to equity of RMB3,013,217,000 due to conversion of convertible redeemable preferred shares described in note 29.

iii. During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB17,056,000 and RMB17,056,000, respectively, in respect of lease arrangements for buildings (2018: RMB5,485,000 and RMB5,485,000).

(b) Changes in liabilities arising from financing activities

	Accrued interest in other payables and accruals RMB'000	Convertible redeemable preferred shares RMB'000	Bank and other borrowings RMB'000	Lease liabilities RMB'000
January 1, 2019	120	2,075,611	35,000	7,044
Changes from financing cash flows	(3,436)	—	50,000	(7,660)
New leases	—	—	—	17,056
Interest expenses	3,442	—	—	832
Interest paid classified as financing cash flows	—	—	—	(832)
Effect of change in foreign exchange rates	—	100,868	—	(35)
Fair value changes of convertible redeemable preferred shares	—	836,738	—	—
Transfer to ordinary shares	—	(3,013,217)	—	—
At December 31, 2019	126	—	85,000	16,405

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities *(Continued)*

	Accrued interest in other and payables and accruals RMB'000	Convertible redeemable preferred shares RMB'000	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Non-current liabilities RMB'000
January 1, 2018	—	—	—	4,898	589,000
Changes from financing cash flows	(1,496)	907,266	35,000	(3,339)	3,335
New leases	—	—	—	5,485	—
Cancelation during the year	—	—	—	—	(13,745)
Effect of change in foreign exchange rates	—	58,036	—	—	11,683
Additions of lease liabilities	—	—	—	—	—
Interest expenses	1,616	—	—	396	34,907
Interest paid classified as financing cash flows	—	—	—	(396)	—
Transfer to convertible redeemable preferred shares	—	1,081,121	—	—	(625,180)
Repurchase of Ordinary Shares by issuing Series A-2 Shares	—	22,693	—	—	—
Series C Shares issue expenses	—	18,643	—	—	—
Fair value changes	—	(12,148)	—	—	—
At December 31, 2018	120	2,075,611	35,000	7,044	—

(c) Total cash outflow for leases

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

	2019 RMB'000	2018 RMB'000
Within financing activities	**8,492**	3,735

34. COMMITMENTS

(a) As at December 31, 2019, the Group had capital commitments of RMB117,998,000 relating to the construction of the research and development centre. There was no significant capital commitment as at December 31, 2018.

(b) The Group has no lease contracts that have not yet commenced as at December 31, 2019.

35. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at the end of the reporting date.

36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in this financial statement, the Group had no transactions with related parties during the reporting period.

(b) Outstanding balances with related parties:

Details of the Group's balances with Dr. Zhai are disclosed in note 24 and 26 to the financial statements.

(c) Compensation of key management personnel of the Group:

	2019	2018
	RMB'000	RMB'000
Short term employee benefits	**20,040**	8,697
Share option expenses	**7,469**	1,340
Post-employment benefits	**647**	135
	28,156	10,172

Further details of directors' emoluments are included in note 8 to the financial statements.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting date are as follows:

2019

Financial assets

	Financial assets at fair value through profit or loss Mandatorily designated as such at FVTPL RMB'000	Financial assets at amortized cost RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables	–	5,125	5,125
Cash and bank balances	–	882,457	882,457
Financial assets at FVTPL	32,191	–	32,191
	32,191	887,582	919,773

Financial liabilities

	Financial liabilities at fair value through profit or loss Designated as such upon initial recognition at FVTPL RMB'000	Financial liabilities at amortized cost RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	101,405	101,405
Trade payables	–	13,084	13,084
Financial liabilities included in, other payables and accruals	–	5,107	5,107
Long-term payables measured at FVTPL	51,248	–	51,248
	51,248	119,596	170,844

37. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2018

Financial assets

	Financial assets at fair value through profit or loss Mandatorily designated as such at FVTPL RMB'000	Financial assets at amortized cost RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables	—	6,856	6,856
Cash and bank balances	—	957,088	957,088
A financial asset at FVTPL	59,518	—	59,518
Other financial assets	14,399	—	14,399
	73,917	963,944	1,037,861

Financial liabilities

	Financial liabilities at fair value through profit or loss Designated as such upon initial recognition at FVTPL RMB'000	Financial liabilities at amortized cost RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	42,044	42,044
Trade payables	—	5,081	5,081
Financial liabilities included in, other payables and accruals	—	14,414	14,414
Long-term payables measured at FVTPL	10,034	—	10,034
Convertible redeemable preferred shares	2,075,611	—	2,075,611
	2,085,645	61,539	2,147,184

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at December 31, 2019 and 2018 the fair values of the Group's financial instruments reasonably approximate to their respective fair values.

Management has assessed that the fair values of cash and bank balances, financial assets included in prepayments, other receivables and other assets, trade payables, interest-bearing bank and other borrowings and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The Directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at December 31, 2019 were assessed to be insignificant. The Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

The fair values of the convertible redeemable preferred shares measured at FVTPL are determined using the valuation techniques, including back-solve method and equity allocation model, and were within Level 3 fair value measurement. The fair value of long-term payables measured at FVTPL was determined using the discounted cash flow model and was within Level 3 fair value measurement.

The fair value of listed equity investment was based on quoted market prices. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value instruments are observable, the instruments are included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Unobservable inputs and sensitivity analysis of Level 3 assets and liabilities

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at December 31, 2019 and 2018.

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value of the input
Long-term payables measured at FVTPL	Discounted cash flow method	Discount rate	2019: 4.64% – 5.18% (2018: 5.5%)	2019: 1% (December 31, 2018: 1%) increase/decrease in discount rate would result in decrease/increase in fair value by 4% (2018: 6%)
		Possibility of payment	2019: 60% – 65% (2018: 15% – 20%)	2019: 1% (December 31, 2018: 1%) increase/decrease in possibility of payment would result in decrease/increase in fair value by 2% (2018: 7%)
Convertible redeemable preferred shares	Back-solve method and equity allocation model	DLOM	2018: 12% – 25%	2018: 1% increase/decrease in DLOM would result in decrease/increase in fair value by 1%

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at December 31, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at FVTPL	**32,191**	**—**	**—**	**32,191**

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Assets measured at fair value (Continued)

As at December 31, 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
A financial asset at FVTPL	59,518	—	—	59,518
Other financial assets	—	14,399	—	14,399
	59,518	14,399	—	73,917

Liabilities measured at fair value

As at December 31, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Long-term payables measured at FVTPL	**—**	**—**	**51,248**	**51,248**

As at December 31, 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Convertible redeemable preferred shares	—	—	2,075,611	2,075,611
Long-term payables measured at FVTPL	—	—	10,034	10,034
	—	—	2,085,645	2,085,645

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2. The financial asset were transferred from Level 3 to Level 1 because shares of the investee were listed on NASDAQ in May 2018.

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities measured at fair value *(Continued)*

The movements in the fair value measurements within Level 3 during the reporting period are as follows:

	Financial assets at FVTPL RMB'000
Carrying amount at January 1, 2018	30,328
Net gain from a fair value adjustment recognized in other income and gains in profit or loss	22,506
Effect of change in foreign exchange rate	(1,418)
Transfer to Level 1	(51,416)
Carrying amount at December 31, 2018	—

	Long-term payables measured at FVTPL	
	2019 RMB'000	2018 RMB'000
Carrying amount at January 1	**10,034**	5,926
Net loss from a fair value adjustment recognized in other expenses in profit or loss	**41,214**	4,108
	51,248	10,034

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

The following table demonstrates the sensitivity as at the end of each reporting date to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's loss after tax due to changes in the fair values of monetary assets and liabilities.

	Increase/ (decrease) in foreign currency rate	Increase/ (decrease) in loss before tax	Increase/ (decrease) in other comprehensive income (without tax)
	%	RMB'000	RMB'000
December 31, 2019			
If RMB weakens against US$	**5**	**(7,144)**	**39,075**
If RMB strengthens against US$	**(5)**	**7,144**	**(39,075)**
December 31, 2018			
If RMB weakens against US$	5	(33)	(56,432)
If RMB strengthens against US$	(5)	33	56,432

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, financial assets included in prepayments, other receivables and other assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year staging classification. The amounts presented are gross carrying amounts for financial assets.

December 31, 2019	**12-month ECLs**		**Lifetime ECLs**		
	Stage 1 RMB'000	**Stage 2 RMB'000**	**Stage 3 RMB'000**	**Simplified approach RMB'000**	**Total RMB'000**
Financial assets included in prepayments, other receivables and other assets					
— Normal*	**5,125**	**—**	**—**	**—**	**5,125**
Cash and bank balances					
— Not yet past due	**882,457**	**—**	**—**	**—**	**882,457**
	887,582	**—**	**—**	**—**	**887,582**

December 31, 2018	12-month ECLs		Lifetime ECLs		
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets					
— Normal*	6,856	—	—	—	6,856
Cash and bank balances					
— Not yet past due	957,088	—	—	—	957,088
Other financial assets					
— Not yet past due	14,399	—	—	—	14,399
	978,343	—	—	—	978,343

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at December 31, 2019

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	—	8,180	9,650	—	17,830
Interest-bearing bank and other borrowings (excluding lease liabilities)	—	86,454	—	—	86,454
Trade payables	—	13,084	—	—	13,084
Financial liabilities included in other payables and accruals	5,107	—	—	—	5,107
Long-term payables measured at FVTPL	—	—	51,248	—	51,248
	5,107	107,718	60,898	—	173,723

As at December 31, 2018

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	—	2,849	4,712	—	7,561
Interest-bearing bank and other borrowings (excluding lease liabilities)	—	36,523	—	—	36,523
Trade payables	—	5,081	—	—	5,081
Financial liabilities included in other payables and accruals	14,294	—	—	—	14,294
Convertible redeemable preferred shares	—	—	2,075,611	—	2,075,611
Long-term payables measured at FVTPL	—	—	—	10,034	10,034
	14,294	44,453	2,080,323	10,034	2,149,104

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in a financial asset at fair value through profit or loss (note 17) as at December 31, 2019. The Group's listed investment is listed on the NASDAQ and is valued at quoted market prices at the end of the reporting period.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk *(Continued)*

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	December 31, 2019	**High/low 2019**	December 31, 2018	High/low 2018
United States — NASDAQ index	**7,418**	**9,502/ 6,457**	6,635	8,133/ 6,190

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments RMB'000	**Increase/ (decrease) in profit before tax** RMB'000
2019		
Investments listed in:		
NASDAQ — A financial asset at fair value through profit or loss	**32,191**	**1,610**
		(1,610)
2018		
Investments listed in:		
NASDAQ — A financial asset at fair value through profit or loss	59,518	2,976
		(2,976)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the reporting year.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, financial liabilities included in other payables and accruals and long-term payables measured at FVTPL, less cash and bank balances. Capital includes the other non-current liabilities, convertible redeemable preferred shares and equity attributable to owners of the parent. The gearing ratios as at the end of each reporting date were as follows:

	2019 **RMB'000**	2018 RMB'000
Interest-bearing bank and other borrowings	**101,405**	42,044
Trade payables	**13,084**	5,081
Financial liabilities included in, other payables and accruals	**5,107**	14,294
Long-term payables measured at FVTPL	**51,248**	10,034
Less: Cash and bank balances	**(882,457)**	(957,088)
Net debt	**(711,613)**	(885,635)
Convertible redeemable preferred shares	**–**	2,075,611
Equity attributable to owners of the parent	**890,475**	(1,011,586)
Adjusted capital	**890,475**	1,064,025
Capital and net debt	**178,862**	178,390
Gearing ratio	**N/A***	N/A*

* As at December 31, 2019 and 2018, the Group's cash and bank balances exceeded the financial liabilities (excluding convertible redeemable preferred shares). As such, no gearing ratio as at December 31, 2019 and 2018 was presented.

40. EVENTS AFTER THE REPORTING PERIOD

(a) In February 2020, the Group entered into a fixed asset loan facility agreement amounting up to RMB1,050 million at a floating interest rate. The Group intends to utilize the loan facility for the construction of the Suzhou facility.

(b) The outbreak of novel coronavirus ("COVID-19") continues to spread across the world. The management used its best endeavors to mitigate the adverse impact of COVID-19 outbreak. The Group will continue closely monitoring the development of COVID-19 situation and make timely response and adjustments in the future. By the issuance of the financial statements, the impact of COVID-19 on the Group's subsequent operating results is still under assessment.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**94,729**	3,534
Total non-current assets	**94,729**	3,534
CURRENT ASSETS		
Prepayments, other receivables and other assets	**904,912**	616,403
Cash and bank balances	**579,264**	480,817
Total current assets	**1,484,176**	1,097,220
CURRENT LIABILITIES		
Other payables and accruals	**15,120**	10,209
Total current liabilities	**15,120**	10,209
NET CURRENT ASSETS	**1,469,056**	1,087,011
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,563,785**	1,090,545
NON-CURRENT LIABILITIES		
Convertible redeemable preferred shares	**–**	2,075,611
Total non-current liabilities	**–**	2,075,611
Net assets/(liabilities)	**1,563,785**	(985,066)
EQUITY		
Share capital	**142**	63
Treasury shares	**(4)**	(4)
Reserves	**1,563,647**	(985,125)
Total equity/(deficit)	**1,563,785**	(985,066)

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital and reserves RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2018	—	—	—	—	—
Loss for the year	—	—	—	(81,728)	(81,728)
Other comprehensive loss for the year:					
Exchange differences on translation of foreign operations	—	—	(27,367)	—	(27,367)
Total comprehensive loss for the year	—	—	(27,367)	(81,728)	(109,095)
Capital injections into the Company in the Reorganization*	—	(436,517)	—	—	(436,517)
Transfer to convertible redeemable preferred shares	—	(455,941)	—	—	(455,941)
Repurchase of Ordinary Shares	—	(22,693)	—	—	(22,693)
Issue of Ordinary Shares	11,546	—	—	—	11,546
Equity-settled share option arrangement	—	27,575	—	—	27,575
At December 31, 2018 and January 1, 2019	11,546	(887,576)	(27,367)	(81,728)	(985,125)
Loss for the year	—	—	—	(846,086)	(846,086)
Other comprehensive loss for the period:					
Exchange differences on translation of foreign operations	—	—	(86,637)	—	(86,637)
Total comprehensive loss for the year	**—**	**—**	**(86,637)**	**(846,086)**	**(932,723)**
Conversion of convertible redeemable preferred shares to ordinary shares	**—**	**3,013,148**	**—**	**—**	**3,013,148**
Issue of shares from IPO	**376,073**	**—**	**—**	**—**	**376,073**
Issue of shares from exercise of an over-allotment option	**56,196**	**—**	**—**	**—**	**56,196**
Share issue expenses	**(34,744)**	**—**	**—**	**—**	**(34,744)**
Equity-settled share option arrangement	**—**	**70,822**	**—**	**—**	**70,822**
At December 31, 2019	**409,071**	**2,196,394**	**(114,004)**	**(927,814)**	**1,563,647**

* As part of the reorganization, the Group repurchased its Series A-1 shares and Series B shares and such repurchase consideration was then re-invested into the Company for the Company's Series A-1 Shares and Series B Shares, which were issued in July 2018. The differences between the carrying amount of the liabilities assumed and the cash re-invested into the Company were recorded as equity in the statement of financial position of the Company.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on March 29, 2020.