基石药业
CSTONE
PHARMACEUTICALS

CStone Pharmaceuticals
基石藥業

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : **2616**

2019
Annual Report
年度報告

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

Dr. Frank Ningjun Jiang
(Chairman and Chief Executive Officer)

Non-executive Directors

Dr. Wei Li
Mr. Qun Zhao
Mr. Yanling Cao
Mr. Guobin Zhang
Dr. Lian Yong Chen

Independent Non-executive Directors

Dr. Paul Herbert Chew
Mr. Ting Yuk Anthony Wu
Mr. Hongbin Sun

AUDIT COMMITTEE

Mr. Hongbin Sun *(Chairman)*
Dr. Paul Herbert Chew
Mr. Ting Yuk Anthony Wu

COMPENSATION COMMITTEE

Mr. Ting Yuk Anthony Wu *(Chairman)*
Dr. Wei Li
Dr. Paul Herbert Chew

NOMINATION COMMITTEE

Dr. Frank Ningjun Jiang *(Chairman)*
Mr. Yanling Cao
Dr. Paul Herbert Chew
Mr. Ting Yuk Anthony Wu
Mr. Hongbin Sun

STRATEGY COMMITTEE

Dr. Frank Ningjun Jiang *(Chairman)*
Dr. Lian Yong Chen
Dr. Paul Herbert Chew

AUTHORIZED REPRESENTATIVES

Dr. Frank Ningjun Jiang
Ms. Yeung Ching Man

COMPANY SECRETARY

Ms. Yeung Ching Man

REGISTERED OFFICE

The offices of Vistra (Cayman) Limited
P.O. Box 31119, Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

1000 Zhangheng Road
Building 25
Pudong New District
Shanghai, 201203
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

HONG KONG LEGAL ADVISER

Davis Polk & Wardwell
18/F, The Hong Kong Club Building
3A Chater Road
Hong Kong

COMPLIANCE ADVISOR

Somerley Capital Limited
20/F China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited, Hong Kong
Bank of China Tower
1 Garden Road
Central, Hong Kong

China Construction Bank
Industrial Park of Suzhou Branch
No.1133 Dong Huan Road
Suzhou
PRC

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F One Pacific Place
88 Queensway Admiralty
Hong Kong

STOCK CODE

2616

COMPANY WEBSITE

www.cstonepharma.com

KEY DATE

Annual General Meeting
June 23, 2020

NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS ("NON-IFRS") MEASURES:

The research and development expenses excluding the share-based payment expenses increased by RMB461.8 million from RMB726.9 million for the year ended December 31, 2018 to RMB1,188.7 million for the year ended December 31, 2019, primarily attributable to additional trials which increased clinical development costs.

The administrative expenses excluding the share-based payment expenses increased by RMB58.3 million from RMB79.3 million for the year ended December 31, 2018 to RMB137.6 million for the year ended December 31, 2019, primarily attributable to increase in employee costs.

The loss excluding the effect of the fair value changes of the conversion feature of preferred shares and share-based payment expenses increased by RMB468.7 million from RMB672.6 million for the year ended December 31, 2018 to RMB1,141.3 million for the year ended December 31, 2019, primarily due to increase in research and development expenses and administrative expenses, partially offset by increase in interest income.

International Financial Reporting Standards ("**IFRS**") Numbers:

- Other income increased by RMB63.5 million from RMB20.5 million for the year ended December 31, 2018 to RMB84.0 million for the year ended December 31, 2019, primarily attributable to increase in interest income from bank deposits and time deposits.

- Other gains and losses decreased by RMB104.6 million from losses of RMB742.0 million for the year ended December 31, 2018 to losses of RMB637.4 million for the year ended December 31, 2019, primarily attributable to a narrowed loss on fair value changes of derivative financial liabilities, which was a non-cash, one-time adjustment upon the Listing as required under the IFRS.

- Research and development expenses increased by RMB545.4 million from RMB850.2 million for the year ended December 31, 2018 to RMB1,395.6 million for the year ended December 31, 2019, primarily attributable to additional trials which increased clinical development costs.

- Administrative expenses increased by RMB150.5 million from RMB191.0 million for the year ended December 31, 2018 to RMB341.5 million for the year ended December 31, 2019, primarily attributable to increase in employee costs.

- As a result of the above factors, the loss for the year increased by RMB515.3 million from RMB1,793.1 million for the year ended December 31, 2018 to RMB2,308.4 million for the year ended December 31, 2019, primarily due to increase in research and development expenses and administrative expenses, partially offset by increase in interest income.

Financial Highlights

	As at December 31/year ended December 31			
	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-IFRS measures				
Research and development expenses excluding the share-based payment expenses	**(1,188,743)**	(726,930)	(196,497)	(242,187)
Administrative expenses excluding the share-based payment expenses	**(137,640)**	(79,296)	(28,191)	(10,616)
Loss for the year excluding the non-IFRS adjustments	**(1,141,263)**	(672,598)	(234,526)	(237,470)
IFRS measures				
Other income	**83,962**	20,497	13,954	187
Other gains and losses	**(637,365)**	(741,979)	(103,665)	9,185
Research and development expenses	**(1,395,624)**	(850,197)	(213,441)	(247,121)
Administrative expenses	**(341,476)**	(190,991)	(39,335)	(15,050)
Listing expenses	**(17,638)**	(30,459)	–	–
Finance costs	**(303)**	–	(60)	(240)
Loss for the year	**(2,308,444)**	(1,793,129)	(342,547)	(253,039)
Loss per share				
Basic and diluted (RMB Yuan)	**(2.39)**	(2.79)	(0.67)	(0.89)
Cash and cash equivalents and time deposits	**2,725,867**	1,462,552	83,390	59,539
Total assets	**2,950,645**	1,632,118	564,280	826,139
Total liabilities	**469,063**	1,116,787	113,228	59,184
Total equity	**2,481,582**	515,331	451,052	766,955

Business Highlights

On February 26, 2019, the Company was successfully listed on the Stock Exchange. Over the past year, significant advancement has been made with respect to our product pipeline and business operations:

LATE-STAGE ASSETS:

- CS1001 (PD-L1 antibody) – In 2019, we have made notable progress to advance our lead IO asset CS1001 in the clinic, qualifying it as a promising anti-PD-L1 with unique advantage and significant differentiation. Data presented at three major congresses (Chinese Society of Clinical Oncology ("**CSCO**"), European Society for Medical Oncology ("**ESMO**"), and The American Society of Hematology ("**ASH**")) have demonstrated that CS1001 is safe and efficacious in multiple solid tumors and lymphomas, including esophageal, gastric, cholangiocarcinoma/gall bladder, and microsatellite instability-high ("**MSI-H**")/mismatch repair deficient ("**dMMR**") cancer, as well as natural killer T-cell lymphoma ("**NKTL**"). Its outstanding activity in esophageal cancer and NKTL in particular reveals the potential of CS1001 as a best-in-class drug candidate. Based on these proof-of-concept data, we have initiated two additional registrational trials of CS1001 in China for patients with advanced gastric cancer and esophageal cancer, and dosed the first patient in April 2019 and December 2019, respectively. Together with the four initiated in 2018 (Stage III non-small cell lung cancer ("**NSCLC**"), stage IV NSCLC, NKTL and classical Hodgkin lymphoma ("**cHL**")), we are currently conducting six registrational trials for CS1001. We expect top-line results of the Phase III trial of CS1001 in combination with standard-of-care chemotherapies in patients with first-line Stage IV squamous or non-squamous NSCLC to be available in the second half of 2020. Furthermore, we plan to consult with CDE on our cHL and NKTL regulatory strategy and expect to submit an NDA in China for cHL and potentially also NKTL in the second half of 2020.

- CS1003 (PD-1 antibody) – Preliminary data of the Phase Ia study of CS1003 monotherapy were presented at the CSCO 2019 annual meeting, which showed that CS1003 was safe and tolerable. Anti-tumor activity of CS1003 was observed in multiple tumor types. We have initiated a global Phase III trial of CS1003 in combination with LENVIMA® (lenvatinib), a standard-of-care tyrosine kinase inhibitor ("**TKI**") in patients with advanced HCC and dosed the first patient in December 2019.

- Ivosidenib (CS3010) – In May 2019, an NDA for the isocitrate dehydrogenase-1 inhibitor TIBSOVO® (ivosidenib) has been submitted to the Taiwan Food and Drug Administration ("**TFDA**") for the treatment of adult patients with relapsed or refractory acute myeloid leukemia ("**R/R AML**") containing an isocitrate dehydrogenase-1 mutation ("**IDH1m**"); marketing approval is expected in 2020. Two registrational trials in IDH1m AML are ongoing in China: one in IDH1m R/R AML, anticipating trial completion in 2020 and NDA submission in China by the first half of 2021; and another in newly diagnosed IDH1m AML patients who are not eligible for intensive therapy.

- Avapritinib (CS3007) – On January 9, 2020, the KIT/PDGFRA inhibitor AYVAKIT™ (avapritinib) received U.S. FDA approval for the treatment of adults with unresectable or metastatic GIST harboring a PDGFRA exon 18 mutation, including PDGFRA D842V mutations. As a result, we submitted an NDA in Taiwan on March 27, 2020 for this indication. Two registration trials for the avapritinib were initiated in China in patients with unresectable or metastatic GIST. One trial is a China pharmacokinetics bridging study for the indication of advanced GIST with a PDGFRA exon 18 mutation, and we submitted an NDA in China for this indication along with the NDA for the treatment of adults unresectable or metastatic fourth-line GIST in April 2020. Another trial is conducted in third-line GIST as part of a global Phase III trial comparing avapritinib with regorafenib. Enrollment has been completed for this study and top-line results from the global trial are expected to be available in the second quarter of 2020 with NDA submission in China in the second half of 2020.

- Pralsetinib (CS3009) – As part of a global pivotal Phase I/II trial of pralsetinib, an investigational RET inhibitor, for the treatment of RET-altered NSCLC, medullary thyroid cancer ("**MTC**"), and other advanced solid tumors, we have completed enrollment in China for the cohort study for the indication of RET fusion-positive NSCLC as a second-line treatment and expect an NDA submission for this indication in China in the second half of 2020. Furthermore, we have initiated an additional registrational cohort for first-line RET fusion-positive NSCLC and expect to dose the first patient in the first half of 2020.

Business Highlights

EARLY-STAGE ASSETS:

- Novel combinations—With combination therapy as a core strategy and the unique advantage of leveraging our 3 IO backbone agents (anti-PD-L1, anti-PD-1, and anti-CTLA4), a total of six combinations with assets from our internal pipeline and external partners are in development: i) CS1002 (CTLA-4 antibody) plus CS1003 (PD-1 antibody), with the first patient dosed in January 2020; ii) CS1001 with fisogatinib (CS3008; FGFR4 inhibitor) in HCC; iii) CS1001 with regorafenib; iv) CS1003 with regorafenib; all with first-patient-dosed achieved in December 2019; and two other combination studies planned, including v) CS1001 with a PARP inhibitor (IMP4297); and vi) CS1001 with a multi-kinase inhibitor (donafenib).

- Other early-stage assets—We have also made significant headway on other early clinical-stage programs including CS3005 (A2aR antagonist), CS3002 (CDK4/6 inhibitor), CS3003 (HDAC6 inhibitor) and CS3006 (MEK inhibitor). In January 2020, we dosed the first patient for CS3002 and CS3005 in the respective phase I studies.

BUSINESS DEVELOPMENT AND OTHER KEY ACTIVITIES:

- We have continued to enhance our value through external collaborations with global leading biotechs and biopharmaceutical companies.

    - In May 2019, we entered into a global clinical collaboration with Bayer HealthCare LLC ("**Bayer**") to evaluate CS1001 in combination with Bayer's oral multi-kinase inhibitor Stivarga® (regorafenib) (targeting VEGFR, KIT, RET, BRAF, FGFR and CSF1R, etc.), as a treatment for multiple types of cancer including gastric cancer. In December 2019, the first patient was dosed in a Phase Ib trial of CS1001 in combination with regorafenib.

    - In April 2019, we entered into an exclusive regional licensing agreement with Numab Therapeutics AG ("**Numab**") for the development and commercialization of NM21-1480 (ND021), a potential best-in-class monovalent, tri-specific antibody-based molecule targeting PD-L1, 4-1BB, and human serum albumin. The agreement provides us exclusive rights to develop and commercialize NM21-1480 in Greater China, South Korea and Singapore and can potentially provide us with access to Numab's novel multi-specific technology platform.

- Moving forward, we will focus on pursuing strategic partnership that will accelerate CStone value creation.

- In March 2019, we appointed four internationally-renowned oncologists: Paul A. Bunn, Jr., MD, Elizabeth M. Jaffee, MD, Weiping Zou, MD, Ph.D. and Richard S. Finn, MD, as members of our Scientific Advisory Board. The addition of these four experts will considerably augment our public profile in the oncology field and provide valuable insights into our R&D strategies and processes.

- In August 2019, we entered into an agreement (with a state-owned enterprise under the Suzhou Industrial Park) to build an approximately 100,000 square meters R&D center and manufacturing facility in the Suzhou Industrial Park for large and small molecule drug development and commercial production. We expect the construction of the facility to commence in the first half of 2020.

- In October 2019, we entered into an agreement with Jiangsu Industrial Technology Research Institute (江蘇省產業技術研究院)(JITRI) and formed JITRI-CStone Innovation Center to further promote a two-way collaboration with industry partners and innovation centers in China and around the world.

- In December 2019, Ms. Shirley Zhao, MD, MBA, joined us as the General Manager for Greater China and Head of Commercial to lead and scale up a full-fledged commercial organization. Ms. Zhao will be responsible for continuing to scale up the commercial team and infrastructure in preparation for multiple product launches in mainland China, Hong Kong and Taiwan over the next two years. Upon regulatory approval, we expect to launch ivosidenib by the end of 2020 and avapritinib in 2021 in Taiwan, and to launch avapritinib, pralsetinib and CS1001 (PD-L1 antibody) in 2021 in mainland China with well-established local operation.

Chairman's Statement

Dear Shareholders,

On behalf of our Board, I am pleased to present the annual report of the Group for the year ended December 31, 2019, the second year we release our annual report since the Company's listing on the Main Board of the Hong Kong Stock Exchange. For CStone, 2019 was a transformational year towards achieving our vision of becoming a globally recognized leading Chinese biotech company and bringing innovative oncology therapies to cancer patients in China and worldwide. Our unwavering efforts to build a world-class biotech company and unique capabilities in research and development are propelling us to a fully integrated commercial stage company in 2020.

SUCCESSFUL IPO

After three years since its inception, CStone was successfully listed on the Hong Kong Stock Exchange on February 26, 2019, achieving a historical milestone. The Listing was a monumental recognition of our research and development capabilities, business model and track record. More importantly, it further strengthened our capital position and better equipped us to capture exciting opportunities in the booming field of oncology and deliver value to our shareholders.

ROBUST R&D CAPABILITIES

The Company's pipeline focuses on IO and precision medicine. We have developed a rich and well-balanced oncology portfolio composed of 15 assets, including three major IO backbone molecules-PD-L1, PD-1 and CTLA-4 antibodies that enable us to unlock emerging combination therapies. Our large scale and right mix of oncology drug candidates are uniquely positioned to win in the combination therapy space, and deliver far-reaching clinical benefits for cancer patients.

Our research capabilities have driven significant innovations in the past three years, demonstrated by our track record of successive INDs both in China and globally. Last year was no different, as we had two new drug candidates, CS3002 (CDK4/6 inhibitor) and CS3005 (A2aR antagonist), entered clinical trials.

With 28 ongoing clinical trials initiated in the past two years, our clinical development engine has proven its speed and effectiveness, while laying the ground work for continuous data readouts and eventual NDA submissions. Among the ongoing trials, 13 are registrational trials for our five late-stage assets, namely CS1001 (PD-L1), CS1003 (PD-1), ivosidenib, avapritinib and pralsetinib, and 11 are combination therapy trials. In May 2019, we submitted the Company's first NDA, TIBSOVO® (ivosidenib) for relapsed/refractory AML in Taiwan and received priority review status.

In 2019, we presented key data for our three IO backbone products at major international conferences including ASCO, CSCO, ESMO and ASH. Specifically, for CS1001 (PD-L1), we published Ph Ia data at ASCO, Ph Ib and Ph II NKTL data at CSCO, ESMO and ASH. For CS1002 (CTLA-4) and CS1003 (PD-1), we published Ph Ia data at CSCO. These data demonstrated the encouraging safety and efficacy profiles of our products. In particular, the data in ESCC and NKTL for CS1001 (PD-L1) indicate that this is a differentiated anti-PD-L1 drug candidate with best-in-class potential in certain indications.

In addition to our internal research, we also commenced important collaborations with leading global and Chinese pharmaceutical/biotech companies to extend the scope and depth of our innovation. These include our clinical collaboration with Bayer for the combination of CS1001 (PD-L1) and regorafenib and licensing partnership with Numab for ND021, a potential best-in-class monovalent, tri-specific antibody-based molecule targeting PD-L1, 4-1BB, and human serum albumin (HSA).

Chairman's Statement

STATE-OF-THE-ART FACILITY

In August 2019, we entered into an agreement with Sungent to build our state-of-the-art global R&D and manufacturing headquarter in Suzhou. Once the manufacturing facility is completed, we will implement a hybrid model by leveraging both our internal site and existing strategic partnership with WuXi Biologics. This model will enable us to optimize the capacity and cost-effectiveness of our drug supply, and ensure its sustainability for both clinical development and commercialization.

STRATEGIC TRANSITION TO COMMERCIALIZATION

NDA submission for TIBSOVO® (ivosidenib) is a key milestone for CStone's transition from R&D to commercialization. It has been our top priority to ramp up internal commercial capabilities and develop a clear and robust strategy. In this regard, we are delighted to have Shirley Zhao join us as the General Manager for Greater China and Head of Commercial and lead our commercial team. We will focus on a self-build commercial model while exploring potential value-creative strategic partnerships. In addition, we further forged strong networks with cancer societies and KOLs, laying a concrete foundation for the launch of our near commercial products. With strong commercial leadership, robust strategy and launch readiness, and enhanced brand image, CStone is well positioned to maximize the commercial value of its portfolio.

2020 OUTLOOK

China biopharmaceutical industry is at a crossroad. On one hand, innovation and world-class quality therapies are much needed and endorsed; on the other hand, biopharma companies are facing challenges, such as market access constraints and reimbursement limitations. Only companies with novel approaches and efficient business models will eventually stand out among the competition. Since its inception, CStone aims to become an innovative biopharma company with clear differentiations and competitive edges. We have a strong conviction that the Company will overcome the market complexities and deliver life-saving therapies to cancer patients in the near future.

Looking forward, we believe 2020 will be another transformative year for CStone with multiple major catalysts. To start, we expect to receive NDA approval in Taiwan for TIBSOVO® (ivosidenib) in relapsed/refractory AML. In addition, we will submit several NDAs across indications for our lead assets including CS1001 (PD-L1), avapritinib and pralsetinib, and expect data readouts of critical clinical studies. Moreover, by leveraging established and fully integrated R&D and business development capabilities, the Company aspires to establish a Pipeline 2.0 with more first-in-class/best-in-class assets. Lastly, we anticipate to significantly scale up our commercial capabilities and expect to drive successful launches of our lead assets in the coming years.

Finally, on behalf of the Board, I would like to thank all our staff and management team for their determination, diligence and dedication. I would also like to extend our earnest gratitude for the continued support from our Shareholders and business partners. Together, we will work relentlessly to pursue our vision of becoming a globally recognized leading Chinese biotech company and bringing innovative oncology therapies to cancer patients in China and worldwide.

Dr. Frank Ningjun Jiang
Chairman and Chief Executive Officer

Suzhou, PRC, March 26, 2020

OUR VISION

Our vision is to become globally recognized as a leading Chinese biopharmaceutical company by bringing innovative and differentiated oncology therapies to cancer patients worldwide.

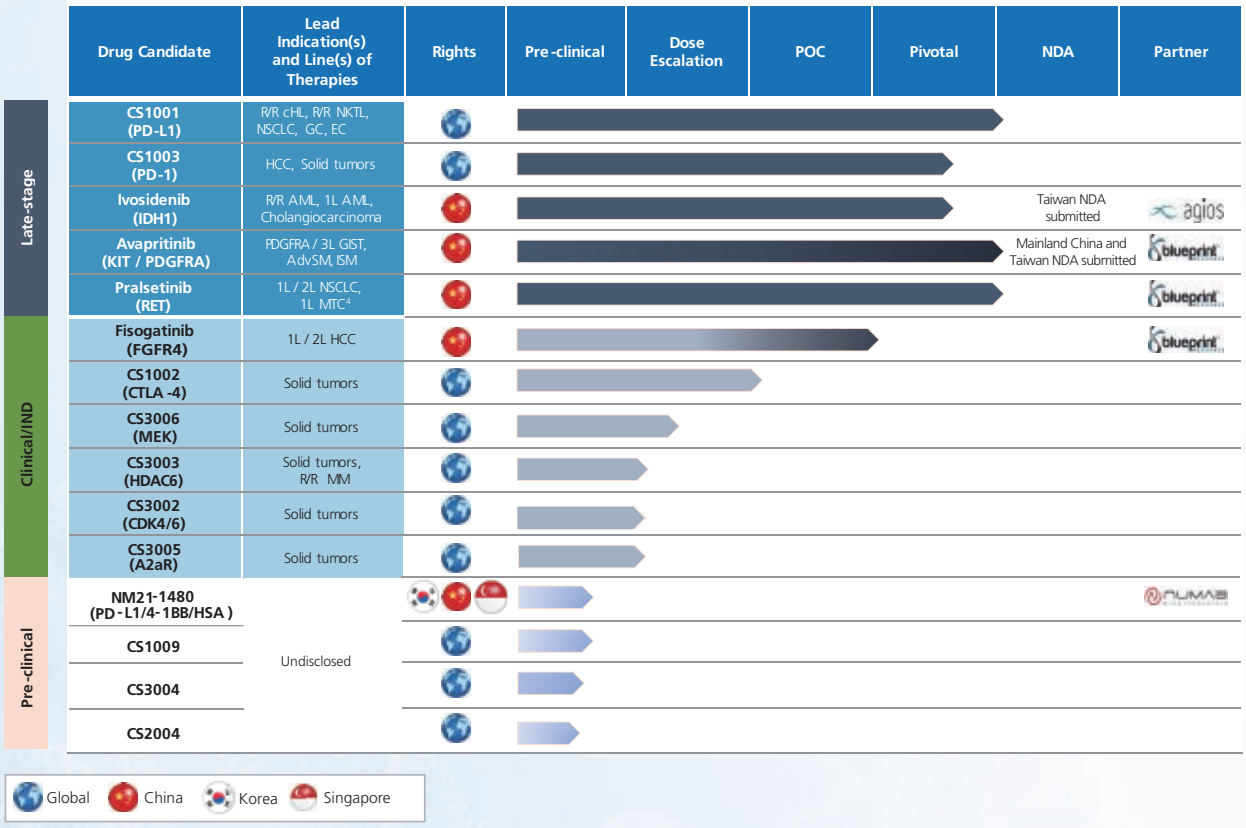
OVERVIEW

Founded in 2015, we are a clinical-stage biopharmaceutical company focused on developing and commercializing innovative immuno-oncology and molecularly targeted drugs to address significant unmet medical needs in cancer treatment. The Company has built an oncology-focused pipeline of 15 drug candidates with a strategic emphasis on IO combination therapies, including our three IO backbone drug candidates (PD-L1, PD-1, and CTLA-4 antibodies) at clinical stage. Currently, five late-stage candidates are in pivotal trials. We believe that our pipeline has both the scale and mix to enable a winning combination therapy strategy and allows us to develop one of the largest oncology combination therapy portfolios among all China-based biopharmaceutical companies. For details of any of the foregoing, please refer to the rest of this report and, where applicable, the Prospectus and prior announcements published on the websites of the Stock Exchange and the Company.

Our core product candidate, CS1001, is a fully human, full-length anti-PD-L1 monoclonal antibody. CS1001 mirrors natural G-type immune globulin 4 (IgG4) human antibody, which can reduce the risk of immunogenicity and potential toxicities in patients, potentially representing a unique advantage over similar drugs. To complement our IO backbone drug candidates, we obtained exclusive licenses from Agios for ivosidenib (CS3010) and Blueprint Medicines Corporation (NASDAQ: BPMC) ("**Blueprint Medicines**") for avapritinib (CS3007), pralsetinib (CS3009), and fisogatinib (CS3008) to develop and commercialize the four molecularly targeted compounds in Greater China. All four compounds have achieved proof-of-concept for their lead indications based on clinical data from the respective global trials. The U.S. FDA approved TIBSOVO® (ivosidenib) in July 2018 as the first treatment of IDH1m R/R AML in its class globally. Avapritinib is also the first drug candidate in its class globally for the treatment targeting PDGFRA D842V mutations and the U.S. FDA approved AYVAKIT™ (avapritinib) for the treatment of adults with unresectable or metastatic GIST harboring a PDGFRA exon 18 mutation, including PDGFRA D842V mutations in January 2020. Pralsetinib (CS3009) and fisogatinib (CS3008) each has the potential to be a first-in-class precision therapy option globally.

Product Pipeline

We have a pipeline of 15 drug candidates that focus on oncology and range from pre-clinical stage to late-stage clinical programs. The following table summarizes our pipeline and the development status of each candidate in the regions noted in the chart below in the "Rights" column:



Abbreviations: AML= acute myeloid leukemia, AdvSM= advanced systemic mastocytosis, cHL= classical Hodgkin's lymphoma, GIST= gastrointestinal stromal tumor, HCC= hepatocellular carcinoma, ISM= indolent systemic mastocytosis, NKTL= natural killer/T cell lymphoma, NSCLC= non-small cell lung cancer, MTC= medullary thyroid cancer, R/R= relapsed or refractory, SM= systemic mastocytosis, and MM= multiple myeloma.

BUSINESS REVIEW

We have made significant progress with respect to our product pipeline and presented key data for our PD-L1 (CS1001) monoclonal antibody in esophageal cancer, gastric cancer, cholangiocarcinoma, microsatellite instable high and NKTL and Phase I clinical data for PD-1 (CS1003) and CTLA-4 (CS1002) monoclonal antibodies at CSCO, ESMO and ASH in the second half of 2019.

Late-stage Product Candidate

CS1001 (PD-L1 antibody)

- Our core product candidate, CS1001, is an investigational monoclonal antibody directed against programed cell death ligand 1 (PD-L1) that is currently being investigated in pivotal clinical trials in China. As a fully-human, full-length anti-PD-L1 monoclonal antibody, CS1001 mirrors natural G-type IgG4 human antibody, which may potentially reduce the risk of immunogenicity and toxicity in patients, a potential unique advantage and differentiation factor compared to similar drugs. As of December 31, 2019, we have dosed more than 1,100 patients in CS1001's clinical trials.

- Several pivotal studies are underway for CS1001, focusing primarily on specific tumor types that are prevalent in China:

  – Two Phase II registrational clinical trials of CS1001 as monotherapy for the treatment of cHL and NKTL respectively. We expect to submit an NDA for cHL in the second half of 2020 if the data meet the NMPA requirements. We presented promising clinical data for NKTL at the annual meeting of ASH in December 2019. We are consulting with the NMPA regarding NDA criteria for the indication of NKTL and expect to submit an NDA in 2020 if the data meet the NMPA requirements;

  – A Phase III trial of CS1001 in patients with Stage III NSCLC as monotherapy in the maintenance setting following chemoradiation;

  – A Phase III trial of CS1001 in combination with standard-of-care chemotherapies in patients with first-line Stage IV squamous or non-squamous NSCLC. We expect enrollment completion in the first half and top-line results to be available in the second half of 2020;

  – A Phase III trial of CS1001 in combination with standard-of-care chemotherapies for first-line treatment in patients with unresectable or metastatic gastric cancer; and

  – A Phase III trial of CS1001 in combination with standard-of-care chemotherapies for first-line treatment in patients with unresectable or metastatic esophageal cancer.

- To capitalize on the significant market opportunity in China, we are strategically developing combination therapies of CS1001 with candidates from our internal pipeline and external partners: (i) in December 2019, the first patient was dosed in a Phase Ib trial of CS1001 in combination with regorafenib in Australia; (ii) in December 2019, the first patient was dosed in a Phase I trial of CS1001 in combination with fisogatinib (CS3008) for the treatment of patients with HCC in China; (iii) in December 2019, a Phase Ib trial of CS1001 in combination with IMP4297 was initiated in Australia in collaboration with IMPACT; and (iv) in 2020, a Phase I/II trial of CS1001 in combination with donafenib is planned to be initiated in China in collaboration with Suzhou Zelgen Biopharmaceuticals Co., Ltd..

Cautionary Statement required by Rule 18A.05 of the Listing Rules: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CS1001 SUCCESSFULLY.

CS1003 (PD-1 antibody)

We completed the dose escalation part of a Phase I trial of CS1003 (PD-1 antibody) as monotherapy in patients with advanced solid tumors in Australia and we received IND clearance from the U.S. FDA in October 2018 to expand this trial to the United States. We also completed a bridging Phase I trial of CS1003 in patients with advanced tumors in China. We presented preliminary Phase Ia data of CS1003 monotherapy at the 2019 CSCO meeting and showed that CS1003 was safe and tolerable. Preliminary anti-tumor activity of CS1003 was observed in multiple tumor types. We have initiated a global Phase III registrational trial of CS1003 in combination with LENVIMA® (lenvatinib), a standard-of-care TKI therapy in patients with advanced HCC in the second half of 2019. In addition, we dosed the first patient in a Phase Ib trial of CS1003 in combination with regorafenib in Australia in December 2019.

Ivosidenib (CS3010; IDH1 inhibitor)

We obtained an exclusive license from Agios for further clinical development and commercialization of ivosidenib in mainland China, Hong Kong, Macau, and Taiwan in June 2018. In May 2019, an NDA for ivosidenib was submitted to the TFDA for the treatment of adult patients with R/R AML containing an IDH1m; marketing approval is expected in 2020. Two registrational trials in IDH1m AML are ongoing in China: one in IDH1m R/R AML, anticipating trial completion in 2020 and NDA submission in China by the first half of 2021; and another in newly diagnosed IDH1m AML patients who are not eligible for intensive therapy.

Avapritinib (CS3007; KIT/PDGFRA inhibitor)

We obtained an exclusive license from Blueprint Medicines for the development and commercialization of avapritinib in mainland China, Hong Kong, Macau, and Taiwan in June 2018. On January 9, 2020, our partner, Blueprint Medicines, announced that the U.S. FDA approved avapritinib for the treatment of adults with unresectable or metastatic GIST harboring a PDGFRA exon 18 mutation, including PDGFRA D842V mutations. As a result, we filed an NDA in Taiwan on March 27, 2020 for this indication. In April 2019, we received the approval from the NMPA to start a China pharmacokinetics bridging study of avapritinib for the indication of unresectable or metastatic GIST with a PDGFRA exon 18 mutation, dosed the first patient in August 2019, completed enrollment in October 2019, and submitted an NDA in China for this indication along with the NDA for the treatment of adults unresectable or metastatic fourth-line GIST in April 2020. As part of a global Phase III trial for the indication of third-line GIST comparing avapritinib with regorafenib, we dosed the first patient in China in July 2019 and the completion of global trial enrollment was announced in November 2019. We expect the global top-line results to be available in the second quarter of 2020 and to submit an NDA in China for the treatment of third line GIST in the second half of 2020. We also plan to communicate with the NMPA on a potential trial waiver of avapritinib for the treatment of advanced SM using foreign data from the PATHFINDER study.

Pralsetinib (CS3009; RET inhibitor)

We obtained an exclusive license from Blueprint Medicines for the development and commercialization of pralsetinib in mainland China, Hong Kong, Macau, and Taiwan in June 2018. We received CTA approval from the NMPA in March 2019 to join a global Phase I/II clinical trial of pralsetinib in patients with RET-altered NSCLC, MTC and other advanced solid tumors, and dosed the first patient in August 2019 to generate pharmacokinetics, safety and efficacy data for NDA submission in China. We dosed the last patient for the cohort study for the indication of RET fusion-positive NSCLC as a second-line treatment in October 2019. We expect to submit an NDA in China for this indication in the second half of 2020. Furthermore, in August 2019, the NMPA approved our supplemental CTA for the first-line treatment of RET fusion-positive NSCLC in the same study. We expect to dose the first patient for this registrational study in the first half of 2020.

Other Clinical or IND-stage Candidates

- Fisogatinib (CS3008; FGFR4 inhibitor) – We obtained an exclusive license from Blueprint Medicines for the development and commercialization of fisogatinib in mainland China, Hong Kong, Macau, and Taiwan in June 2018. Fisogatinib is currently being evaluated by Blueprint Medicines in an ongoing Phase I trial in patients with advanced HCC. Preliminary data have indicated that fisogatinib may offer an effective treatment option for certain HCC patients. In January 2019, we received IND approval for fisogatinib from the NMPA to join the dose-expansion portion of the global Phase I trial. We dosed the first patient in May 2019 and completed enrollment in December 2019. In addition, we received CTA approval from the NMPA in May 2019 to start a Phase I trial of fisogatinib in combination with CS1001 (PD-L1 antibody) in patients with HCC, and dosed the first patient in December 2019.

- CS1002 (CTLA-4 antibody) – We have completed the dose escalation part of a Phase I trial of CS1002 as a single agent in patients with advanced solid tumors in Australia. We presented preliminary Phase I data of CS1002 at the 2019 CSCO meeting and showed that CS1002 treatment was well-tolerated and demonstrated pharmacodynamic changes consistent with CTLA-4 inhibition. The first patient was dosed for the dose escalation part of the Phase I clinical trial of CS1002 in combination with CS1003 (PD-1 antibody) for the treatment of patients with solid tumors in Australia in January 2020. In addition, we have received IND approval for CS1002 from the NMPA in August 2018 and the first patient was dosed in a Phase I trial of CS1002 in China in December 2019.

- CS3006 (MEK inhibitor) – We are conducting Phase I clinical trials of CS3006 (MEK inhibitor) as a single agent in Australia and China.

- CS3003 (HDAC6 inhibitor) – We received IND/CTA approvals for CS3003 (HDAC6 inhibitor) in China and Australia in March 2019 and April 2019 respectively.

- CS3002 (CDK4/6 inhibitor) – The first patient was dosed in January 2020 in a Phase I trial of CS3002 as a single agent for the treatment of patients with solid tumors in Australia and China. Subsequently, we plan to initiate a combination study with an immune checkpoint inhibitor in 2021.

- CS3005 (A2aR antagonist) – The first patient was dosed in January 2020 in a Phase I trial of CS3005 as a single agent for the treatment of patients with solid tumors in Australia and China. Subsequently, we plan to initiate a combination study with an immune checkpoint inhibitor in 2021.

Selected Pre-clinical Candidate

- CS1009 (another immune checkpoint inhibitor) – We are conducting preclinical studies to support IND/CTA applications of CS1009 and plan to submit the applications in China in 2020.

- NM21-1480 (PD-L1 × 4-1BB × HSA tri-specific antibody) – We plan to submit IND application of NM21-1480, a PD-L1 × 4-1BB × HSA tri-specific antibody we licensed from Numab, in Taiwan in the first half of 2020 and conduct a Phase I trial of NM21-1480 for the treatment of patients with solid tumors as a monotherapy in the second half of 2020.

RESEARCH AND DEVELOPMENT

We focus on the research and development of innovative immuno-oncology and molecularly targeted drugs for the treatment of cancer. Our drug discovery and pre-clinical research team conducts drug discovery, formulation development, process development, and pre-clinical research of new drug candidates. As of December 31, 2019, we had submitted 26 IND/CTA applications for ten drug candidates and obtained 16 IND/CTA approvals for ten drug candidates, including eight from NMPA (China) for CS1001 combo (PD-L1 antibody), CS3003 (HDAC6 inhibitor), CS3007 (avapritinib), CS3008 (FGFR4 inhibitor), CS3009 (pralsetinib) and CS3010 (ivosidenib), and six from TGA (Australia) for CS1001 combo (PD-L1 antibody), CS1002 combo (CTLA-4 antibody), CS3002 (CDK4/6 inhibitor), CS3003 (HDAC6 inhibitor) and CS3005 (A2aR antagonist), and one from TFDA (Taiwan) for CS1001 combo (PD-L1 antibody), and one from MedSafe (New Zealand) for CS1003 (PD-1 antibody). We also submitted one NDA application for ivosidenib to TFDA, and was granted Priority Review designation and Bridging Study Evaluation trial waiver. Our research team will continue to advance the pre-clinical drug candidates in our pipeline towards IND. We plan to submit IND/CTA for CS1002/CS1003 combo, CS1009 (IO target) and NM21-1480 (PD-L1/4-1BB/HSA antibody), and NDA for avapritinib (CS3007), pralsetinib (CS3009) and CS1001 (PD-L1 antibody) in 2020.

Our current clinical development activities mainly relate to the clinical advancement of our 11 clinical and IND stage drug candidates. As at December 31, 2019, we have initiated 28 clinical trials, including six registrational trials for our core product candidate, CS1001 (PD-L1 antibody), one registrational trial for CS1003 (PD-1) and six registrational/registration enabling trials for three licensed-in products (ivosidenib, avapritinib and pralsetinib). By the end of 2020, we expect to have more than 30 ongoing and/or completed trials in China and globally.

We have announced our strategy of Pipeline 2.0 in October 2019 on our Suzhou R&D day. We will focus on developing first-in-class molecules to target novel biology, tumor microenvironment, multi-specific biologics, and cancer vaccines.

Our research and development expenses on non-IFRS basis were approximately RMB727 million and RMB1,189 million for the year ended December 31, 2018 and December 31, 2019 respectively. As of December 31, 2019, we had filed 13 patent applications in China under the Patent Cooperation Treaty, or PCT, for material intellectual properties.

BUSINESS DEVELOPMENT

In May 2019, we entered into a global clinical collaboration with Bayer to evaluate the safety, tolerability, pharmacokinetics and antitumor activity of our PD-L1 monoclonal antibody drug CS1001 in combination with Bayer's oral multi-kinase inhibitor Stivarga® (regorafenib) (targeting VEGFR, KIT, RET, BRAF, FGFR and CSF1R, etc.), as a treatment for multiple types of cancer including gastric cancer. This is the first global proof of concept study carried out as a collaboration between the two companies. CStone will be the study sponsor and Bayer will provide regorafenib throughout the clinical trial program. In December 2019, the first patient was dosed in a Phase Ib trial of CS1001 in combination with regorafenib.

In April 2019, we entered into an exclusive regional licensing agreement with Numab that potentially provides us with access to Numab's novel multi-specific technology platform. Specifically, the agreement is for the development and commercialization of NM21-1480, a potential best-in-class monovalent, tri-specific antibody-based molecule targeting PD-L1, 4-1BB, and human serum albumin. The Company will fund the research and development of NM21-1480 up to completion of an initial Phase Ib clinical trial pursuant to the terms of the licensing agreement dated April 26, 2019. In exchange, we obtained exclusive rights to develop and commercialize NM21-1480 in Greater China (including mainland China, Hong Kong, Macau and Taiwan), South Korea and Singapore without further financial obligations.

EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of the novel coronavirus ("**COVID-19**"), the Company has adopted immediate measures to maintain effective and high-quality level of operation. We are proactively managing the progress of ongoing trials to ensure that study protocols are followed and no significant disruptions will affect delivery of the results.

In an upcoming general meeting, the Shareholders would be presented a resolution to approve the granting of share options to Dr. Frank Ningjun Jiang details of which was disclosed in the announcement of the Company on August 15, 2019, pursuant to Rule 17.03(4) of the Listing Rules.

FUTURE AND OUTLOOK

Our business model is designed to accelerate the development of innovative drugs. We focus on clinical development, which has long been a bottleneck in the innovative drug development value chain in China, through both adaptive clinical trial design and clinical trial operational excellence.

Leveraging our strong internal research capabilities, we continue to identify and develop new drug candidates to advance to clinical stage. We will continue to advance our five pre-clinical assets towards the IND stage and develop new internal assets through our in-house research capability and collaboration with top academic institutions and world-leading CROs.

Looking into 2020, we expect to receive NDA approval for TIBSOVO® in R/R AML in Taiwan and submit five NDAs for PD-L1, avapritinib and pralsetinib in mainland China and/or Taiwan. We expect up to seven key data readouts, including PD-L1 in stage III and stage IV NSCLC registrational trial, stage IV NSCLC squamous and non-squamous Ph Ib trial, avapritinib in third-line GIST and PDFGRA exon 18 GIST, and pralsetinib in second-line NSCLC and first-line MTC.

With the expected NDA approvals above, and strong commercial capability buildup by acquiring top talents in Greater China market, we are confident in maximizing the commercial potential of our five late-stage clinical drug candidates with worldwide or Greater China rights. We expect to launch ivosidenib in Taiwan in the second half of 2020 and several other drugs in China in 2021. We will focus on internal salesforce buildup while exploring potential value-creative strategic partnerships both in China and globally. With clear and aspirational commercial strategy established, we will build a strong full-fledged commercial team of approximately 200 by year-end 2020 and be commercially ready with robust launch plans developed for mainland China and Taiwan. With our deep understanding of local market business environment, we will develop robust market access strategy to address the unmet medical needs in China. We will enhance public relations and digital marketing activities to build up corporate and product branding. We further enhance engagement of key opinion leaders and cancer society. These will be supported by operation and commercial excellence, as well as talent acquisition and people development activities.

FINANCIAL REVIEW

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Other income	**83,962**	20,497
Other gains and losses	**(637,365)**	(741,979)
Research and development expenses	**(1,395,624)**	(850,197)
Administrative expenses	**(341,476)**	(190,991)
Listing expenses	**(17,638)**	(30,459)
Finance costs	**(303)**	–
Loss for the year	**(2,308,444)**	(1,793,129)
Other comprehensive (expense) income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(1,802)**	–
Fair value gain on investments in debt instruments at fair value through other comprehensive income ("**FVTOCI**")	**408**	3,125
Reclassified to profit or loss upon redemption of debt instruments at FVTOCI	**(758)**	(1,298)
Other comprehensive (expense) income for the year	**(2,152)**	1,827
Total comprehensive expense for the year	**(2,310,596)**	(1,791,302)
Non-IFRS measures:		
Adjusted loss for the year	**(1,141,263)**	(672,598)

Other Income

Our other income increased by RMB63.5 million from RMB20.5 million for the year ended December 31, 2018 to RMB84.0 million for the year ended December 31, 2019. This was primarily attributable to the increase in interest income from bank deposits and time deposits.

Other Gains and Losses

Our other gains and losses decreased by RMB104.6 million from losses of RMB742.0 million for the year ended December 31, 2018 to losses of RMB637.4 million for the year ended December 31, 2019. The decrease in other losses was primarily attributable to a narrowed loss on fair value changes of derivative financial liabilities.

Such loss on the fair value changes of conversion features of Preferred Shares was a non-cash and non-recurring adjustment recognised as of Listing Date, as the fair value of the conversion features was deemed to be increased upon the completion of the IPO of the Company. As all the Preferred Shares were converted to ordinary shares upon the Listing Date, the Group will not incur any additional losses related to the fair value changes of the conversion features.

Research and Development Expenses

Our research and development expenses increased by RMB545.4 million from RMB850.2 million for the year ended December 31, 2018 to RMB1,395.6 million for the year ended December 31, 2019. This increase was primarily attributable to the combination impact of (i) additional trials which increased the clinical development costs. More specifically, third party contracting cost increased by RMB599.2 million from RMB323.1 million for the year ended December 31, 2018 to RMB922.3 million for the year ended December 31, 2019, while employee cost increased by RMB160.5 million from RMB177.4 million for the year ended December 31, 2018 to RMB337.9 million for the year ended December 31, 2019 due to the increase in headcount costs; and (ii) the decrease in payment of licensing fees by RMB214.9 million from RMB348.7 million for the year ended December 31, 2018 to RMB133.8 million for the year ended December 31, 2019, due to significant milestone payment incurred for the several collaboration and licensing agreements entered with third-party partners in the year ended December 31, 2018.

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Employee cost	**337,857**	177,437
Depreciation and amortization	**1,190**	938
Licensing fees	**133,792**	348,749
Third party contracting cost	**922,250**	323,073
Rental and management fee expense*	**535**	–
Total	**1,395,624**	850,197

* Include short-term lease and lease of low value assets

Administrative Expenses

Our administrative expenses increased by RMB150.5 million from RMB191.0 million for the year ended December 31, 2018 to RMB341.5 million for the year ended December 31, 2019. This was primarily attributable to an increase of RMB127.6 million in employee cost from RMB132.0 million for the year ended December 31, 2018 to RMB259.6 million for the year ended December 31, 2019 caused by the increase in headcount costs.

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Employee cost	**259,637**	131,982
Professional fees	**40,264**	25,898
Rental and management fee expenses*	**2,859**	3,752
Depreciation and amortization	**10,390**	4,336
Others	**28,326**	25,023
Total	**341,476**	190,991

* Include short-term lease and lease of low value assets

Finance Costs

The RMB0.3 million finance costs during the year ended December 31, 2019 were attributable to the interest expense on lease liabilities.

Listing Expenses

The RMB17.6 million listing expenses for the year ended December 31, 2019 were mainly attributable to legal and professional fees in relation to the IPO. We incurred listing expenses of RMB30.5 million for the year ended December 31, 2018.

Other Comprehensive (Expense) Income

Our other comprehensive (expense) income changed from income of RMB1.8 million for the year ended December 31, 2018 to expense of RMB2.2 million for the year ended December 31, 2019. This change was primarily attributable to the exchange differences arising on translation of foreign operations and the decreased fair value gain on investments in debt instruments at fair value through other comprehensive income.

NON-IFRS MEASURE

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS, the Company also uses adjusted loss for the year and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The Company believes that these adjusted measures provide useful information to shareholders and potential investors in understanding and evaluating the Group's consolidated results of operations in the same manner as they help the Company's management.

Adjusted loss for the year represents the loss for the year excluding the effect of certain non-cash items and one-time events, namely the loss on fair value changes of the conversion feature of preferred shares (derivative financial liabilities measured at fair value through profit or loss) and share-based payment expenses. The term adjusted loss for the year is not defined under the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS. The Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. However, the Company believes that this and other non-IFRS measures are reflections of the Group's normal operating results by eliminating potential impacts of items that the management do not consider to be indicative of the Group's operating performance, and thus, facilitate comparisons of operating performance from period to period and company to company to the extent applicable.

The table below sets forth a reconciliation of the loss to adjusted loss during the years indicated:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Loss for the year	**(2,308,444)**	(1,793,129)
Added:		
Loss on fair value changes of the conversion feature of preferred shares	**756,464**	885,569
Share-based payment expenses	**410,717**	234,962
Adjusted loss for the year	**(1,141,263)**	(672,598)

The table below sets forth a reconciliation of the research and development expenses to adjusted research and development expenses during the years indicated:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Research and development expenses for the year	**(1,395,624)**	(850,197)
Added:		
Share-based payment expenses	**206,881**	123,267
Adjusted research and development expenses for the year	**(1,188,743)**	(726,930)

The table below sets forth a reconciliation of the administrative expenses to adjusted administrative expenses during the years indicated:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Administrative expenses for the year	**(341,476)**	(190,991)
Added:		
Share-based payment expenses	**203,836**	111,695
Adjusted administrative expenses for the year	**(137,640)**	(79,296)

EMPLOYEES AND REMUNERATION POLICIES

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

Function	**Number of employees**	**% of total number of employees**
Research and Development	204	70.59
Sales, General and Administrative	85	29.41
Total	289	100.0

As of December 31, 2019, we had 195 employees in Shanghai, 26 employees in Suzhou and 68 employees in other regions of the PRC and overseas. 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 employees.

LIQUIDITY AND FINANCIAL RESOURCES

On February 26, 2019, 186,396,000 Shares of US$0.0001 each were issued at a price of HK$12.00 per Share in connection with the Company's IPO on the Stock Exchange. The proceeds of HK$146,294.76 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$2,236,605,705.24, (before deduction of the expenses relating to the Company's IPO) were credited to the share premium account. The translation from US dollar to Hong Kong dollar is made at the exchange rate set forth in the H.10 weekly statistical release of the Federal Reserve System of the United States as of February 26, 2019.

On March 21, 2019, the international underwriters of the Global Offering exercised the over-allotment option in full, pursuant to which the Company is required to allot and issue 27,959,000 Shares at HK$12 per Share, representing approximately 15% of the maximum number of Shares initially available under the Global Offering, at the offer price under the Global Offering. The net proceeds from the exercise of the over-allotment option were approximately HK$325.42 million (after deducting the commissions and other offering expenses payable by the Company in relation to the exercise of the over-allotment option). The option shares were listed on the Stock Exchange on March 26, 2019.

As of December 31, 2019, our time deposits and cash and cash equivalents were RMB2,725.9 million, as compared to RMB1,462.6 million as of December 31, 2018. The increase was mainly due to the proceeds we received from our IPO. Our primary uses of cash are to fund research and development efforts, in-licensing of new drug candidates and working capital and other general corporate purposes.

Gearing Ratio

Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. As at December 31, 2019, our gearing ratio was 15.9% (as at December 31, 2018: 68.4%).

OTHER FINANCIAL INFORMATION

Significant Investments, Material Acquisitions and Disposals

As of December 31, 2019, we did not hold any significant investments. For the year ended December 31, 2019, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

Foreign Exchange Risk

Our financial statements are expressed in Renminbi, but certain of our cash and cash equivalents, time deposits, other receivables, other investments classified as financial assets measured at fair value through profit or loss 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.

Bank Loans and Other Borrowings

As at December 31, 2019, we had RMB200.0 million banking facilities of which nil has been drawn down as at the same date.

Save as disclosed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, unutilised banking facilities, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

Lease Liabilities

We have applied IFRS 16 and recognised lease liabilities since January 1, 2019. As at December 31, 2019, our lease liabilities amounted to RMB4.3 million (as at December 31, 2018: Nil).

Contingent Liabilities

As of December 31, 2019, we did not have any material contingent liabilities.

Directors and Senior Management

DIRECTORS

Executive Director

Dr. Frank Ningjun Jiang, M.D., Ph.D., aged 59, was appointed as CEO in July 2016, a member of the Board in November 2016 and Chairman of the Board in August 2018.

Under Dr. Jiang's leadership, the Company has been focusing on developing and commercializing innovative immuno-oncology and precision medicine drugs for cancer patients in China and worldwide. Since inception in 2016, the Company has established a portfolio of 15 drug candidates, including five late phase assets, and initiated 28 clinical trials, of which 13 are registrational. In February 2019, the Company was successfully listed on the Hong Kong Stock Exchange, setting the record for shortest time between company inception and public listing in Hong Kong.

Prior to joining the Company, Dr. Jiang served as Global Vice President and Head of Asia Pacific Research and Development at Sanofi (NYSE: SNY, EPA: SAN), covering China, Japan and 12 other countries. During his career at Sanofi from July 2002 to June 2016, he held a series of leadership and management positions, with responsibilities ranging from global clinical research to regional R&D strategies. He also led a 21,000 patient megatrial that resulted in the global registration of the blockbuster drug Lovenox. In the last five years with Sanofi, he oversaw 79 clinical trials and obtained 30 NDAs in the Asia Pacific region. Prior to Sanofi, Dr. Jiang was a clinical research physician at Eli Lilly and led a global phase II trial for an anti-sepsis drug.

Dr. Jiang was certified as a physician in the United States by the Educational Commission for Foreign Medical Graduates in May 1995.

Dr. Jiang received his M.D. from Nanjing Medical University (南京醫科大學) (formerly known as Nanjing Medical College (南京醫學院)) in Jiangsu, China in December 1982, and a Ph.D. in immunology from University of British Columbia in Canada in November 1992. He went on to complete a postdoctoral fellowship in clinical chemistry and a clinical residency in internal medicine at Washington University School of Medicine in the United States. He subsequently served there as a faculty for the Internal Medicine and Emergency Medicine departments.

Non-executive Directors

Dr. Wei Li, Ph.D., aged 48, has been a Director since December 2015. Dr. Li was re-designated as a non-executive Director on October 29, 2018.

Dr. Li has over 20 years of experience in the biotech industry. He serves as the Managing Partner of 6 Dimensions Capital, L.P. since October 2017 and is a founding partner and the managing partner at WuXi Healthcare Ventures II, L.P. since July 2015.

During his scientific research career, Dr. Li has first-authored numerous scientific publications in journals including Science, Proceedings of the National Academy of Sciences, and Journal of Biological Chemistry.

Dr. Li received a Ph.D. in chemistry from Harvard University in the United States in November 1998, and an MBA from the J. L. Kellogg School of Management at Northwestern University in the United States in June 2003. He graduated with a Bachelor of Science in chemical physics from the University of Science and Technology of China (中國科學技術大學) in Anhui, China in July 1993.

Mr. Qun Zhao (趙群), aged 44, has been a Director since April 2016. Mr. Zhao was re-designated as a non-executive Director on October 29, 2018.

Mr. Zhao has been a partner of Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd. (蘇州工業園區元禾原點創業投資管理有限公司), which is a limited partner of Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership) (蘇州工業園區正則健康創業投資管理中心(有限合夥)), the sole general partner of Zhengze Yuanshi, our Substantial Shareholder since December 2013.

Mr. Zhao has 14 years of experience in pharmaceutical enterprise management. He worked in Tasly Pharmaceutical Group Co., Ltd. (天士力醫藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600535), from January 1998 to October 2006 where his last position was quality assurance manager. Subsequently, he served in his last position as vice general manager at Tasly Biopharmaceuticals Co., Ltd. (天士力生物醫藥股份有限公司) (previously known as Shanghai Tasly Pharmaceutical Co., Ltd. (上海天士力藥業有限公司)) from October 2006 to February 2012.

Mr. Zhao received an MBA from Nankai University (南開大學) in Tianjin, China in June 2006 and graduated with a Bachelor's degree in pharmaceutical analysis from China Pharmaceutical University (中國藥科大學) in Nanjing, China in July 1998.

Mr. Yanling Cao (曹彥凌), aged 36, was a Director of the Company from April 1, 2016 to March 27, 2017. Mr. Cao was appointed as a non-executive Director with effect from May 15, 2019.

Since May 2016, Mr. Cao has been serving as a non-executive director of Wuxi Biologics (Cayman) Inc. (a company listed on the Stock Exchange with stock code 2269). He has also been serving as the Partner of Boyu Capital Advisory Company Limited (博裕投資顧問有限公司) and has been responsible for sourcing, evaluating and managing private equity transactions, with a particular focus in the healthcare industry. From December 2007 to January 2011, Mr. Cao served as an investment professional of General Atlantic LLC and was responsible for private equity and venture capital investment. From July 2006 to November 2007, Mr. Cao served as an investment banker of Goldman Sachs Asia LLC and was responsible for providing investment banking advisory services to clients in Asia.

Mr. Cao obtained a bachelor's degree in economics and mathematics from Middlebury College in the United States in June 2006.

Mr. Guobin Zhang (張國斌), aged 40, has been a Director since May 2018 and was re-designated as a non-executive Director on October 29, 2018.

Prior to joining our Company, Mr. Zhang worked at GIC Special Investments Pte Ltd from September 2006 to August 2009, during which period his last position was Assistant Vice President in the Strategy & Investment Group. From November 2011 to October 2015, he was rehired by GIC Special Investments Pte Ltd, first working as Vice President and then as Senior Vice President I in the Funds & Co-investments Group, Asia. Mr. Zhang was posted to GIC (Beijing) Co Ltd as Senior Vice President I in October 2015, and was relocated to Singapore as Senior Vice President II and Head of Funds & Co-Investments Group, China in October 2018.

Prior to GIC, Mr. Zhang worked at Allianz Capital Partners GmbH Singapore branch from November 2009 to October 2011, first as an associate and then as an investment manager since January 2011 in which role he acted as a fund-of-funds manager, helping to screen, diligence and invest into private equity funds in Asia as well as selected co-investments. He served as a senior officer in the Precision Engineering & Light Industries Division of the Singapore Economic Development Board from September 2003 to September 2006.

Mr. Zhang graduated from the University of Wisconsin-Madison in the United States with a Bachelor of Science degree in chemical engineering in August 2003.

Dr. Lian Yong Chen, aged 57, has been a Director since August 2018 and was designated as a non-executive Director on October 29, 2018.

Dr. Chen has over 20 years of experience in the life sciences industry. He is currently the founding managing partner and chief executive officer of 6 Dimensions Capital, L.P.. He was the founder and managing partner at Frontline BioVentures and a partner at FIL Capital Management (Hong Kong) Limited in Asia from May 2008 to March 2014.

Dr. Chen has been a director of Shanghai Hile Bio-Technology Co. Ltd. (上海海利生物技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603718) since December 2014. Dr. Chen was appointed as a non-executive director of Hua Medicine (華領醫藥), a company listed on the Stock Exchange (stock code: 2552), on January 6, 2015 and re-designated as a non-executive director on May 11, 2018. He has also been a director of Hua Medicine Technology (Hong Kong) Limited and Hua Medicine (Shanghai) Co., Ltd., subsidiaries of Hua Medicine, since January 2015 and April 2016 respectively. Dr. Chen has served as a director at 111, Inc., a company listed on NASDAQ (stock code: YI) since May 2019.

Dr. Chen conducted postdoctoral research in chemistry at the Massachusetts Institute of Technology in the United States from August 1991 to December 1992 after obtaining his Ph.D. in chemistry (with top honor) from the University of Louvain, located in Louvain-la-Neuve, Belgium, in June 1991. He graduated from Peking University majoring in chemistry, in Beijing, China in July 1984.

Independent Non-executive Directors

Dr. Paul Herbert Chew, M.D., aged 68, has been an INED since February 14, 2019.

Dr. Chew is currently the Adviser Chief Medical Officer and he is on the Board of Directors for Phesi, an innovative firm that optimizes clinical trial design with novel technology. Dr. Chew is also the Adviser Chief Medical Officer for CorMedix, Inc, utilizing a taurolidine-based platform to prevent infection in high-risk patients. Dr. Chew serves on the Scientific Advisory Board at the Center for Public Health, George Washington School of Public Health. He is also currently a member of the Board of Trustees for the US Pharmacopeia that sets quality standards for US drugs, foods and dietary supplements, enforced by U.S. FDA but whose standards are also followed by more than 140 countries.

From 2013 to 2016, Dr. Chew served as the global Chief Medical Officer for Sanofi (NYSE: SNY, EPA: SAN), a global pharmaceutical company headquartered in Paris with affiliates in over 100 countries, overseeing medical affairs, regulatory affairs, drug safety, and pharmaco-economics. From 2016 to 2018, Dr. Chew has also been the Chief Medical Officer for Omada Health, a premier Bay area company in digital therapeutics for the management of chronic disease. Dr. Chew has been on the Board of External Advisors for the University of North Carolina School of Public Health. He has served as a member of the Institute of Medicine Value & Science-Driven Healthcare Roundtable. He is board certified in Internal Medicine and Cardiovascular Disease. Dr. Chew was also a member of the Cardiology and Radiology faculty at the Johns Hopkins Hospital and he holds a Doctor of Medicine and a Bachelor of Arts degree from the Johns Hopkins University School of Medicine in the United States.

Mr. Ting Yuk Anthony Wu (胡定旭), GBS, JP, aged 65, has been an INED since February 14, 2019.

Mr. Wu has been an independent non-executive director and chairman of the board of directors of China Resources Medical Holdings Company Limited (華潤醫療控股有限公司), a company listed on the Stock Exchange (stock code: 1515) since August 2018. He has been an independent non-executive director of Power Assets Holdings Limited (電能實業有限公司), a company listed on the Stock Exchange (stock code: 0006) since June 2014. He has been an independent non-executive director of China Taiping Insurance Holdings Company Limited (中國太平保險控股有限公司), a company listed on the Stock Exchange (stock code: 0966) from August 2013. He has been an independent non-executive director of Guangdong Investment Ltd. (粵海投資有限公司), a company listed on the Stock Exchange (stock code: 0270) since August 2012. He has been an independent non-executive director of Venus Medtech (Hangzhou) Inc. (杭州啟明醫療器械股份有限公司), a company listed on the Stock Exchange (stock code: 2500), since November 2018.

Between March 2015 and August 2018, Mr. Wu was the chairman and an executive director at Sincere Watch (Hong Kong) Limited, a company listed on the Stock Exchange (stock code: 0444), where he also acted as deputy chairman from October 2016 to August 2018. Between July 2011 and September 2014, he served as a director of Fidelity Funds. He served as an independent non-executive director of Agricultural Bank of China Limited (中國農業銀行股份有限公司), a company listed on the Stock Exchange (stock code: 01288), from January 2009 to June 2015. Mr. Wu joined the Hong Kong Hospital Authority (醫院管理局) in 1999 and was formerly its chairman from 2004 to 2013. Between 2010 and 2012, he was and the chairman of the Chamber Council and is now a member of the consultation committee of the Hong Kong General Chamber of Commerce. He was a partner of Ernst & Young from July 1985 to December 2005 and served as chairman of Ernst & Young Far East and China Practice from January 2000 to December 2005.

Mr. Wu was admitted as a member of the Institute of Chartered Accountants in England and Wales in November 1979 and became a fellow in October 1990. He was also admitted as a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. Wu was appointed by the Government of Hong Kong as Justice of the Peace and awarded Gold Bauhinia Star in 2004 and 2008, respectively. Mr. Wu finished a Foundation Course in Accountancy in Teesside Polytechnic in the United Kingdom in July 1975. Mr. Wu has also served in different capacities in the following organizations:

- as the honorary chairman of The Institute of Certified Management Accountants (Australia) Hong Kong Branch from January 2016 to December 2018
- as a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development from March 2018 to June 2020
- as a member of the 12th and 13th Standing Committee of the Chinese People's Political Consultative Conference National Committee
- as an expert advisor of the 2nd Chinese Medicine Reform and Development Advisory Committee of the State Administration of Traditional Chinese Medicine (國家中醫藥管理局第二屆中醫藥改革發展專家諮詢委員會) from December 2017 to November 2020

Mr. Hongbin Sun (孫洪斌), aged 44 has been an INED since February 14, 2019.

Mr. Sun has over 20 years of finance experience. He has been an independent non-executive director of New Century Healthcare Holding Co., Limited (新世紀醫療控股有限公司), a company listed on the Stock Exchange (stock code: 1518), since December 2016. He has been the chief financial officer of MicroPort Scientific Corporation (微創醫療科學有限公司), a company listed on the Stock Exchange (stock code: 0853), since September 2010 and served as its executive director from July 2010 to September 2012. He was the deputy financial director of Otsuka (China) Investment Co., Ltd. (大塚(中國)投資有限公司) from January 2004 to December 2005 and then worked as its general manager from January 2006 to August 2010. From August 1998 to January 2004, he was an assistant manager in the Audit department of KPMG Huazhen (畢馬威華振會計師事務所) in Shanghai.

Mr. Sun has been a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since December 2009 and also a Chartered Financial Analyst in September 2009.

He received his bachelor's degree in accounting from Shanghai Jiao Tong University (上海交通大學) in China in July 1998.

SENIOR MANAGEMENT

Dr. Frank Ningjun Jiang, M.D., Ph.D., aged 59, has been the CEO of our Company since July 2016. For further details, please refer to "Directors – Executive Director" in this section.

Ms. Shirley Zhao, M.D., MBA, aged 50, has been our General Manager for Greater China and Head of Commercial Operations since December 2019. In this role, she is responsible for the Company's commercial operations.

Prior to joining the Company, Ms. Zhao served multiple multinational biopharmaceutical companies with over 26 years of experience with Chinese pharmaceutical market. From 2018 to 2019, she served as the General Manager and President of mainland China and Hong Kong for Bristol-Myers Squibb (NYSE: BMY). From 2012 to 2018, she served as the Corporate VP and Country President of China at Allergan plc (NYSE: AGN). From 2009 to 2012, she served as the Country General Manager and Managing Director of China at Genzyme (A Sanofi company). From 2008 to 2009, she served as the commercial director of bioscience of Japan, China and North Asia at Baxter International Inc. (NYSE: BAX). From 1993 to 2008, she mainly focused on Oncology and successively served Eli Lilly and Company (NYSE: LLY) ten years as VP & Head of Oncology BU in China and served Bristol-Myers Squibb as Head of Marketing, Oncology. From 1991 to 1993, she served as an obstetric and gynaecological doctor of Shanghai No. 10 People's Hospital.

Ms. Zhao obtained her bachelor's degree in medicine from Tongji University (同濟大學) in Shanghai, China in 1991. She also obtained an MBA degree from University of Leicester in 2001.

Dr. Jianxin Yang, M.D., Ph.D., aged 56, has been our Senior Vice President and Chief Medical Officer since December 2016. In this role, he is responsible for developing and implementing the overall clinical strategy.

Dr. Yang has over 21 years of experience in biomedical research and clinical development of oncology drugs in the US and China. Prior to joining our Company, he served as the senior vice president and head of clinical development at BeiGene Inc. (NASDAQ: BGNE, HKSE: 6160) from July 2014 to December 2016. He led BeiGene Inc.'s clinical team in clinical development of its oncology pipeline, and developed the first anti-PD-1 mAb originated in China.

Prior to joining BeiGene Inc., Dr. Yang served as a medical director at Covance Inc. from September 2011 to July 2014. He further worked in Pfizer Inc. for global research and development, and served as a research scientist in cancer genomics division at Tularik Inc. (acquired by Amgen Inc. in 2004).

Throughout his career, Dr. Yang has made significant contributions to the successful development of several anticancer drugs. He is also the author of over 30 publications and the inventor of 9 patents. In 2015, he was enrolled as a "Distinguished Expert" in the "1000 Talents Program" run by the Organization Department of the Communist Party of China (中國共產黨中央委員會組織部) and the Ministry of Human Resources and Social Security (人力資源和社會保障部) of the PRC. In July 2015, Dr. Yang was honored as a "High-Caliber Talent from Overseas" by the Organization Department of the CPC Beijing Central Municipal Committee (中共北京市委組織部) and the Beijing Municipal Bureau of Human Resources and Social Security (北京市人力資源和社會保障局).

Dr. Yang received a bachelor's degree in medicine from Hubei Medical College (湖北醫學院) in Hubei, China in July 1985 and a master's degree in pathophysiology from Nanjing Medical College (南京醫學院), (currently known as Nanjing Medical University (南京醫科大學)) in Nanjing, China in July 1988. He then received his Ph.D. training in biochemistry and molecular biology with Nobel Laureates Drs. Michael S. Brown and Joseph L. Goldstein at the University of Texas Southwestern Medical Center at Dallas, US in June 1995. He conducted his postdoctoral training in chemical biology with Dr. Stuart L. Schreiber at Harvard University in the United States in 1997.

Mr. Richard Yeh, aged 51, has been our Chief Financial Officer since July 2018. In this role, he is responsible for developing corporate financial strategies, and oversees investor relations, financial reporting, risk management, treasury and financing.

He has over 20 years of experience working for investment banks and multinational biopharmaceutical companies. Prior to joining our Company, Mr. Yeh was the managing director and the business unit leader of Asia Pacific healthcare equity research at Goldman Sachs (Asia) L.L.C. in Hong Kong. He led the firm's research efforts on the Chinese and Asian healthcare market. Before that, Mr. Yeh served as the head of China healthcare research team at Citigroup Capital Markets Asia Limited.

Prior to focusing on the Chinese healthcare sector, Mr. Yeh worked in the US biotechnology sector. He joined Amgen Inc., a leading global biotechnology company traded on the NASDAQ stock exchange (stock code: AMGN), in the position of Research Associate II in October 1995, conducting drug discovery research.

Mr. Yeh obtained an MBA from Cornell University in the United States in May 2002 and a Master of Science in medical biophysics from the University of Toronto and Ontario Cancer Institute in Canada in November 1995.

Dr. Bing Yuan, Ph.D., MBA, aged 51, is our Senior Vice President and Chief Strategy and Business Officer and joined our Company in November 2016. In this role, he is currently responsible for business development and licensing (BD&L), alliance management, corporate strategy and planning, project management office, portfolio strategy and business insights. In addition, he established several other business functions at CStone and used to supervise commercial, medical affair, public relations and government affairs until 2019.

Dr. Yuan is a seasoned business executive with extensive experience in global business development and commercial strategy and made significant contributions to more than ten global oncology brands. Before joining our Company, Dr. Yuan was Executive Director and Global Lead of Late Stage Oncology BD&L at Merck & Co., Inc., where he was instrumental in Keytruda clinical combination partnerships and several immuno-oncology deals.

Before Merck, he held various global oncology commercial positions with increasing responsibilities at Novartis Pharmaceuticals from January 2008 to July 2014, most recently as executive director and Head of Life Cycle Strategy. Before joining Novartis, he served as a senior manager for global marketing of oncology at Eisai Inc.

Dr. Yuan received an MBA from Cornell University in the United States in May 2002, a Master of Arts, a Master of Philosophy and a Ph.D. in cellular, molecular and biomedical studies from Columbia University in the United States in October 1995, October 1997 and May 2000 respectively, and a Bachelor of Science in biochemistry from Nanjing University (南京大學) in Nanjing, China in July 1991.

Dr. Xinzhong Wang, Ph.D., aged 56, is our Senior Vice President and Chief Scientific Officer and joined our Company in June 2017. In this role, he is responsible for the development of internal pipeline and advancement to and filing for IND. He also oversees our Company's Translational Medicine Research Center (TMRC) in Suzhou and is in charge of establishing collaboration with industrial partners and academic institutions to drive innovation in drug development.

Dr. Wang is an accomplished scientific leader with over 20 years of experience in oncology research and drug development in biopharmaceutical industry. He has extensive experience in tumor immunology, molecular and cell biology, drug target discovery, animal modeling, and protein therapeutics development. He has published more than 30 original scientific papers in prestigious journals and is the inventor or co-inventor of several international patents including four granted patents.

Before joining our Company, Dr. Wang was a director/senior principal scientist of immuno-oncology research at Merck Research Laboratories in Boston, Massachusetts of Merck and Co., Inc. (known as MSD outside of US and Canada) from January 2014 to June 2017. He led and oversaw research projects in relation to immunomodulatory receptor programs with Keytruda as backbone program. He also actively participated in evaluating business development opportunities to enrich Merck's pipeline and expand the Keytruda franchise.

Prior to joining Merck, Dr. Wang served as an associate director and a principal scientist of BioSuperiors Department at AstraZeneca/MedImmune LLC from April 2011 and January 2014. Previously, he worked at Biogen Idec. as a senior scientist at Gene Therapy group and then a principal scientist of tumor immunology from August 2002 to January 2011.

Dr. Wang graduated from Nankai University (南開大學) in Tianjin, China with a Bachelor of Science degree in biochemistry in July 1983 and received a Ph.D. in molecular and cellular biology from Ohio University, US in August 1993. He completed his postdoctoral training at the Gene Therapy Center of Massachusetts General Hospital in the United States from 1995 to 1998, and subsequently served as an instructor of medicine at Harvard Medical School in the United States from 1998 to 2001.

Dr. Ngai Chiu Archie Tse (謝毅釗), M.D., Ph.D., aged 53, is our Senior Vice President and Chief Translational Medicine Officer and joined our Company in December 2018. Upon joining CStone, Dr. Tse established the department of Translational Medicine and Early Development (TMED). In this role, he is responsible for the clinical development of early-stage assets up to proof of concept. He also leads the Translational Medicine/Biomarkers, Molecular Diagnostics, and Clinical Pharmacology functions to support the progression of the company's pipeline, as well as the Scientific Advisory Board to facilitate development and execution of our R&D strategy.

Dr. Tse is an accomplished medical and scientific leader with over 20 years of global oncology experience in the clinic and pharmaceutical institutions. Prior to joining our Company, Dr. Tse was a Distinguished Scientist (Executive Director) at Merck (known as MSD outside of US and Canada) from September 2015 to December 2018 in which role he oversaw the early clinical development of a number of novel agents in the immune-oncology pipeline, spanning various mechanisms and action and modalities. The programs he played a key role in spanned various mechanisms of action and modalities included, but not limited to, anti-CTLA4, STING agonists, bispecific Nanobodies, novel myeloid targets, oncolytic virus and personalized cancer vaccines. From January 2010 to August 2015, he served at Daiichi Sankyo Pharma Development, a Division of Daiichi-Sankyo, Inc., where his last title was Senior Director, Clinical Development. From July 2003 to December 2009, Dr. Tse served at the US Memorial Sloan Kettering Cancer Center (MSKCC) as Clinical Assistant in the Medicine/Gastrointestinal Oncology Department, and during the same period he was also a faculty member at the MSKCC affiliated Weill Cornell Medical School.

Dr. Tse obtained certification from American Board of Internal Medicine (ABMS) in medical oncology from November 2003 to December 2013 and in general internal medicine from August 2000 to December 2010.

Dr. Tse obtained his M.D. and a Ph.D. in Biochemistry & Molecular Biology from the University of Southern California in the United States in May 1997 and May 2002, respectively.

Dr. Jingrong Li, Ph.D., aged 59, is our Senior Vice President of Product Development and Manufacturing and joined our Company in December 2016. In this role, he is responsible for all CMC related affairs to ensure processes mature appropriately and meet requirements for all development stages, including bio/process development, scale-up, and analytical development.

Dr. Li worked as an executive director at Simcere Pharmaceutical (先聲藥業) from September 2011 and then as the general manager of BioSciKin Bio (百家匯生物), a subsidiary of Simcere, overseeing its operation and management from May 2016 to December 2016. He also served as a manager principal scientist at Roche Molecular Systems Inc. Between January 2000 and November 2003, Dr. Li was a full-time senior scientist at BioSpecifics Technologies Corp.

Dr. Li served as a NMPA-appointed expert for the Institute of Executive Development Training organized by the National Medical Products Administration.

Dr. Li obtained a Ph.D. in medicinal chemistry from China Pharmaceutical University (中國藥科大學) in Nanjing, China in July 1990. After that, in the Department of Pharmacology at the Mount Sinai School of Medicine in New York, US, he worked as a post-doctorate with Dr. Sherwin Wilk from 1992 to 1996 and then as an instructor from 1996 to 2000.

Mr. Sanhu Wang (王三虎), aged 49, is our Senior Vice President of Government and Regulatory Affairs and joined our Company in June 2019. In this role, he is responsible for planning, setting and executing government and regulatory affairs strategy and leading the Government and Regulatory Affairs Department.

Before joining the Company, Mr. Wang worked at Eleme, a subsidiary of Alibaba Group Holding Ltd. (a company listed on The New York Stock Exchange, stock code: BABA, and the Hong Kong Stock Exchange, stock code: 9988), as the Chief Food Safety Officer for three years and was responsible for government affairs and food safety supervision. Prior to his time at Eleme, Mr. Wang worked for Shenzhen Mindray Bio-Medical Electronics Co., Ltd. (a company listed on Shenzhen Stock Exchange, stock code: 300760) as the Vice General Manager of Public Affairs. Before working in the private sector, Mr. Wang worked at China Food and Drug Administration (CFDA, later changed its name to NMPA) for 11 years and served as the Director of Division of Development and Planning, Associate Director of Department of General Administration, Assistant Director of Department of Emergency Management and Deputy Inspector of Department of Food Safety Supervision. Before joining CFDA, Mr. Wang was the Associate Director of the Health Bureau of Fengtai District, Beijing and had more than 10 years of experience in the field of public health.

Mr. Wang was selected by the Bureau of Foreign Expert Affairs for an education program at Duke University for Public Policy from June 2005 to December 2005 and he was also selected by the U.S. Government for the Humphrey Scholars program in Public Health at Emory University from August 2013 to August 2014.

Mr. Wang obtained his bachelor's degree in Preventive Medicine from Capital Medical University in July 1994 and master's degree in Public Health from Hebei Medical University in July 2000.

Report of the Directors

The Directors present their report and the audited Consolidated Financial Statements for the Reporting Period.

PRINCIPAL ACTIVITIES

During the Reporting Period, the principal activities of the Group included the developing and commercializing of innovative immuno-oncology and molecularly targeted drugs to address significant unmet medical needs in cancer treatment. There was no significant change in the nature of the Group's principal activities during the Reporting Period and up to the date of this report.

Particulars of the Company' principal subsidiaries as at December 31, 2019 are set out in Note 32 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 can be found in the section headed "Management Discussion and Analysis" of this report. The financial risk management objectives and policies of the Group are set out in Note 30 to the Consolidated Financial Statements.

For further details, please refer to the section headed "Management Discussion and Analysis" on pages 9 to 21.

RESULTS AND DIVIDENDS

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.

The Board does not recommend payment of a dividend for the year ended December 31, 2019. No dividend was paid or declared by the Company or other members of the Group during the year ended December 31, 2019.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to achieving environmental sustainability. 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. For instance, the in-house facilities of the Group operate in compliance with the relevant environmental rules and regulations. The Group reviews its environmental policies on a regular basis.

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 report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that may cause the Group's financial conditions or results materially different from the expected or historical results can be categorised into the following areas: (i) risks relating to our financial position and need for additional capital; (ii) risks relating to our business, comprising (a) risks relating to clinical development of our drug candidates, (b) risks relating to extensive government regulation, (c) risks relating to commercialization of our drugs and drug candidates, (d) risks relating to our intellectual property rights and (e) risks relating to our reliance on third parties; (iii) risks relating to our operations; and (iv) risks relating to our doing business in China, as described below:

Risks Relating to Our Financial Position and Need for Additional Capital

- We have incurred significant net losses and net operating cash outflows since our inception, and we anticipate that we will continue to incur net losses and net operating cash outflows for the foreseeable future and may never become profitable.

- We have net operating cash outflow during the Reporting Period.

- We may need additional capital to meet our operating cash requirements, and financing may not be available on terms acceptable to us, or at all.

- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance. The risks involved in our business may cause potential investors to lose substantially all of their investment in our business.

- 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 primary 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 Relating to Our Business

Risks Relating to Clinical Development of Our Drug Candidates

- We depend substantially on the success of our drug candidates, all of which are in pre-clinical or clinical development. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our drug candidates, or experience significant delays in doing so, our business will be materially harmed.

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

- Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results.

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

- Immuno-oncology therapies including PD-1/PD-L1 antibodies may cause undesirable side effects.

- We may not be successful in developing, enhancing or adapting to new technologies and methodologies.

Risks Relating to Extensive Government Regulation

- All material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated. Any failure to comply with existing regulations and industry standards or any adverse actions by the drug approval authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects.

- The regulatory approval processes of the National Medical Products Administration, U.S. FDA, European Medicines Agency and other comparable regulatory authorities are lengthy, time-consuming and inherently unpredictable. If we are ultimately unable to obtain regulatory approval for our drug candidates, our business will be substantially harmed.

- If we fail to comply with our obligations in the agreements under which we license intellectual property rights from third parties or otherwise experience disruptions to our business relationships with our licensors, we could be required to pay monetary damages or could lose license rights that are important to our business.

- Our failure to obtain or renew certain approvals, licenses, permits and certificates required for our business may materially and adversely affect our business, financial condition and results of operations.

- If we participate in compassionate use programs, current regulatory discrepancies among competent authorities of different countries may lead to increased risk of adverse drug reaction and serious adverse events being produced from the use of our products.

- Changes in government regulations or in practices relating to the pharmaceutical and biopharmaceutical industries, including healthcare reform in China, and compliance with new regulations may result in additional costs.

- Pilot Program in respect of Foreign Investment Risk Review Modernization Act of 2018 may restrict our ability to acquire technologies and assets in the United States that are material to our commercial success.

- The absence of patent linkage, patent term extension and data and market exclusivity for NMPA-approved pharmaceutical products could increase the risk of early generic competition with our products in China.

- Any of our future approved drug candidates will be subject to ongoing or additional 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.

- If safety, efficacy, or other issues arise with any medical product used in combination with or to facilitate the use of our drug candidates, we may be unable to market such drug candidate or may experience significant regulatory delays.

- Even if we are able to commercialize any approved drug candidates, the drugs may become subject to national or other third-party reimbursement practices or unfavorable pricing regulations, which could harm our business.

- Adverse drug reactions and negative results from off-label use of our products could materially harm our business reputation, product brand name, financial condition and expose us to liability.

- The illegal and/or parallel imports and counterfeit pharmaceutical products may reduce demand for our future approved drug candidates and could have a negative impact on our reputation and business.

Risks Relating to Commercialization of Our Drugs and 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.

- Our future approved drug candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success.

- We have no experience in launching and marketing drug candidates. If we are unable to develop marketing and sales capabilities or enter into agreements with third parties to market and sell our drug candidates, we may not be able to generate product sales revenue.

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

- The market opportunities for our drugs and drug candidates may be limited to those patients who are ineligible for or have failed prior treatments and may be small.

- We may be subject, directly or indirectly, to applicable anti-kickback, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in the United States and other jurisdictions, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

Risks Relating to Our Intellectual Property Rights

- If we are unable to obtain and maintain patent protection for our drug candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and our ability to successfully commercialize any product or technology may be adversely affected.

- Our rights to develop and commercialize our drug candidates are subject, in part, to the terms and conditions of licenses granted to us by others.

- Our in-licensed patents and other intellectual property may be subject to further priority disputes or to inventorship disputes and similar proceedings. If we or our licensors are unsuccessful in any of these proceedings, we may be required to obtain licenses from third parties, which may not be available on commercially reasonable terms or at all, or to cease the development, manufacture, and commercialization of one or more of the drug candidates we may develop, which could have a material adverse impact on our business.

- We may not be able to protect our intellectual property rights throughout the world or prevent unfair competition by third parties.

- If we are sued for infringing, misappropriating, or otherwise violating intellectual property rights of third parties or engaging in unfair competition, such litigation could be costly and time-consuming and could prevent or delay us from developing or commercializing our drug candidates.

- Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

- Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our drug candidates.

- If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed. We may be subject to claims that our employees, consultants, or advisors have wrongfully used or disclosed alleged trade secrets of their former employers or claims asserting ownership of what we regard as our own intellectual property.

- We may not be successful in obtaining or maintaining necessary rights for our development pipeline through acquisitions and in-licenses.

- Intellectual property rights do not necessarily address all potential threats.

Risks Relating to Our Reliance on Third Parties

- We rely on third parties to conduct our pre-clinical 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 engage the WuXi Entities to provide CRO services relating to some of our drug candidates, any material breach or unilateral termination of which may have a material adverse effect on our financial condition and business.

- We may rely on third parties to manufacture or import our clinical and commercial drug supplies. 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.

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

Risks Relating to Our Operations

- Our future success depends on our ability to retain key executives and to attract, train, retain and motivate qualified and highly skilled personnel.
- Our reputation is key to our business success. Negative publicity may adversely affect our reputation, business and growth prospect.
- We have significantly increased the size and capabilities of our organization, and we may experience difficulties in managing our growth.
- If we engage in acquisitions or strategic partnerships, this may increase our capital requirements, dilute our Shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.
- If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.
- If we fail to effectively manage our anticipated growth or execute on our growth strategies, our business, financial condition, results of operations and prospects could suffer.
- If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.
- Our facilities may be vulnerable to natural disasters or other unforeseen catastrophic events.
- Our internal computer systems, or those used by our CROs or partners or other contractors or consultants, may fail or suffer security breaches.
- In conducting drug discovery and development, we face potential liabilities, in particular, product liability claims or lawsuits could cause us to incur substantial liabilities.
- In addition to the risks of doing business globally, we may explore the licensing of commercialization rights or other forms of collaboration worldwide, which will expose us to additional risks of conducting business in additional international markets.
- We may undertake acquisitions or joint ventures that may have a material adverse effect on our ability to manage our business and may not be successful.
- Increased labor costs could slow our growth and affect our profitability.
- Any future litigation, legal disputes, claims or administrative proceedings against us could be costly and time-consuming to defend.
- A significant portion of our assets is denominated in foreign currencies.
- Our other gains and losses include fair value changes for derivative financial liabilities, which are subject to uncertainties in accounting estimation.

Risks Relating to Our Doing Business in China

- The pharmaceutical industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialization of our drug candidates.
- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.
- There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.
- We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.
- Our dividend income from our PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate.
- Restrictions on currency exchange may limit our ability to utilize our revenue effectively.
- Our business benefits from certain discretionary financial incentives granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.
- We are subject to PRC tax laws and regulations.
- It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.
- Any failure by the Shareholders or beneficial owners of our Shares who are PRC residents to comply with certain PRC foreign exchange regulations relating to offshore investment activities by such PRC residents could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws.
- We face uncertainty relating to PRC laws and regulations relating to transfers by a nonresident enterprise of assets of a PRC resident enterprise.
- Under China's Enterprise Income Tax Law, we may be classified as a "resident enterprise" of China. This classification could result in unfavorable tax consequences to us and our non-PRC Shareholders.
- Government control of currency conversion of and regulations on loans to, and direct investment in, PRC entities by offshore holding companies may delay or prevent us from making loans or additional contributions to our PRC subsidiaries, which could restrict our ability to utilize the proceeds from the Global Offering effectively and affect our ability to fund and expand our business.
- The political relationships between China and other countries may affect our business operations.

DIRECTORS

The Directors during the Reporting Period are:

Executive Director

Dr. Frank Ningjun Jiang *(Chairman and Chief Executive Officer)*

Non-Executive Directors

Dr. Wei Li
Mr. Qun Zhao
Mr. Yanling Cao *(Appointed with effect from May 15, 2019)*
Mr. Xiaomeng Tong *(Resigned with effect from May 15, 2019)*
Mr. Guobin Zhang
Dr. Lian Yong Chen

Independent Non-Executive Directors

Dr. Paul Herbert Chew *(Appointed with effect from February 14, 2019)*
Mr. Ting Yuk Anthony Wu *(Appointed with effect from February 14, 2019)*
Mr. Hongbin Sun *(Appointed with effect from February 14, 2019)*

In accordance with article 16.19 of the Articles of Association, the appointment of each Director shall continue for a period of three years and until the conclusion of the third annual general meeting of the Company or such earlier date pursuant to the Articles of Association. Accordingly, the non-executive Director, Mr. Guobin Zhang, the non-executive Director, Dr. Lian Yong Chen and the independent non-executive Director, Mr. Ting Yuk Anthony Wu, will retire from office by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election.

Pursuant to article 16.2 of the Articles of Association, any Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. Yanling Cao, who was appointed by the Board effective from May 15, 2019, was re-elected at the annual general meeting of the Company held on June 20, 2019 and his appointment shall continue for a period of three years and until the conclusion of the third annual general meeting of the Company after his re-election or such earlier date pursuant to the Articles of Association.

In accordance with the requirements of Rule 13.51(2) of the Listing Rules, Mr. Xiaomeng Tong confirmed that he has no disagreement with the Board and there is no other matter relating to his resignation that needs to be brought to the attention of the Shareholders

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this report.

CHANGES IN INFORMATION OF DIRECTORS

So far as the Directors are aware and save as disclosed in this report, there has been no other change of information of Directors during the Reporting Period.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the INEDs an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that, as at the date of this report, all of the INEDs are independent.

DIRECTORS' SERVICE CONTRACTS

For more information about the service contract entered into by the Company, please see the corporate governance report in this report for further details.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors' fees and other emoluments are supervised by the Compensation 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 Directors' remuneration are set out in Note 9 to the Consolidated Financial Statements.

Details of the remuneration by band (including share-based payments) of senior management of the Company (except for details of the remuneration of Directors which are set out in Note 9 to the Consolidated Financial Statements), whose biographies are set out in the section headed "Directors and Senior Management – Senior Management" of this report, for the years ended December 31, 2019 and 2018 are set out below:

RMB	2019 (members of senior management)	2018 (members of senior management)
2,000,000 – 3,000,000	–	1
3,000,000 – 4,000,000	1	1
8,000,000 – 9,000,000	1	–
9,000,000 – 10,000,000	1	–
15,000,000 – 16,000,000	–	2
17,000,000 – 18,000,000	–	1
23,000,000 – 24,000,000	–	1
24,000,000 – 25,000,000	1	–
25,000,000 – 26,000,000	1	–
26,000,000 – 27,000,000	1	–
39,000,000 – 40,000,000	1	–
60,000,000 – 61,000,000	1	–
	8	6

Certain members of senior management were granted share options or restricted share units in respect of their services to the Group. Details of the share-based payment transactions are set out in Note 24 to the Consolidated Financial Statements. The total number of share options and restricted share units granted to such members of senior management (taking into considering the capitalisation issue) represented approximately 6.4% of the total issued share capital of the Company as at December 31, 2019.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Articles of Association provide that the Directors or other officers of the Company are entitled to be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Reporting Period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor an entity connected with a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

MANAGEMENT CONTRACTS

No contract of significance concerning the management and administration of the whole or any substantial part of business of the Company or any of its subsidiaries was entered into or subsisted during the Reporting Period.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report and by way of public announcements from time to time, at no time during the Reporting Period was the Company or any of its subsidiaries, a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS OF SUBSIDIARIES

Other than the Directors named in the section headed "Directors and Senior Management" of this report, the persons who had served on the boards of the subsidiaries of the Company during the Reporting Period and up to the date of this report include Mr. Xiaomeng Tong (resigned as a non-executive Director on May 15, 2019), who also serves as a director of CStone Suzhou.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period and up to the date of this 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.

DEED OF NON-COMPETITION

There is no non-competition undertakings during the Reporting Period between the Company and the largest shareholders of the Company, namely, WuXi Healthcare Ventures and WuXi Healthcare Management, LLC.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Interests and short positions of our Directors in the share capital of the Company

As at December 31, 2019, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of the associated corporations of the Company (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Long position in the shares of the Company

Name of director or chief executive	Nature of interest	Number and class of securities	Approximate percentage of interest in our Company[1]
Dr. Frank Ningjun Jiang, CEO and Chairman of our Board	Beneficial Owner	106,366,262 Shares[2]	10.35%
	Trustor of a trust	6,760,000 Shares[3]	0.66%
Mr. Xiaomeng Tong, former non-executive Director[4]	Interest in controlled corporations	13,078,000 Shares	1.27%

Notes:

(1) The calculation is based on the total number of 1,028,074,790 Shares in issue as at December 31, 2019.

(2) Includes (1) 9,326,664 Shares beneficially held by Dr. Jiang; (2) Dr. Jiang's entitlement to receive up to 8,633,336 Shares pursuant to the exercise of options granted to him under the Pre-IPO Incentivization Plan, subject to the vesting and other conditions of those options; (3) share options to subscribe for 40,480,421 Shares conditionally granted to Dr. Jiang on August 15, 2019, subject to vesting conditions and approval by the Shareholders in general meeting with Dr. Frank Ningjun Jiang and his associates abstaining from voting and (4) Dr. Jiang's entitlement to (i) restricted share units equivalent to 37,805,736 Shares granted to him under the Pre-IPO Incentivization Plan, subject to vesting conditions and (ii) restricted share units equivalent to 10,120,105 Shares granted to him under the Post-IPO RSU Scheme, subject to vesting conditions.

(3) These Shares are held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, Dated November 21, 2018, of which Dr. Frank Ningjun Jiang is the trustor. Effective from 30 August 2019, Jiang Irrevocable Gifting Trust FBO: Yanni Xiao Dated November 21, 2018 as beneficial owner appointed Yanni Xiao as its legal nominee to hold 6,760,000 ordinary shares of CStone Pharmaceuticals as legal owner. Under the SFO, Dr. Frank Ningjun Jiang is deemed to be interested in these Shares.

(4) Mr. Xiaomeng Tong was a non-executive Director of the Company during the Reporting Period who resigned with effect from May 15, 2019.

Save as disclosed above and to the best knowledge of the Directors, none of the Directors or the chief executive of the Company has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations as at the date of this report.

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

Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

As at December 31, 2019, the following are the persons, other than the Directors or the chief executive of the Company, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long position in the shares of the Company

Substantial Shareholder	Capacity/Nature of Interest	Total number of Shares/ underlying shares	Approximately percentage of interest in our Company[1]
WuXi Healthcare Ventures II, L.P.[2]	Beneficial interest	292,881,444	28.49%
WuXi Healthcare Management, LLC[2]	Interest in controlled corporation	292,881,444	28.49%
Graceful Beauty Limited[3]	Beneficial interest	146,950,948	14.29%
Boyu Capital Fund II, L.P.[3]	Interest in controlled corporation	146,950,948	14.29%
Boyu Capital General Partner II L.P.[3]	Interest in controlled corporation	146,950,948	14.29%
Boyu Capital General Partner II Ltd.[3]	Interest in controlled corporation	146,950,948	14.29%
Boyu Capital Holdings Limited[3]	Interest in controlled corporation	146,950,948	14.29%
Zhengze Yuanshi[4]	Beneficial interest	98,216,972	9.55%
Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership) (蘇州工業園區正則健康創業投資管理中心(有限合夥))[4]	Interest in controlled corporation	98,216,972	9.55%
Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd. (蘇州工業園區元禾原點創業投資管理有限公司)[4]	Interest in controlled corporation	98,216,972	9.55%
Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司)[4]	Interest in controlled corporation	98,216,972	9.55%
Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. (蘇州工業園區正則既明股權投資管理有限公司)[4]	Interest in controlled corporation	98,216,972	9.55%
Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司)[4]	Interest in controlled corporation	98,216,972	9.55%
Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會)[4]	Interest in controlled corporation	98,216,972	9.55%
Fei Jianjiang (費建江)[4]	Interest in controlled corporation	98,216,972	9.55%
GIC Private Limited[5]	Interest in controlled corporation	48,392,472	4.71%
	Investment manager	28,905,500	2.81%
GIC Special Investments Private Limited[5]	Interest in controlled corporation	48,392,472	4.71%
GIC (Ventures) Pte. Ltd.[5]	Interest in controlled corporation	48,392,472	4.71%
Tetrad Ventures Pte Ltd[5]	Interest in controlled corporation	48,392,472	4.71%

Notes:

(1) The calculation is based on the total number of 1,028,074,790 Shares in issue as at December 31, 2019.

(2) As of December 31, 2019, WuXi Healthcare Ventures directly held 292,881,444 Shares. To the best knowledge of our Company, WuXi Healthcare Ventures is a limited partnership established under the laws of Cayman Islands managed by its sole general partner, WuXi Healthcare Management, LLC, a Cayman Islands exempted company in which each of its five members holds an equal share of equity interest. For the purpose of the SFO, WuXi Healthcare Management, LLC is deemed to have an interest in the Shares held by WuXi Healthcare Ventures.

(3) As of December 31, 2019, Graceful Beauty Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands, directly held 146,950,948 Shares. For the purpose of the SFO, each of Boyu Capital Fund II, L.P. (as the sole shareholder of Graceful Beauty Limited), Boyu Capital General Partner II L.P. (as the general partner of Boyu Capital Fund II, L.P.), Boyu Capital General Partner II Ltd. (as the general partner of Boyu Capital General Partner II L.P.), and Boyu Capital Holdings Limited (as the sole shareholder of Boyu Capital General Partner II Ltd.) is deemed to have an interest in the Shares held by Graceful Beauty Limited.

(4) As of December 31, 2019, Zhengze Yuanshi directly held 98,216,972 Shares. Zhengze Yuanshi is managed by its sole general partner, Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership) (蘇州工業園區正則健康創業投資管理中心(有限合夥)), a limited partnership established in China, in which Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd. (蘇州工業園區元禾原點創業投資管理有限公司) has 45% equity interest. Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司) and Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. (蘇州工業園區正則既明股權投資管理有限公司) hold 49% and 51% of the issued share capital of Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., respectively. Suzhou Oriza Holdings Co., Ltd. is held 70% by Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司), a state-owned enterprise directly under the Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會), a PRC government related institution primarily responsible for implementing government investment functions. Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. is 45.18% owned by Fei Jianjiang (費建江). For the purpose of the SFO, each of Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership), Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., Suzhou Oriza Holdings Co., Ltd., Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd., Suzhou Industrial Park Economic Development Co., Ltd., the Suzhou Industrial Park Administrative Committee and Fei Jianjiang is deemed to have an interest in the Shares held by Zhengze Yuanshi.

(5) As of December 31, 2019, Tetrad Ventures Pte Ltd directly held 48,392,472 shares. Tetrad Ventures Pte Ltd is wholly owned by GIC (Ventures) Pte. Ltd. and managed by GIC Special Investments Pte Ltd, which in turn is wholly-owned by GIC Private Limited. For the purpose of the SFO, each of GIC Private Limited, GIC Special Investments Pte Ltd and GIC (Ventures) Pte. Ltd. is deemed to have an interest in the Shares held by Tetrad Ventures Pte Ltd.

Save as disclosed above and to the best knowledge of the Directors, as at the date of this report, the Company is not aware of any other person (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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.

SHARE INCENTIVIZATION SCHEMES

The Company has adopted three share incentivization schemes, collectively referred to as the Share Incentivization Schemes.

Pre-IPO Incentivization Plan

The Company has adopted the Pre-IPO Incentivization Plan by the resolutions in writing of the Board passed on July 7, 2017, amended and restated on August 14, 2018, further amended and restated on January 26, 2019 and as further amended and restated on January 7, 2020. No further options will be granted under the Pre-IPO Incentivization Plan.

As at December 31, 2019, pursuant to the Pre-IPO Incentivization Plan, the Company had granted to directors, executives and employees of the Group outstanding options to subscribe for 35,212,754 Shares, representing approximately 3.43% of the total issued share capital of the Company as at December 31, 2019.

Movement of the options, which were granted under the Pre-IPO Incentivization Plan (adjusted by the capitalisation issue) during the Reporting Period is as follows:

			Number of options[1], [3] and [4] During the Reporting Period					
Category	Grant date[1], [2] and [5]	Outstanding as at 01/01/2019	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31/12/2019	Exercise price US$
1. Director								
Frank Ningjun Jiang (also CEO and Chairman of our Board)	July 1, 2016	8,633,336	0	0	0	0	8,633,336	0.0250 – 0.0500
2. Continuous Contract Employees	July 11, 2016 to February 25, 2019	34,117,788	3,348,740	8,896,190	0	1,990,920	26,579,418	0.0250 – 0.5925
Total:		42,751,124	3,348,740	8,896,190	0	1,990,920	35,212,754	

Notes:

(1) 25% of the options shall vest on the first anniversary of the vesting commencement date set out on the relevant offer letter, and the remaining options shall vest in 36 equal monthly installments thereafter.

(2) The relevant offer letter sets out the option exercise period of ten years for each corresponding grantee.

(3) From the Listing Date to the end of the Reporting Period, no option was granted for adjustment under the Pre-IPO Incentivization Plan.

(4) There are no participants with options granted in excess of the individual limit and no grants to suppliers of goods and services.

(5) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$11.13.

(6) The exercise price is adjusted by the effect of the capitalisation issue.

As at December 31, 2019, pursuant to the Pre-IPO Incentivization Plan, the Company had granted to directors, executives and employees of the Group outstanding RSUs representing 62,933,358 Shares, accounting for approximately 6.12% of the total issued share capital of the Company as at December 31, 2019.

Details of RSUs granted under the Pre-IPO Incentivization Plan (adjusted by the capitalisation issue) during the Reporting Period are as follows:

		Number of Shares underlying RSUs[1] and [2] During the Reporting Period					
Category	**Grant date[1]**	**Outstanding as at 01/01/2019**	**Granted**	**Exercised**	**Canceled**	**Lapsed**	**Outstanding as at 31/12/2019**
1. Director							
Frank Ningjun Jiang (also CEO and Chairman of our Board)	July 1, 2016 to March 28, 2019	16,963,824	20,841,912	0	0	0	37,805,736
2. Continuous Contract Employees	November 28, 2016 to March 28, 2019	22,906,340	11,606,584	9,385,302	0	0	25,127,622
Total:		39,870,164	32,448,496	9,385,302	0	0	62,933,358

Notes:

(1) 25% of the Shares shall vest on the first anniversary of the vesting commencement date set out on the relevant offer letter, and the remaining Shares shall vest in 36 equal monthly installments thereafter.

(2) There are no participants with RSUs granted in excess of the individual limit and no grants to suppliers of goods and services.

Post-IPO ESOP

The Company has adopted the Post-IPO ESOP by resolutions passed by the Company on January 30, 2019, with effect upon completion of the Listing.

As at December 31, 2019, pursuant to the Post-IPO ESOP, the Company had granted to employees of the Group outstanding options to subscribe for 11,209,500 Shares, representing approximately 1.09% of the total issued share capital of the Company as at December 31, 2019. Among the options granted above, none of the options were granted to any of the directors, chief executive and substantial shareholder of the Company or an associate of any of them.

Movement of the options, which were granted under the Post-IPO ESOP, during the Reporting Period is as follows:

			Number of options[1] and [3] During the Reporting Period						
Category	Grant date [1] and [2]	Outstanding as at 01/01/2019	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31/12/2019	Exercise price HK$	Closing price immediately before the date of grant HK$
Continuous Contract Employees	April 1, 2019	N/A	1,174,000	0	0	160,000	1,014,000	15.86	15.88
	June 10, 2019	N/A	1,888,000	0	0	20,000	1,868,000	12.60	12.12
	October 11, 2019	N/A	1,421,000	0	0	0	1,421,000	12.20	12.04
	December 9, 2019	N/A	6,906,500	0	0	0	6,906,500	10.79	10.50
Total:			11,389,500	0	0	180,000	11,209,500		

Notes:

(1) The vesting schedule of the options is as follows:

(i) in relation to 4,180,000 options granted: 25% of the grant shall vest on the first anniversary of the grant date set out in the relevant offer letter, and the remaining 75% of the grant shall vest in 36 equal monthly installments thereafter;

(ii) in relation to 7,209,500 options granted: 25% of the grant shall vest on each of the first, second, third and fourth anniversaries of the grant date set out in the relevant offer letter.

(2) The relevant offer letter sets out the option exercise period of ten years for each corresponding grantee.

(3) There are no participants with options granted in excess of the individual limit and no grants to suppliers of goods and services.

On August 15, 2019, the Company announced that the board of directors approved granting of 40,480,421 options under the Post-IPO ESOP to Dr. Jiang. As such proposed grant would result in the Shares of the Company to be issued upon exercise of the options exceeding 1% of the total issued share capital of the Company, the proposed grant would be subject to independent shareholders' approval in the forthcoming general meeting.

Post-IPO RSU Scheme

During the Reporting Period, the Company has adopted the Post-IPO RSU Scheme by resolutions passed by the Company on March 22, 2019 and as amended and restated on December 10, 2019 and January 7, 2020, respectively.

As at December 31, 2019, pursuant to the Post-IPO RSU Scheme, the Company had granted to employees of the Group outstanding RSUs representing 25,185,562 Shares, accounting for approximately 2.45% of the total issued share capital of the Company as at December 31, 2019.

Details of RSUs granted under the Post-IPO RSU Scheme, during the Reporting Period are as follows:

			Number of Shares underlying RSUs[1] and [2] During the Reporting Period				
Category	Grant date[1]	Outstanding as at 01/01/2019	Granted	Exercised	Canceled	Lapsed	Outstanding as at 31/12/2019
1. Director							
Frank Ningjun Jiang (also CEO and Chairman of our Board	August 15, 2019	N/A	10,120,105	0	0	0	10,120,105
2. Continuous Contract Employees	March 22, 2019 to December 9, 2019	N/A	15,601,457	0	0	536,000	15,065,457
Total:		N/A	25,721,562	0	0	536,000	25,185,562

Notes:

(1) The vesting schedule of the RSUs is as follows:

(i) in relation to 20,769,562 RSUs granted: 25% of the grant shall vest on the first anniversary of the grant date set out in the relevant offer letter, and the remaining 75% of the grant shall vest in 36 equal monthly installments thereafter;

(ii) in relation to 4,952,000 RSUs granted: 25% of the grant shall vest on each of the first, second, third and fourth anniversaries of the grant date set out in the relevant offer letter.

(2) There are no participants with RSUs granted in excess of the individual limit and no grants to suppliers of goods and services.

For further details of the Share Incentivization Schemes, please refer to Note 24 to the Consolidated Financial Statements.

SUMMARY OF THE SHARE OPTION SCHEMES

The major terms and details of the Share Incentivization Schemes are set out below:

Details	Pre-IPO Incentivization Plan	Post-IPO ESOP	Post-IPO RSU Scheme
1. Purpose	To attract, motivate and/or to reward eligible employees, officers, directors, contractor, advisors and consultants of our Group	To attract and retain employees, to reward eligible employees for their past contribution to the Company, to provide incentives to the employees to further contribute to the Group and to align their interests with the best interests of the Company and the Shareholders as a whole	To: • recognise the contributions by certain selected participants with an opportunity to acquire a proprietary interest in the Company; • encourage and retain such individuals for the continual operation and development of the Group; • provide additional incentives for them to achieve performance goals; • attract suitable personnel for further development of the Group; and • motivate the selected participants to maximize the value of the Company for the benefits of both the selected participants and the Company, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the selected participants directly to the Shareholders of the Company through ownership of Shares

Details	Pre-IPO Incentivization Plan	Post-IPO ESOP	Post-IPO RSU Scheme
2. Participants	Eligible employees include any employee, officer, director, contractor, advisor or consultant of the Group who is notified by the Board that he or she is eligible by reason of their contribution to the Group	Eligible employees include any employee, officer, director, contractor, advisor or consultant of the Group who is notified by the Board that he or she is an employee eligible by reason of his or her contribution to the Group, to the extent that an offer of an award to or a receipt of such award by him or her is permitted under the applicable laws, rules and regulations or accounting or tax rules and regulations	Eligible persons include any employee of any member of the Group and any consultant, adviser or agent of any member of the Group, who have contributed or will contribute to the growth and development of the Group
3. Maximum number of shares that can be awarded	The maximum number of Shares in respect of which awards may be granted under the plan shall not, subject to any reorganisation of capital structure and other corporate events, exceed 130,831,252 Shares in the aggregate (taken into account of the capitalization issue on the Listing Date)	The maximum number of Shares in respect of which awards may be granted or delivered in satisfaction of awards under the plan shall not, subject to any reorganisation of capital structure and other corporate events, exceed 98,405,153 (taken into account of the capitalization issue on the Listing Date), being 10% of the Shares in issue as at the adoption date. The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the plan and any other schemes must not exceed 30% of the relevant class of Shares in issue from time to time	The Board may not make any further award which will result in the aggregate number of the Shares awarded by the Board under the scheme exceeding, initially, 7,650,000 Shares (being approximately 0.78% of the issued share capital of the Company as at the adoption date), which was subsequently increased to 38,010,316 Shares (being approximately 3.70% of the issued share capital of the Company as at December 31, 2019) pursuant to a board meeting dated July 15, 2019

Details	Pre-IPO Incentivization Plan	Post-IPO ESOP	Post-IPO RSU Scheme
4. Maximum entitlement of each participant	No employee shall be granted an award which, if exercised or settled in full, would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued under all the awards previously granted to him which have been exercised, and, issuable or settled under all the awards previously granted to him which for the time being subsisting and unexercised, would exceed 10% of the aggregate number of Shares for the time being issued and issuable under the plan	Except with the approval of the Shareholders in general meeting, no option may be granted to any one person which, if exercised or settled in full, such that the total number of Shares issued and to be issued upon exercise of options and any other option over the Shares (including exercised, cancelled and outstanding options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time	–
5. Option period	The period during which the option can be exercised as set forth in the relevant offer letters in accordance with the plan	The period during which the option can be exercised as set forth in the relevant offer letters in accordance with the plan, which, in any event, must end on or before the 10th anniversary of the date of the grant of such option There is no minimum period for which an option must be held before it can be exercised	The vesting of the awarded Shares is subject to the selected participant remaining at all times after the grant date and on the date of vesting, an eligible person, subject to the rules of the scheme Subject to the satisfaction of all vesting conditions as prescribed in scheme, the selected participants will be entitled to receive the awarded Shares
6. Acceptance of offer	Awards granted must be accepted within the period as stated in the offer of the grant, upon payment of exercise price as set out in the relevant offer letter per grant, if any		

Details	Pre-IPO Incentivization Plan	Post-IPO ESOP	Post-IPO RSU Scheme
7. Exercise price	The subscription price shall be approved by the Board and shall be set out in the offer letter The exercise prices of the options granted between the adoption date and the Listing Date include US$0.1, US$0.2, US$0.57 and US$2.37 (without taking into account the effect of the capitalisation issue)	The subscription price shall be approved by the Board and shall be set out in the offer letter. The subscription price per Share of each award requiring exercise must be no less than 100% of the Fair Market Value of the Shares subject to the award, determined as of the date of grant, or such higher amount as the Board may determine in connection with the grant in accordance with the applicable laws, stock market or exchange rules (including the Listing Rules) and regulations and the terms of the plan. "Fair Market Value" means the higher of (a) the closing price of a Share on the date of grant, which must be a business day, on the principal stock market or exchange on which the Shares are quoted or traded, and (b) the average closing price of a Share for the five trading days immediately preceding the date of grant, on the principal stock market or exchange on which the Shares are quoted or traded	–

Details	Pre-IPO Incentivization Plan	Post-IPO ESOP	Post-IPO RSU Scheme
8. Remaining life of the scheme	The plan shall be valid and effective for the period of ten years commencing on the adoption date until July 7, 2027 after which period no further awards will be granted, but the provisions of the plan shall in all other respects remain in full force and effect and the grantees may exercise the options in accordance with the terms upon which the options are granted	The plan shall be valid and effective for the period of ten years commencing on the adoption date until February 26, 2029 after which period no further awards will be granted, but the provisions of the plan shall in all other respects remain in full force and effect and the grantees may exercise the options in accordance with the terms upon which the options are granted	The scheme remains valid and effective from the adoption date until March 22, 2029, being the tenth anniversary of the adoption date, after which period no further awards will be granted, but the provisions of the scheme will in all other respects remain in full force and effect and awards that are granted from the adoption date until the tenth anniversary of the adoption date may continue to be exercisable in accordance with their terms of issue

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

None of the related parties transactions as disclosed in Note 28 to the Consolidated Financial Statements constitute connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules. During the Reporting Period, there were no connected transactions nor continuing connected transactions of the Group which has to be disclosed in accordance with Chapter 14A of the Listing Rules.

CONTRACTS WITH WUXI ENTITIES

A committee consisting of a majority of INEDs has reviewed an aggregate of 37 new contracts or amendments of existing contracts with WuXi Entities in connection with the CRO service for the financial year ended December 31, 2019. During the review, the committee (i) made comparisons against a list of key qualitative and quantitative CRO contractual terms including pricing provisions, scope of service, duration, payment terms, quality of deliverables, timelines of data entry and stability of team members assigned and (ii) has also compared against, where applicable, the terms of other well-recognized CRO service providers. Upon completion of the review, the terms of the CRO contracts with WuXi Entities are satisfactory compared with the criteria described above.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by geographical areas of the operations for the Reporting Period is set out in Note 5 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 13 to the Consolidated Financial Statements.

SHARES ISSUED IN THE REPORTING PERIOD

Details of the Shares issued by the Company during the Reporting Period are set out in Notes 22 and 23 to the Consolidated Financial Statements and the section headed "History, Development and Corporate Structure" in the Prospectus.

DISTRIBUTABLE RESERVES

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

USE OF NET PROCEEDS

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the IPO and the exercise of over-allotment option of approximately RMB2,090.16 million.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2019:

	% of use of proceeds (Approximately)	Net proceeds from the HK IPO *RMB million*	Actual usage up to December 31, 2019 *RMB million*	Unutilized net proceeds as of December 31, 2019 *RMB million*
Fund ongoing and planned clinical trials, preparation for registration filings and commercial launches of CS1001	30%	627.04	236.96	390.08
Fund ongoing and planned clinical trials, preparation for registration filings and commercial launches eight of our other clinical and IND stage candidates in our pipeline	40%	836.06	319.88	516.18
Fund the R&D of five of the remaining drug candidates in our pipeline and the R&D and in-licensing of new drug candidates	20%	418.04	50.35	367.69
For working capital and general corporate purposes	10%	209.02	59.77	149.25
Total	**100%**	**2,090.16**	**666.96**	**1,423.20**

Notes:

(1) Net IPO proceeds were received in Hong Kong dollars and translated to Renminbi for application planning.

(2) The unutilized net proceeds of RMB1,423.20 million as of December 31, 2019 is expected to be completely used by December 31, 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained the prescribed public float under the Listing Rules during the Reporting Period.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities 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 its existing Shareholders.

PROFESSIONAL TAX ADVICE RECOMMENDED

If any of the Shareholders is unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, he or she is advised to consult an expert.

BANK LOANS AND OTHER BORROWINGS

As at December 31, 2019, we had RMB200.0 million banking facilities of which nil has been drawn down as at the same date.

Save as disclosed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, unutilised banking facilities, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

KEY PERFORMANCE INDICATORS

Other income increased by RMB63.5 million from RMB20.5 million for the year ended December 31, 2018 to RMB84.0 million for the year ended December 31, 2019.

Other gains and losses decreased by RMB104.6 million from losses of RMB742.0 million for the year ended December 31, 2018 to losses of RMB637.4 million for the year ended December 31, 2019.

Research and development expenses increased by RMB545.4 million from RMB850.2 million for the year ended December 31, 2018 to RMB1,395.6 million for the year ended December 31, 2019.

Administrative expenses increased by RMB150.5 million from RMB191.0 million for the year ended December 31, 2018 to RMB341.5 million for the year ended December 31, 2019.

As a result of the above factors, the loss for the year increased by RMB515.3 million from RMB1,793.1 million for the year ended December 31, 2018 to RMB2,308.4 million for the year ended December 31, 2019.

CHARITABLE CONTRIBUTIONS

During the Reporting Period, the Group did not make any charitable contributions.

MAJOR CUSTOMERS AND SUPPLIERS

As we have no internally-developed products approved for commercial sale and have not generated any revenue from internally-developed product sales, we did not generate any revenue for the Reporting Period.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 37.83% and 11.76%, 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 suppliers during the Reporting Period.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has compliance policies and procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those that have a significant impact on it. The Group would seek professional legal advice from its legal advisers to ensure that transactions and business to be performed by the Group are in compliance with the applicable laws and regulations. During the Reporting Period, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

RELATIONSHIPS WITH THE GROUP'S EMPLOYEES

The Group believes that employees are important and valuable assets. The Group will provide trainings for employees to enhance their knowledge in corporate values and culture and to implement them thoroughly. Meanwhile, the Group encourages staff on continued studies by giving subsidy to recognized development courses. The Group also aims to provide competitive and attractive remuneration packages to retain its employees. Management reviews the remuneration package offered to the employees of the Group on an annual basis. Meanwhile, for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations, the Company has adopted the Pre-IPO Incentivization Plan, the Post-IPO ESOP and the Post-IPO RSU Scheme. Details of such schemes are set out in the section headed "Share Incentivization Schemes" in this report.

RELATIONSHIPS WITH THE GROUP'S SUPPLIERS

The Group values long-standing relationships with its suppliers. The Group aims at delivering high quality products to its potential customers and developing mutual trust and enhancing communication and commitment between the Group and its suppliers to maintain sustainable growth.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Particulars of the Company's significant events affecting the Company or any of its subsidiaries after the year ended December 31, 2019 are set out in the section headed "Management Discussion and Analysis – Events after the Reporting Period" of this report.

CORPORATE GOVERNANCE

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

EQUITY-LINK AGREEMENT

Save as disclosed in the section headed "Share Incentivization Schemes" in this report, there was no equity-link agreement entered into by the Company during the Reporting Period.

REVIEW BY AUDIT COMMITTEE

The Audit Committee currently comprises three INEDs, namely, Mr. Hongbin Sun, Dr. Paul Herbert Chew and Mr. Ting Yuk Anthony Wu. The Audit Committee has reviewed with the management of the Company the audited Consolidated Financial Statements for the Reporting Period.

INDEPENDENT AUDITOR

The Consolidated Financial Statements for the Reporting Period have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. Having been approved by the Board upon the Audit Committee's recommendation, a resolution for the re-appointment of Deloitte Touche Tohmatsu as the Independent Auditor for the ensuing year will be put forward at the forthcoming AGM for Shareholder's approval.

On Behalf of the Board

Dr. Frank Ningjun Jiang
Chairman and Chief Executive Officer

Suzhou, PRC, March 26, 2020

Corporate Governance Report

The Board hereby presents to the Shareholders the corporate governance report of the Group for the year ended December 31, 2019 (the "**Corporate Governance Report**").

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules.

The Company has adopted and applied the principles as set out in the CG Code. The Board is of the view that during the Reporting Period, the Company has complied with all the applicable code provisions as set out in the CG Code, except for code provision A.2.1 described in the paragraph headed "Board of Directors – Chairman and Chief Executive Officer" in this Corporate Governance Report.

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 of the Company on terms not less exacting than the required standard indicated by the Model Code.

Specific enquiries have been made of all the Directors and they have confirmed that they have complied with the relevant Securities Transactions Code throughout the Reporting Period.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company as at the date of this report.

BOARD OF DIRECTORS

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 four Board committees including the Audit Committee, the Compensation Committee, the Nomination Committee and the Strategy Committee (collectively, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out their duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Continuous Professional Development of Directors

The Company believes education and training are important for maintaining an effective Board. Every Director has received formal and comprehensive trainings to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Company arranges continuous professional development trainings to Directors such as updates by its compliance counsel to ensure Directors keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. Directors also regularly meet with the senior management team to understand the Group's businesses, governance policies and regulatory environment. All Directors are also encouraged to attend relevant training courses.

The Directors pursued continuous professional development and relevant details are summarised as follows:

Name of Director	Participated in continuous professional development[1]
Executive Director	
Frank Ningjun Jiang	√
Non-executive Directors	
Wei Li	√
Qun Zhao	√
Yanling Cao[2]	√
Xiaomeng Tong[3]	√
Guobin Zhang	√
Lian Yong Chen	√
Independent Non-executive Directors	
Paul Herbert Chew	√
Ting Yuk Anthony Wu	√
Hongbin Sun	√

(1) Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.

(2) Mr. Yanling Cao's appointment as a non-executive director and a member of the nomination committee of the Company was effective from May 15, 2019.

(3) During the Reporting Period, Mr. Xiaomeng Tong attended the continuous professional development by his proxy, Mr. Yanling Cao, due to his other work commitments. Mr. Xiaomeng Tong's resignation as a non-executive director and a member of the nomination committee of the Company was effective from May 15, 2019.

Chairman and Chief Executive Officer

We do not have a separate chairman and chief executive officer and Dr. Frank Ningjun Jiang currently performs these two roles. While this will constitute a deviation from code provision A.2.1 of the CG Code, our Board believes that this structure will not impair the balance of power and authority between our Board and the management of our Company, given that: (i) a decision to be made by our Board requires approval by at least a majority of our Directors and that our Board comprises three INEDs out of nine Directors, and we believe there is sufficient check and balance in our Board; (ii) Dr. Frank Ningjun Jiang and other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of our Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company.

Moreover, the overall strategic and other key business, financial and operational policies of our Group are made collectively after thorough discussion at both our Board and senior management levels. Finally, our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning and communication within our Group. Our 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 and chief executive officer is necessary.

During the Reporting Period, the Company held board meetings that included the participation of the executive Director, yet the non-executive Directors could freely provide their independent opinion to the Board. The Company has also arranged for the Chairman (who is the sole executive Director) to have one meeting with the three INEDs in the absence of the non-executive Directors and senior management so as to comply with the requirement of code provision A.2.7 after Listing.

Composition

As at the date of this report, the Board is comprised of nine Directors, with one executive Director, five non-executive Directors and three INEDs. With effect from May 15, 2019, Mr. Xiaomeng Tong resigned as a non-executive director and a member of the Nomination Committee, and Mr. Yanling Cao was appointed as a non-executive director and a member of the Nomination Committee. Apart from the foregoing, there is no change to the composition of the Board during the Reporting Period. A list of Directors and their respective biographies are set out on pages 22 to 31 of this report. As at the date of this report, none of our Directors is related to other Directors of the Company.

The Board's composition is in compliance with the requirement under Rule 3.10A of the Listing Rules that the number of INEDs must represent at least one-third of the Board. The Board believes that the balance between the executive Director and the non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group.

The Board values the importance of professional judgment and advice provided by non-executive Directors to safeguard the interests of the Shareholders. The non-executive Directors contribute diversified qualifications and experience to the Group by expressing their views in professional, constructive and informed manner, and actively participate in Board and committee meetings and to bring professional judgment and advice on issues relating to the Group's strategies, policies, performance, accountability, resources, key appointments, standards of conduct, conflicts of interests and management process, with the Shareholders' interests being the utmost important factor. The non-executive Directors also exercise their professional judgment and utilise their expertise to scrutinise the Company's performance in achieving agreed corporate goals, and monitor performance reporting.

Further, in compliance with Rule 3.10 of the Listing Rules, two of the Company's INEDs (namely Mr. Ting Yuk Anthony Wu and Mr. Hongbin Sun) have the appropriate professional qualifications of accounting or related financial management expertise, and provide valuable advice from time to time to the Board. The Company has also received from each INED an annual confirmation of his independence and the Nomination Committee has conducted an annual review and considers that all INEDs are independent, taking into account of the independence guidelines set out in Rule 3.13 of the Listing Rules in the context of the length of service of each INED.

As part of the Company's corporate governance practice to provide transparency to the investor community and in compliance with the Listing Rules and the CG Code, the INEDs are clearly identified in all corporate communications containing the names of the Directors. In addition, an up-to-date list of Directors identifying the INEDs and the roles and functions of the Directors is maintained on the Company's website and the Stock Exchange's website.

Appointments and Re-election of Directors

The Company entered into a service contract with Dr. Frank Ningjun Jiang on February 19, 2019. The service contract may be terminated by not less than three months' notice served by either party on the other.

The Company entered into a letter of appointment with Mr. Yanling Cao on May 15, 2019. Mr. Yanling Cao was re-elected at the annual general meeting of the Company held on June 20, 2019 and his appointment shall continue for a period of three years and until the conclusion of the third AGM of the Company after his re-election or such earlier date pursuant to the Articles of Association.

Each of the INEDs has entered into an appointment letter with the Company. The initial term of their appointment shall be between two to three years from February 14, 2019 or until the third AGM of the Company after the Listing Date, whichever is earlier, (subject to retirement as and when required under the Articles of Association) or until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

Apart from the above, during the Reporting Period, the Company has not entered into any other service contract with any of its other Directors. None of the Directors has entered into a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation), and no remunerations have been paid to Directors by the Company in the capacity of them as Directors in the Company.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy shall submit himself for re-election by the Shareholders at the first AGM of the Company after appointment and new Directors appointed as an addition to the Board shall submit himself for re-election by the Shareholders at the next following AGM of the Company after appointment.

The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

Board Meetings

The Board held 16 meetings during the Reporting Period for discussing and approving the operation and business development of the Company, including without limitation, change in directors, financial budget and financial statements and amendments to relevant equity incentive plans of the Company. The attendance of each Director at Board and committee meetings of the Company, whether in person or by means of electronic communication, is detailed in the table below:

	Attendance/No. of Meetings held during the Reporting Period					
Name of Directors	**Board**	**Audit Committee[1]**	**Compensation Committee[2]**	**Nomination Committee[3]**	**Strategy Committee[4]**	**Annual General Meeting[5]**
Executive Director						
Frank Ningjun Jiang	16/16	N/A	N/A	1/1	0/0	1/1
Non-executive Directors						
Wei Li	14/16	N/A	1/1	N/A	N/A	1/1
Qun Zhao	16/16	N/A	N/A	N/A	N/A	1/1
Yanling Cao[6]	7/16	N/A	N/A	0/1	N/A	0/1
Xiaomeng Tong[7]	5/16	N/A	N/A	0/1	N/A	0/1
Guobin Zhang	15/16	N/A	N/A	N/A	N/A	0/1
Lian Yong Chen	13/16	N/A	N/A	N/A	0/0	0/1
Independent Non-executive Directors						
Paul Herbert Chew	13/16	2/2	1/1	1/1	0/0	0/1
Ting Yuk Anthony Wu	14/16	2/2	1/1	1/1	N/A	0/1
Hongbin Sun	13/16	2/2	N/A	1/1	N/A	1/1

Notes:

(1) The Audit Committee held two meetings on March 22, 2019 and August 14, 2019, respectively, and all members of the Audit Committee attended the two meetings.

(2) The Compensation Committee held a meeting on March 22, 2019, and all members of the Compensation Committee attended the meeting.

(3) The Nomination Committee held a meeting on March 22, 2019, and all members of the Nomination Committee attended the meeting except for Mr. Xiaomeng Tong and Mr. Yanling Cao.

(4) No meeting of the Strategy Committee was held during the Reporting Period.

(5) The Company held one annual general meeting on June 20, 2019 during the Reporting Period.

(6) Mr. Yanling Cao's appointment as a non-executive director and a member of the nomination committee of the Company was effective from May 15, 2019.

(7) As the Company was listed on February 26, 2019 and Mr. Xiaomeng Tong's resignation as a non-executive director and a member of the nomination committee of the Company was effective from May 15, 2019, and as such, he was absent from the Board meetings and the Nomination Committee meeting during the Reporting Period due to his other work commitments after May 15, 2019.

During the Reporting Period, apart from the 16 Board meetings held, the Chairman, who is also the sole executive Director, held one meeting with the three INEDs in the absence of the non-executive Directors and senior management of the Company.

The Company held one annual general meeting on June 20, 2019 during the year ended 2019. All proposed Shareholders' resolutions put forward at the above general meeting were resolved by poll vote and were duly passed. The vote tally of each of such resolutions was set out in the Company's announcement released on the day of the annual general meeting.

BOARD COMMITTEES

The Board has established the following committees: Audit Committee, Compensation Committee, Nomination Committee and Strategy Committee. The committees operate in accordance with their respective terms of reference established by the Board.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three INEDs, namely, Dr. Paul Herbert Chew, Mr. Ting Yuk Anthony Wu and Mr. Hongbin Sun. Mr. Hongbin Sun, being the chairman of the Audit Committee, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the Audit Committee are to assist our Board of Directors by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board of Directors.

During the Reporting Period, the Audit Committee scheduled two meetings and all the members of the Audit Committee attended the meeting to, among other things, review the interim and annual results, review the risk management and internal control systems and the effectiveness of the Company's internal audit function.

Compensation Committee

The Company has established the Compensation Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Compensation Committee consists of one non-executive Director, namely Dr. Wei Li, and two INEDs, namely, Dr. Paul Herbert Chew and Mr. Ting Yuk Anthony Wu. Mr. Ting Yuk Anthony Wu is the chairman of the Compensation Committee.

The primary duties of the Compensation Committee include, but are not limited to, the following: (i) making recommendations to the Board of Directors on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board of Directors from time to time.

During the Reporting Period, the Compensation Committee scheduled one meeting and all the members of the Compensation Committee attended the meeting to, among other things, review the remuneration policy and structure for the Directors and senior management, make recommendations to the Board on determining the annual remuneration packages of the Directors and the senior management and other related matters, assess and review performance of the Directors and senior management, and approve the terms of the executive director's service contract.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee consists of one executive Director, namely, Dr. Frank Ningjun Jiang, our CEO and Chairman of our Board, one non-executive Director, namely, Mr. Yanling Cao, and three INEDs, namely, Dr. Paul Herbert Chew, Mr. Ting Yuk Anthony Wu and Mr. Hongbin Sun. Dr. Frank Ningjun Jiang, our CEO and Chairman of our Board, is the chairman of the Nomination Committee. Effective on May 15, 2019, Mr. Xiaomeng Tong resigned as a member of the Nomination Committee, and Mr. Yanling Cao was appointed as a member of the Nomination Committee.

The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size, composition and diversity of the Board, assessing the independence of INEDs and making recommendations to the Board on matters relating to the appointment of Directors.

We are committed to promote diversity in the Company to the extent practicable by taking into consideration a number of factors in respect of our corporate governance structure. The Company has implemented the board diversity policy during the Reporting Period.

We have adopted the nomination and board diversity policy in relation to the nomination, appointment, re-appointment of new Directors and the nomination procedure of the Company, which provides the factors to consider in evaluating and selecting any candidate for directorship and sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to, professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. We are of the view that the Company has achieved these objectives during the Reporting Period, as our Directors such as our new non-executive Director (Mr. Yanling Cao), have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, biotech, clinical research, life science, finance, investment, auditing and accounting. They obtained degrees in various areas including medicine, immunology, chemistry, chemical physics, chemical engineering, pharmaceutical analysis, economics and accounting. Furthermore, our Directors range from 36 years old to 68 years old.

We are also committed to adopting a similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to enhance the effectiveness of corporate governance of the Company as a whole.

Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the CG Code. Our Nomination Committee will continue to review the board diversity policy from time to time to ensure its continued effectiveness.

During the Reporting Period, the Nomination Committee scheduled one meeting and all the members of the Nomination Committee attended the meeting to, among other things, review the policy for the nomination of directors and terms of references and recommend to the Board for the nomination, re-appointment of new Directors in accordance with the following procedures and process: (a) the Nomination Committee shall first review and assess factors relating to the diversity of the Board, including but not limited to professional experience, skill, knowledge and length of service, gender, age, cultural and education background, and give consideration to the candidate's willingness to devote adequate time to the Board and independence of each INED based on the requirements of the Listing Rules as amended from time to time; (b) the Nomination Committee shall then nominate suitable candidates to the Board based on the then-current and anticipated future leadership needs of the Company, with a view to achieving a sustainable and balanced development of the Company; and (c) the Nomination Committee shall also monitor and review the implementation of the nomination policy, as appropriate from time to time, and will report to the Board annually.

Strategy Committee

The Company has established the Strategy Committee which consists of one executive Director, namely, Dr. Frank Ningjun Jiang, one non-executive Director, namely, Dr. Lian Yong Chen and one INED, namely, Dr. Paul Herbert Chew. Dr. Frank Ningjun Jiang, our CEO and Chairman of our Board, is the chairman of the Strategy Committee.

The primary duties of the Strategy Committee are to review and advise on our mid to long term strategic positioning and development plans and to monitor the implementations of our development plans.

During the Reporting Period, no Strategy Committee meeting took place.

Corporate Governance Function

As no corporate governance committee has been established, the Board is responsible for, among other things, formulating and reviewing the policies and practices on corporate governance of the Group and make recommendations, monitoring the compliance of legal and regulatory requirements, reviewing and monitoring the training and continuous professional development of Directors and senior management, and reviewing the corporate governance compliance with the CG Code and the disclosures in the annual report.

The Corporate Governance Report has been reviewed by the Board in the discharge of its corporate governance function.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the Chinese and global pharmaceutical markets, our ability to develop, manufacture and commercialize our drug candidates, and our ability to compete with other pharmaceutical companies. We also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business.

We have adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. Our Audit Committee, and ultimately our Directors, supervise the implementation of our risk management policies. Risks identified by management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Group and reported to our Directors.

The following key principles outline our Group's approach to risk management and internal control:

Our Audit Committee will oversee and manage the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy to ensure that it is consistent with our corporate objectives; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring the most significant risks associated with our business operations and our management's handling of such risks; (iv) reviewing our corporate risk in the light of our corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of our risk management framework across our Group.

Our Chief Financial Officer will be responsible for (i) formulating and updating our risk management policy and target; (ii) reviewing and approving major risk management issues of our Company; (iii) promulgating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments in our Company; (v) reviewing the relevant departments' reporting on key risks and providing feedback; (vi) supervising the implementation of our risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competences are in place across our Group; and (viii) reporting to our Audit Committee on our material risks.

The relevant departments in our Company, including the finance department, the legal department and the human resources department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) prepare a risk management report annually for our CEO's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

We believe that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

Internal Control

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

During the Reporting Period, we regularly reviewed and enhanced our internal control system designed to manage the risks and uncertainties that may cause the Group's financial conditions or business performance to be materially different from the expected or historical results. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as protection of intellectual property, environmental protection and occupational health and safety.

- We have developed standard operating procedures governing our activities including an integrated procurement-to-pay process, standardized expense accrual methodology and budgeting and tracking mechanism.

- We have established the enterprise resource planning system, an automated and standardized procedure to increase transparency and efficiency in monitoring online vendor registration and purchase requisition and online contract management.

- We provided our employees with our employee handbook, as amended from time to time. To strengthen compliance awareness, we established the employee orientation program and also provide periodic internal and external compliance training to our employees as part of our employee training program.

- Our Directors (who are responsible for monitoring the corporate governance of our Group) with help from our legal advisors, conduct periodic review of our compliance status with all relevant laws and regulations.

- Our Audit Committee assists the Board to monitor the effectiveness of the risk management and internal control systems. Our Audit Committee maintains regular dialogue with the Company's external auditors and conducts review of the Company's financial statements. After completion of its internal audit, our Audit Committee made recommendations to our Directors on the appointment and removal of external auditors and rendered advice in respect of financial reporting as well as oversee internal control procedures of our Group. The Company has established a compliance committee to review grants and sponsorships and other compliance initiatives.

- Our Board evaluated the design and operating effectiveness of the internal control systems of the Company and did not identify any material weaknesses as a result of the evaluation.

- We have engaged a PRC law firm to advise us on and keep us abreast with PRC laws and regulations on a regular basis (especially for the pharmaceutical and life science sector). We will continue to arrange various trainings to be provided by external advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest PRC laws and regulations.

We intend to maintain strict anti-corruption policies among our sales personnel and distributors in our sales and marketing activities after we obtain marketing approvals for our drug candidates. We will also ensure that our sales and marketing personnel comply with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations, and limitations on industry-sponsored scientific and educational activities.

Investment Risk Management

We engage in short-term investments with surplus cash on hand. Our primary objective for short-term investments is to preserve principal through the minimization of both default and market risk. Our finance department, under the supervision of our Chief Financial Officer, is responsible for managing our short-term investment activities. Before making a proposal to invest in wealth management products, our financial department must assess our cash flow and operational needs and capital expenditures.

We operate under a Board approved investment policy which governs the investment of our funds and is reviewed from time to time by our Board. We will only make short-term investments in U.S. government securities and U.S. corporate securities which are publicly traded and money market funds. To ensure a diversified portfolio holding, no purchase of any single issuer can represent more than five percent of the total portfolio market value at the time of purchase, with the exception of the U.S. government, its agencies, or municipals defeased with U.S. government securities for which no limit is imposed.

Our investment strategy strives to minimize risk by reasonably and conservatively matching the maturities of the portfolio securities to anticipated operating cash requirements. Our investment decisions are made on a case-by-case basis that considers multiple factors, such as general market conditions and the anticipated benefit and potential loss of the investment.

Our portfolio to date have been required to hold only instruments with an effective final maturity of 12 months or less, with effective final maturity being defined either as the obligation of the issuer to repay principal and interest or the discretionary ability to put the security back to the issuer. The initial target range for the average maturity of our portfolio is 12 months. Our investments to date have been required to be denominated and held in U.S. dollars with readily ascertainable market value. Our investments do not participate in any derivative securities or bank loans. There have been no cases of deviation from our investment policy to date.

We believe that our internal investment policies and the related risk management mechanism are adequate. We may make investments that meet the above criteria after consultation and approval by our Board where we believe it is prudent to do so.

Effectiveness of Risk Management and Internal Control

The Audit Committee, on behalf of the Board, continuously reviews the risk management and internal control systems. The review process comprises, among other things, meetings with management of business groups, internal audit team, legal personnel and the external auditors, reviewing the relevant work reports and information of key performance indicators, and discussing the major risks with the senior management of the Company. During the Reporting Period, among other things, the Board has reviewed the Group's financial operation and compliance controls, the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, audit and financial reporting functions. The Company does not have an internal audit department and the Board and the senior management of the Company are responsible to perform the internal audit function during the Reporting Period. The Company would review the arrangement of the internal audit function from time to time. The Audit Committee has reviewed the Company's internal audit function and the internal control systems for the year ended 2019. A confirmation regarding the effectiveness of these systems has been provided to the Board for the year ended December 31, 2019.

In addition, the Board believes that the Company's accounting and financial reporting functions have been performed by staff of the appropriate qualifications and experience and that such staff receives appropriate and sufficient training and development. The Board is of the opinion that the Group's risk management and internal control systems were adequate and effective throughout the Reporting Period.

Policy on the Disclosure of Inside Information

The Company has put in place an internal policy for the handling and disclosure of inside information in compliance with the SFO. The internal policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

SHAREHOLDERS

The Company strives to provide ready, equal, regular and timely disclosure of information that is material to the investor community. Therefore, the Company works to maintain effective and on-going communication with Shareholders so that they, along with prospective investors, can exercise their rights in an informed manner based on a good understanding of the Group's operations, businesses and financial information. The Company also encourages Shareholders' active participation in annual general meetings and other general meetings or other proper means. To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

The Company has developed and maintains the Shareholders communication policy, which is available on the Company's website.

A summary of the disclosure of interests of the substantial shareholders of the Company is set out on pages 43 to 44 of this report.

Convening of Extraordinary General Meeting and Putting Forward Proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as of date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition. A written requisition shall be deposited at the principal office of the Company in Hong Kong. If within 21 days of such deposit the Board fails to proceed to convene such meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, 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.

As regards to proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, namely, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Shareholders who wish to put enquiries to the Board can send their enquiries to the head office of the Company at 1000 Zhangheng Road Building, 25, Pudong New District, Shanghai, PRC or send email to ir@cstonepharma.com. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communication of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

Dividend Policy

Subject to the Articles of Association and other applicable laws and regulations, the Company targets to formalize its dividend policy once the Group commences to have products approved for commercial sale and generate revenue from product sales. Any proposed distribution of dividends will be subject to the discretion of the Board and the approval of the Shareholders. Recommendations for distribution of dividends will be made after taking into account the results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that the Board may deem relevant.

COMPANY SECRETARY

The Vice President of SWCS Corporate Services Group (Hong Kong) Limited, Ms. Yeung Ching Man, has been appointed as the Company Secretary on October 29, 2018 and has taken no less than 15 hours of relevant professional training during the Reporting Period and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements. Mr. Richard Yeh, our Chief Financial Officer, is the primary contact person whom Ms. Yeung contacts.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENT

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2019, and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the Independent Auditor about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report".

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the auditors to the Group during the year ended December 31, 2019 was approximately as follows:

Type of Services	**Total fees paid and payable *(RMB'000)***
Audit services	1,900
Non-audit services	
Interim review services	900
Total	2,800

Note: The Company appointed Deloitte Touche Tohmatsu, Certified Public Accountants as the external auditor for the year ended December 31, 2019. A statement by Deloitte about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 72 to 76 of this report.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company's constitutional documents consist of its Memorandum and the Articles of Association. The Memorandum and Articles of Association have been adopted on January 30, 2019 with effect from the Listing Date. There has been no change in the Memorandum and the Articles of Association during the year ended December 31, 2019.

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF CSTONE PHARMACEUTICALS
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CStone Pharmaceuticals (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 77 to 158, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 ("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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Cut-off of research and development expenses	
The Group incurred significant research and development ("R&D") expenses of RMB1,396 million as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2019. In addition, R&D expenses of RMB270 million were accrued as at December 31, 2019 as set out in note 19 to the consolidated financial statements. A large portion of these R&D expenses were service fees paid to outsourced service providers including contract research organisations ("CRO") and clinical trial centres (collectively referred to as the "Outsourced Service Providers"). We identified the cut-off of R&D expenses as a key audit matter due to its significant amount and risk of not accruing R&D costs incurred for services provided by the Outsourced Service Providers in the appropriate reporting period.	Our procedures in relation to the cutoff of the R&D expenses included: • Obtaining an understanding of key controls of the management's basis and assessment in relation to the accrual process of the R&D expense, including service fees paid to the Outsourced Service Providers; • For the service fees paid to CRO, reading the key terms set out in research agreements and evaluating the completion status with reference to the progress reported by the representatives of the relevant CRO, on a sample basis, to determine whether the service fees were recorded based on the respective contract sums, progress and/or relevant milestones achieved; • For the service fees paid to clinical trial centres, testing the accrual of the clinical trial related costs, on a sample basis, with reference to the clinical trial data and terms of services.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 of the Company 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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 the independent auditor's report is Yau Wing Chi.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 26, 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended December 31, 2019

	NOTES	2019 RMB'000	2018 RMB'000 (restated)
Other income	6	**83,962**	20,497
Other gains and losses	6	**(637,365)**	(741,979)
Research and development expenses		**(1,395,624)**	(850,197)
Administrative expenses		**(341,476)**	(190,991)
Listing expenses		**(17,638)**	(30,459)
Finance costs	7	**(303)**	–
Loss for the year	8	**(2,308,444)**	(1,793,129)
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,802)**	–
Fair value gain on investments in debt instruments measured at fair value through other comprehensive income ("FVTOCI")		**408**	3,125
Reclassified to profit or loss upon disposal of debt instruments at FVTOCI		**(758)**	(1,298)
Other comprehensive (expense) income for the year		**(2,152)**	1,827
Total comprehensive expense for the year		**(2,310,596)**	(1,791,302)
Loss for the year attributable to:			
Owners of the Company			
– ordinary shareholders		**(2,068,740)**	(469,830)
– preferred shareholders		**(239,704)**	(1,275,447)
		(2,308,444)	(1,745,277)
Non-controlling interests		**–**	(47,852)
		(2,308,444)	(1,793,129)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended December 31, 2019

	NOTE	2019 RMB'000	2018 RMB'000
Total comprehensive expense for the year attributable to:			
Owners of the Company			
– ordinary shareholders		**(2,070,824)**	(469,338)
– preferred shareholders		**(239,772)**	(1,274,112)
		(2,310,596)	(1,743,450)
Non-controlling interests		**–**	(47,852)
		(2,310,596)	(1,791,302)
Loss per share	*12*		
Basic (RMB Yuan)		**(2.39)**	(2.79)
Diluted (RMB Yuan)		**(2.39)**	(2.79)

Consolidated Statement of Financial Position

At December 31, 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	13	**14,185**	14,473
Right-of-use assets	14	**4,469**	–
Deposits for acquisition of property, plant and equipment and intangible assets		**3,572**	58
Other intangible assets	15	**1,305**	897
Other receivables	16	**40,271**	11,742
		63,802	27,170
Current assets			
Deposits, prepayments and other receivables	16	**143,599**	46,984
Other investments classified as financial assets measured at fair value through profit or loss ("FVTPL")	17	**11,946**	16,792
Debt instruments at FVTOCI	17	**4,811**	78,620
Restricted bank deposit		**620**	–
Time deposits	18	**1,599,431**	761,216
Cash and cash equivalents	18	**1,126,436**	701,336
		2,886,843	1,604,948
Current liabilities			
Trade and other payables and accrued expenses	19	**449,440**	93,574
Deferred income	20	**4,180**	–
Lease liabilities	21	**4,344**	–
Derivative financial liabilities	22	**–**	1,015,648
		457,964	1,109,222
Net current assets		**2,428,879**	495,726
Total assets less current liabilities		**2,492,681**	522,896

Consolidated Statement of Financial Position

At December 31, 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current liability			
Deferred income	*20*	**11,099**	7,565
Net assets		**2,481,582**	515,331
Capital and reserves			
Ordinary share capital	*23*	**687**	29
Preferred share capital	*22*	**–**	94
Treasury shares held in the trusts	*23*	**(30)**	–
Reserves		**2,480,925**	515,208
Total equity		**2,481,582**	515,331

The consolidated financial statements on pages 77 to 158 were approved and authorised for issue by the Board of Directors on March 26, 2020 and are signed on its behalf by:

Dr. Frank Ningjun Jiang
DIRECTOR

Dr. Wei Li
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended December 31, 2019

	Attributable to owners of the Company											
	Ordinary Share capital *RMB'000*	Preferred share capital *RMB'000 (note 22)*	Share premium *RMB'000*	Investment revaluation reserve *RMB'000*	Other reserve *RMB'000 (note a)*	Treasury shares held in the trusts *RMB'000*	Share-based payment reserve *RMB'000*	Foreign currency translation reserve *RMB'000*	Accumulated losses *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At January 1, 2018	26	49	706,710	(1,477)	238,569	–	37,456	–	(554,995)	426,338	24,714	451,052
Loss for the year	–	–	–	–	–	–	–	–	(1,745,277)	(1,745,277)	(47,852)	(1,793,129)
Other comprehensive income for the year	–	–	–	1,827	–	–	–	–	–	1,827	–	1,827
Total comprehensive income (expense) for the year	–	–	–	1,827	–	–	–	–	(1,745,277)	(1,743,450)	(47,852)	(1,791,302)
Issuance of Preferred Shares *(note 22)*	–	40	1,617,178	–	–	–	–	–	–	1,617,218	–	1,617,218
Cancellation of Preferred Shares	–	–	(225)	–	–	–	–	–	–	(225)	–	(225)
Recognition of equity-settled share-based payment *(note 24)*	–	–	29,159	–	(18,745)	–	205,803	–	–	216,217	18,745	234,962
Effect of put option granted to a non-controlling shareholder to convert the equity interests in a subsidiary to the Company's Preferred Shares	–	5	308,107	–	(266,181)	–	–	–	–	41,931	(41,931)	–
Exercise of share options *(note 24)*	3	–	24,942	–	–	–	(21,319)	–	–	3,626	–	3,626
Deemed acquisition of additional equity interest in a subsidiary	–	–	–	–	(46,324)	–	–	–	–	(46,324)	46,324	–
At December 31, 2018	29	94	2,685,871	350	(92,681)	–	221,940	–	(2,300,272)	515,331	–	515,331
Loss for the year	–	–	–	–	–	–	–	–	(2,308,444)	(2,308,444)	–	(2,308,444)
Other comprehensive expense for the year	–	–	–	(350)	–	–	–	(1,802)	–	(2,152)	–	(2,152)

Consolidated Statement of Changes in Equity

For the Year Ended December 31, 2019

	Attributable to owners of the Company											
	Ordinary Share capital *RMB'000*	Preferred share capital *RMB'000 (note 22)*	Share premium *RMB'000*	Investment revaluation reserve *RMB'000*	Other reserve *RMB'000 (note a)*	Treasury shares held in the trusts *RMB'000*	Share–based payment reserve *RMB'000*	Foreign currency translation reserve *RMB'000*	Accumulated losses *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Total comprehensive expense for the year	–	–	–	(350)	–	–	–	(1,802)	(2,308,444)	(2,310,596)	–	(2,310,596)
Shares issued to trust and converted to the treasury shares *(note 23)*	17	–	–	–	–	(17)	–	–	–	–	–	–
Restricted stock units exercised under the trust *(note 23)*	–	–	69,395	–	(7)	7	(69,395)	–	–	–	–	–
Recognition of equity-settled share-based payment *(note 24)*	–	–	–	–	–	–	410,717	–	–	410,717	–	410,717
Exercise of share options *(note 24)*	2	–	34,192	–	–	–	(30,332)	–	–	3,862	–	3,862
Automatic conversion of preferred shares ("Preferred Shares") upon initial public offering ("IPO") *(note 22)*	94	(94)	1,772,112	–	–	–	–	–	–	1,772,112	–	1,772,112
Capitalisation Issue (as defined in note 23(f))	401	–	(381)	–	–	(20)	–	–	–	–	–	–
Shares issued upon IPO and over-allotment *(note 23)*	144	–	2,193,513	–	–	–	–	–	–	2,193,657	–	2,193,657
Transaction costs attributable to issuance of new shares	–	–	(103,501)	–	–	–	–	–	–	(103,501)	–	(103,501)
At December 31, 2019	687	–	6,651,201	–	(92,688)	(30)	532,930	(1,802)	(4,608,716)	2,481,582	–	2,481,582

Note:

(a) Other reserve included (1) share-based payment recognised as deemed losses to non-controlling interests; (2) differences between the carrying amounts of net assets attributable to the non-controlling interests at date of subscription of capital to a subsidiary, fair value of the respective conversion features of preferred shares at date of injection and the relevant proceeds received; (3) adjustment to non-controlling interests in 基石藥業(蘇州)有限公司 ("CStone Suzhou") as a result of additional capital injection by the Group; and (4) effect of exercise of put option by a non-controlling shareholder to convert the equity interests in a subsidiary to the Company's Preferred Shares; and (5) restricted stock units granted to several employees which were exercised.

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Loss for the year	**(2,308,444)**	(1,793,129)
Adjustments for:		
Depreciation of property, plant and equipment	**6,397**	5,105
Depreciation of right-of-use assets	**4,890**	–
Amortisation of other intangible assets	**293**	161
Net foreign exchange gains	**(110,723)**	(129,542)
Gain on fair value changes of other investments classified as financial assets measured at FVTPL	**(457)**	(1,145)
Gain on disposal of debt instruments at FVTOCI	**(758)**	(1,298)
Loss on fair value changes of derivative financial liabilities	**756,464**	885,569
Share-based payment expense	**410,717**	234,962
Loss on disposal of property, plant and equipment	**104**	–
Interest income	**(67,287)**	(7,947)
Changes in fair value of money market funds	**(7,265)**	(11,605)
Interest on lease liabilities	**303**	–
Government grants income related to property, plant and equipment	**(786)**	(115)
Operating cash flows before movements in working capital	**(1,316,552)**	(818,984)
Increase in deposits, prepayments and other receivables	**(126,734)**	(40,183)
Increase in trade and other payables and accrued expenses	**354,064**	65,880
Increase in deferred income	**8,500**	2,180
NET CASH USED IN OPERATING ACTIVITIES	**(1,080,722)**	(791,107)
INVESTING ACTIVITIES		
Placement of time deposits with maturity dates over three months	**(1,571,273)**	(756,712)
Withdrawal of time deposits with maturity dates over three months	**797,531**	–
Interest received	**39,218**	5,111
Receipt of return from money market funds	**7,265**	11,605
Deposit paid for property, plant and equipment and intangible assets	**(3,514)**	(58)
Purchase of property, plant and equipment and development cost paid	**(6,213)**	(7,012)
Purchase of other intangible assets	**(701)**	(836)
Purchase of debt instruments at FVTOCI	**(34,065)**	(286,360)
Proceeds on disposal of other investments classified as financial assets measured at FVTPL	**5,303**	40,001
Proceeds on disposal of debt instruments at FVTOCI	**109,227**	613,060
Receipt of government grants related to property, plant and equipment	**–**	3,500
Placement of restricted bank deposits	**(620)**	–
Payments of rental deposits	**(1,042)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(658,884)**	(377,701)

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2019

	2019 *RMB'000*	2018 *RMB'000*
FINANCING ACTIVITIES		
Proceeds on issue of Preferred Shares to new investors	**–**	1,661,094
Proceeds on issue of Preferred Shares to non-controlling interests	**–**	307,219
Repayment of lease liabilities	**(4,683)**	–
Interest paid on lease liabilities	**(303)**	–
Acquisition of non-controlling interests	**–**	(307,219)
Payment of transaction costs attributable to issuance of new shares	**(101,201)**	(2,300)
Exercise of share options	**3,862**	3,626
Proceeds on issue of ordinary shares	**2,193,657**	–
NET CASH FROM FINANCING ACTIVITIES	**2,091,332**	1,662,420
NET INCREASE IN CASH AND CASH EQUIVALENTS	**351,726**	493,612
Effects of foreign exchange rate changes	**73,374**	124,334
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**701,336**	83,390
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1,126,436**	701,336

1. GENERAL

CStone Pharmaceuticals (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 26 February 2019.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in research and development of highly complex biopharmaceutical products.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and Amendments to IFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (the "Group") have applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs Standards 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

IFRS 16 Leases *(continued)*

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, January 1, 2019.

As at January 1, 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 4.89% to 5.34%.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

IFRS 16 Leases *(continued)*

As a lessee (continued)

	At January 1, 2019 *RMB'000*
Operating lease commitments disclosed as at December 31, 2018	**9,048**
Lease liabilities discounted at relevant incremental borrowing rates	**7,828**
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application	**(1,671)**
Recognition exemption – low value assets (excluding short-term leases of low value leases)	**(215)**
Lease liabilities relating to operating lease recognised upon application of IFRS 16 as at January 1, 2019	**5,942**
Analysed as:	
Current	**3,351**
Non-current	**2,591**
	5,942

The carrying amount of right-of-use assets for own use as at January 1, 2019 comprises the following:

	Notes	Right-of-use assets *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		5,942
Reclassified from prepaid rent	*(a)*	223
Adjustments on rental deposits at January 1, 2019	*(b)*	64
		6,229
By class:		
Leased properties		6,016
Motor vehicles		213
		6,229

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

IFRS 16 Leases *(continued)*

As a lessee (continued)

(a) Prepaid rent for office premises was classified as prepayment as at December 31, 2018. Upon application of IFRS 16, prepaid rent amounting to RMB223,000 was reclassified to right-of-use assets.

(b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied under other receivables. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB64,000 was adjusted to refundable rental deposits paid and right-of-use assets.

There is no impact of transition to IFRS 16 on accumulated losses at 1 January 2019.

Impact on the consolidated statement of financial position

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at December 31, 2018 *RMB'000*	Adjustments *RMB'000*	**Carrying amounts under IFRS16 at January 1, 2019 *RMB'000***
Non-current Assets				
Right-of-use assets		–	6,229	**6,229**
Other receivables				
– Rental deposits paid	*(b)*	1,798	(64)	**1,734**
Current Assets				
Deposits, prepayments and other receivables				
– Prepaid rent	*(a)*	223	(223)	**–**
Current Liabilities				
Lease liabilities		–	3,351	**3,351**
Non-current Liabilities				
Lease liabilities		–	2,591	**2,591**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended December 31, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at January 1, 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after January 1, 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after January 1, 2020.
5 Effective for annual periods beginning on or after January 1, 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after January 1, 2020.

Except for the amendments to IFRS and revised Conceptual Framework for Financial Reporting mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and Amendments to IFRSs in issue but not yet effective (continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for annual period beginning on or after January 1, 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since January 1, 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 2)

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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand- alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of motor vehicles, equipment and office premises 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 lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight- line basis or another systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2) *(continued)*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2) *(continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2) *(continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to January 1, 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expenses on a straight-line basis over the lease term.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants 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 recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment arrangements

Equity-settled share-based payment transactions

Shares, share options and restricted share units granted to employees

Equity-settled share-based payment to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payment determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. For shares, share options and restricted shares units that vest immediately at the date of grant, the fair value of the shares, share options and restricted shares units granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated losses.

When shares and restricted shares units granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share premium.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognised the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income as directly in equity, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the research and development or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Building in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligations.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the presented value of those cash flows (where the effect for the time value of money is material).

Cash and cash equivalents

Cash and cash equivalents include cash at banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and within three months of maturity from the date of acquisition.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Impairment of financial assets

The Group perform impairment assessment under expected credit loss ("ECL") model on financial assets (including rental deposits, other receivables, time deposits, cash at banks, restricted bank deposit, and debt instruments of FVTOCI) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting dates to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the other debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For the financial assets, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, or the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

- an actual or expected significant deterioration in the operating results of the debtor and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's other receivables and subscription receivable from a preferred shareholder are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in investments revaluation reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Treasury shares

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity *(continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Derecognition** (continued)*

Preferred Shares

The component parts of compound instruments (Preferred Shares) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Preferred Shares issued by the Company are classified as equity as the instrument does not include contractual obligation to deliver cash or other financial assets to holders and it is a non-derivative instrument that does not include contractual obligation for the issuer to deliver a variable number of its own equity instruments. Transaction costs relating to the equity component are recognised directly in equity.

Conversion feature of compound instrument (Preferred Shares) is classified separately as derivative financial liabilities as the option will be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Option granted to a non-controlling shareholder to acquire the Company's Preferred Shares is accounted for as derivatives and is recognised at fair value upon initial recognition. Any changes of its fair values in subsequent reporting dates is recognised in the profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Research and development expenses

Development costs incurred on the Group's drug product pipelines are 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, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria are met for capitalisation. During the years ended December 31, 2019 and 2018, all development costs are expensed when incurred.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may 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.

Useful lives of property, plant and equipment and right-of-use assets

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment and right-of-use assets. This estimate is referenced to useful lives of property, plant and equipment and right-of-use assets of similar nature and functions in the industry. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete assets that have been abandoned or sold. As at December 31, 2019, the carrying amount of property, plant and equipment is approximately RMB14,185,000 (2018: RMB14,473,000) as disclosed in note 13. As at December 31, 2019, the carrying amount of right-of-use assets is approximately RMB4,469,000 as disclosed in note 14.

5. SEGMENT INFORMATION

The Group has been operating in one reportable segment, being the research and development of highly complex biopharmaceutical products. The Group's chief operating decision maker ("CODM") has been identified as the chief executive of the Group.

For the purpose of resource allocation and performance assessment, the CODM reviews the overall results and financial position of the Group prepared based on the same accounting policies as set out in note 3 as a whole.

Geographical information

Substantially, all of the Group's non-current assets and capital expenditure are located or utilised in the People's Republic of China (the "PRC").

6. OTHER INCOME AND OTHER GAINS AND LOSSES

Other income

	2019 *RMB'000*	2018 *RMB'000* (restated)
Bank and other interest income	**67,287**	7,947
Government grants income *(note)*	**16,675**	12,550
	83,962	20,497

Note: Government grants include subsidies from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery and is recognised over the useful life of the related assets; (ii) the incentive and subsidies for IPO, research and development activities which are recognised upon compliance with the attached conditions; and (iii) 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 recognised in profit or loss in the period in which they become receivable.

6. OTHER INCOME AND OTHER GAINS AND LOSSES (continued)

Other gains and losses

	2019 RMB'000	2018 RMB'000 (restated)
Gain on fair value changes of other investments classified as financial assets measured at FVTPL *(note 17)*	**457**	1,145
Changes in fair value of money market funds *(note 18)*	**7,265**	11,605
Gain on disposal of debt instruments at FVTOCI	**758**	1,298
Loss on disposal of property, plant and equipment	**(104)**	–
Loss on fair value changes of derivative financial liabilities *(note 22)*	**(756,464)**	(885,569)
Net foreign exchange gains	**110,723**	129,542
	(637,365)	(741,979)

Note: Comparative figures of changes in fair value of money market funds have been reclassified from other income to other gains and losses to conform with the current year's presentation as the directors of the Company consider that the new presentation is more relevant and appropriate to the consolidated financial statements.

7. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on lease liabilities	**303**	–

8. LOSS FOR THE YEAR

	2019 RMB'000	2018 RMB'000
Loss for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**6,397**	5,105
Depreciation of right-of-use assets	**4,890**	–
Amortisation of other intangible assets	**293**	161
Total depreciation and amortisation	**11,580**	5,266
Directors' emoluments *(note 9)*	**167,245**	141,294
Other staff costs:		
Salaries and other allowances	**129,198**	52,576
Performance related bonus	**31,749**	7,158
Retirement benefit scheme contributions	**18,643**	7,667
Share-based payment expenses	**250,659**	100,577
Total staff costs	**597,494**	309,272
Auditors' remuneration	**1,900**	563
Minimum lease payments under operating leases in respect of office premises	**–**	3,752

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors and chief executive

Details of the emoluments paid or payable to the directors of the Company and the chief executive of the Company by the group entities during the reporting period are as follows:

Year ended December 31, 2019

	Fee *RMB'000*	Salaries and bonus *RMB'000*	Performance related bonus *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*	Total *HKD'000*
Executive director:						
Jiang Frank Ningjun ("Dr. Jiang")	–	3,684	2,298	45	6,027	6,729
Non-executive directors:						
Zhao Qun	–	–	–	–	–	–
Li Wei	–	–	–	–	–	–
Tong Xiaomeng *(note c)*	–	–	–	–	–	–
Zhang Guobin *(note d)*	–	–	–	–	–	–
Chen Lianyong *(note e)*	–	–	–	–	–	–
Cao Yanling *(note f)*	–	–	–	–	–	–
Independent non-executive directors:						
Chew Paul Herbert *(note g)*	246	–	–	–	246	275
Wu Anthony Ting Yuk *(note g)*	668	–	–	–	668	745
Sun Hongbin *(note g)*	246	–	–	–	246	275
	1,160	3,684	2,298	45	7,187	8,024

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Directors and chief executive (continued)

Year ended December 31, 2018

	Fee *RMB'000*	Salaries and bonus *RMB'000*	Performance related bonus *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*	Total *HKD'000*
Executive director:						
Dr. Jiang	–	3,147	3,717	45	6,909	7,885
Non-executive directors:						
Zhao Qun	–	–	–	–	–	–
Zhu Zhongyuan *(note a)*	–	–	–	–	–	–
Li Wei	–	–	–	–	–	–
Zha Ji *(note b)*	–	–	–	–	–	–
Tong Xiaomeng *(note c)*	–	–	–	–	–	–
Zhang Guobin *(note d)*	–	–	–	–	–	–
Chen Lianyong *(note e)*	–	–	–	–	–	–
	–	3,147	3,717	45	6,909	7,885

In addition to the emoluments shown above, Dr. Jiang was granted share options, restricted shares award and restricted shares units in respect of his service to the Group.

During the year ended December 31, 2019, RMB160,058,000 (2018: RMB134,385,000) (equivalent to HK$178,680,000 (2018: HK$153,373,000)) was recognised as share-based payment expense in the consolidated statement of profit or loss and other comprehensive income for his granted share options, restricted shares award and restricted shares units. Details of the share-based payment are set out in note 24.

Notes:

a. Zhu Zhongyuan resigned as a non-executive director of the Company on August 14, 2018.

b. Zha Ji resigned as a non-executive director of the Company on February 28, 2018.

c. Tong Xiaomeng was appointed as a non-executive director of the Company on February 28, 2018 and resigned on May 15, 2019.

d. Zhang Guobin was appointed as a non-executive director of the Company on May 8, 2018.

e. Chen Lianyong was appointed as a non-executive director of the Company on August 14, 2018.

f. Cao Yanling was appointed as a non-executive director of the Company on May 15, 2019.

g. Chew Paul Herbert, Wu Anthony Ting Yuk and Sun Hongbin, were appointed as independent non-executive directors of the Company on February 14, 2019.

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Directors and chief executive (continued)

The executive director's emoluments shown above were for his services as a director of the Company and the chief executive in connection with the management of the affairs of the Company and the Group as he is also the chief executive of the Company.

The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Performance related bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

There were no arrangements under which a director of the Company or the chief executive waived or agreed to waive any remuneration during the year.

During the years ended December 31, 2019 and 2018, except for the receivables from a director as disclosure in note 16, there are no loans, quasi-loans or other dealings in favour of the directors of the Company, their controlled bodies corporate and connected entities.

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended December 31, 2019 and 2018.

During the years ended December 31, 2019 and 2018, no consideration was provided to or receivable by third parties for making available service of directors of the Company.

Employees

The five highest paid individuals of the Group included one director of the Company for the year ended December 31, 2019 (2018: one director) with details of his emoluments set out above. The emoluments of the remaining four employees are as follows:

	2019	2018
	RMB'000	*RMB'000*
Salaries and bonus	**10,576**	7,042
Performance related bonus	**3,969**	2,349
Retirement benefit scheme contributions	**166**	147
Total cash compensation	**14,711**	9,538
Non-cash share-based payment expense	**137,130**	62,601
	151,841	72,139

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Employees (continued)

The emoluments (including share-based payment expense) of the remaining employees fell within the following bands as follows:

	Number of individuals	
	2019	2018
HK$17,000,001 to HK$17,500,000	**–**	1
HK$17,500,001 to HK$18,000,000	**–**	1
HK$20,000,001 to HK$20,500,000	**–**	1
HK$27,000,001 to HK$27,500,000	**–**	1
HK$28,000,001 to HK$28,500,000	**1**	–
HK$29,000,001 to HK$29,500,000	**1**	–
HK$43,500,001 to HK$44,000,000	**1**	–
HK$67,500,001 to HK$68,000,000	**1**	–
	4	4

Certain employees were granted share options or restricted share units in respect of their services to the Group. Details of the share-based payment transactions are set out in note 24. The total number of share options and restricted share units granted to those employees (taking into consideration the capitalisation issue) represented approximately 4% of the total issued and fully paid ordinary share capital as of December 31, 2019.

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including one director of the Company and four employees) for both years as an inducement to join or upon joining the Group or as compensation for loss of office.

10. DIVIDENDS

No dividend was paid or declared by the Company during the years ended December 31, 2019 and 2018 nor has any dividend been proposed since the end of the reporting period.

11. INCOME TAX EXPENSE

The Company is tax exempt under the laws of the Cayman Islands.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. No Hong Kong profit tax was provided for as there was no estimated assessable profit of CStone Pharm (HK) Holding Limited ("CStone HK", formerly known as CStone Pharmaceuticals Limited) that was subject to Hong Kong profit tax during the reporting period.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the tax rate of the Company's PRC subsidiaries is 25% for both years.

Under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017 of Australia, corporate entities who qualify a small business entity are eligible for the lower corporate tax rate at 27.5%. CStone Pharmaceuticals Australia Pty, Ltd. ("CStone Australia") is qualified as small business entity and is subject to a corporate tax rate of 27.5% for both years.

The tax charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Loss before tax	**(2,308,444)**	(1,793,129)
Tax charge at the PRC EIT rate of 25%	**(577,111)**	(448,282)
Tax effect of expenses not deductible for tax purpose	**356,473**	357,237
Effect of research and development expenses that are additionally deducted *(note)*	**(140,850)**	(63,673)
Tax effect of tax losses not recognised	**359,559**	151,655
Tax effect of deductible temporary differences not recognised	**2,125**	6,657
Utilisation of deductible temporary differences previously not recognised	**(196)**	(3,594)
Tax charge for the year	**–**	–

Note: Pursuant to Caishui [2018] circular No. 99, CStone Suzhou enjoyed super deduction of 175% on qualifying research and development expenditures for both years.

As at December 31, 2019, the Group has unused tax losses of approximately RMB2,576,877,000 (2018: RMB1,138,640,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

11. INCOME TAX EXPENSE (continued)

The unused tax losses will be expired as follows:

	2019 RMB'000	2018 RMB'000
2021	**22,801**	22,801
2022	**329,104**	329,104
2023	**767,741**	767,741
2024	**1,391,747**	–
Indefinite *(note)*	**65,484**	18,994
	2,576,877	1,138,640

Note: Subject to confirmation by the Australian Taxation Office, the tax losses can be carried forward indefinitely.

At December 31, 2019, the Group has deductible temporary differences related to deferred government grants income of RMB15,279,000 (2018: RMB7,565,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the year is as follows:

	2019 RMB'000	2018 RMB'000
Loss		
Loss for the year attributable to owners of the Company	**(2,308,444)**	(1,745,277)
Add: Loss attributable to preferred shareholders	**239,704**	1,275,447
Loss for the purpose of basic and diluted loss per share	**(2,068,740)**	(469,830)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**866,728,184**	168,583,668

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year has been determined on the assumption that the capitalisation issue as set out in note 23(f) had been effective since January 1, 2018.

During the year ended December 31, 2019, the calculation of basic and diluted loss per share has considered the restricted share units that have been vested but not yet registered (note 24) but excluded the treasury shares held in trust of the Company (note 23).

12. LOSS PER SHARE (continued)

The calculation of diluted loss per share has not considered share options awarded under the employee stock option (note 24(a)), the unvested restricted share units (note 24(b)), the conversion of preferred shares (note 22) and over-allotment options (note 23) as their inclusion would be anti-dilutive.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST					
At January 1, 2018	9,152	4,570	2,435	–	16,157
Additions	786	1,908	1,427	–	4,121
At December 31, 2018	9,938	6,478	3,862	–	20,278
Additions	1,261	552	1,936	2,464	6,213
Disposals	–	(28)	(186)	–	(214)
At December 31, 2019	11,199	7,002	5,612	2,464	26,277
DEPRECIATION					
At January 1, 2018	335	–	365	–	700
Provided for the year	3,291	938	876	–	5,105
At December 31, 2018	3,626	938	1,241	–	5,805
Provided for the year	3,871	1,190	1,336	–	6,397
Eliminated on disposals	–	(6)	(104)	–	(110)
At December 31, 2019	7,497	2,122	2,473	–	12,092
CARRYING VALUES					
At December 31, 2019	3,702	4,880	3,139	2,464	14,185
At December 31, 2018	6,312	5,540	2,621	–	14,473

The above items of property, plant and equipment, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the shorter of the term of the lease, or 33.3%
Plant and machinery	18%
Furniture, fixtures and equipment	30%

14. RIGHT-OF-USE ASSETS

	Leased properties *RMB'000*	Vehicles *RMB'000*	Total *RMB'000*
Carrying amounts			
As at January 1, 2019	6,016	213	6,229
Addition to right-of-use assets	3,130	–	3,130
Depreciation charge for the year	(4,768)	(122)	(4,890)
As at December 31, 2019	4,378	91	4,469
For the year ended December 31, 2019			
Expense relating to leases with lease terms end within 12 months of the date of initial application of IFRS 16			3,274
Expense relating to leases of low-value assets, excluding short-term leases of low value assets			120
Total cash outflow for leases			8,380

For both years, the Group leases various offices, equipment and vehicles for its operations. Lease contracts are entered into for fixed term of 5 months to 39 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for vehicles and offices. As of December 31, 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

During the year, the Group entered into (1) a new lease agreements for use of a leased property for 17 months, has recognised RMB3,085,000 lease liability; and (2) a new lease agreement for use of leased properties for 36 months but yet to be commenced. On the lease commencement, the total future undiscounted cash flows over the period amounted to RMB105,840,000.

15. OTHER INTANGIBLE ASSETS

	Computer software *RMB'000*
COST	
At January 1, 2018	234
Additions	836
At December 31, 2018	1,070
Additions	701
At December 31, 2019	1,771
AMORTISATION	
At January 1, 2018	12
Provided for the year	161
At December 31, 2018	173
Provided for the year	293
At December 31, 2019	466
CARRYING VALUES	
At December 31, 2019	1,305
At December 31, 2018	897

Other intangible assets represent computer software acquired from third parties.

The above intangible assets have finite useful lives and are amortised on a straight-line basis as follows:

Computer software	20% – 33% per annum

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Rental deposits *(note a)*	**2,840**	1,798
Prepayments	**41,835**	34,091
Other receivables	**496**	1,284
Receivables from a director and key management personnels of the Company *(note b)*	**96,977**	1,391
Value-added tax recoverable	**41,722**	11,850
Deferred issue costs	**–**	8,312
	183,870	58,726
Analysed as:		
Non-current	**40,271**	11,742
Current	**143,599**	46,984
	183,870	58,726

Notes:

(a) Rental deposits were adjusted upon the initial application of IFRS 16. Details of the adjustments are set out in note 2.

(b) As at December 31, 2019, the balances mainly represents the amounts due from Dr. Jiang and several key management personnels in respect of withholding tax for employee individual income tax associated with vested restricted share units. Subsequent to the year end, RMB59,162,000 was collected from Dr. Jiang and the remaining balances were accounted for as deduction from equity for shares withheld upon the modification of Pre-IPO Incentivisation Plan in January 2020 which permit the Company to withhold the number of equity instruments equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon vesting of the share awards As at December 31, 2018, the receivables from Dr. Jiang is unsecured, interest-free and repayable on demand. The maximum outstanding balance of amount due from Dr. Jiang during the year ended December 31, 2019 is RMB59,162,000 (2018: RMB1,391,000).

17. OTHER INVESTMENTS CLASSIFIED AS FINANCIAL ASSETS MEASURED AT FVTPL/DEBT INSTRUMENTS AT FVTOCI

	2019 RMB'000	2018 RMB'000
Other investments classified as financial assets measured at FVTPL		
– Wealth management plan *(note a)*	**11,946**	16,792
Debt instruments at FVTOCI		
– Corporate bonds *(note b)*	**–**	37,325
– Treasury bills *(note c)*	**4,811**	41,295
	4,811	78,620

Notes:

(a) The Group entered into contracts in respect of wealth management plan managed by financial institutions. The principal is unguaranteed by the relevant financial institutions with expected return rates as stated in the contracts at 3.6% per annum as at December 31, 2019 (2018: 3.6% per annum). All investments have maturity dates within one year and are classified as other investments classified as financial assets mandatorily measured at FVTPL.

(b) The Company invested in listed corporate bonds which are traded publicly in the United States with effective interest rates ranging from 1.7% to 2.25% per annum as at December 31, 2018. The investment is classified as debt instruments at FVTOCI. All of the bonds have been sold in 2019.

(c) The Company also held United States treasury bills with effective interest rates ranging from 0.55% to 1.43% per annum as at December 31, 2019 (2018: 0.75% to 1.25% per annum). The investment is classified as debt instruments at FVTOCI.

18. TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

Time deposits

	2019 RMB'000	2018 RMB'000
Time deposits	**1,599,431**	761,216

The time deposits presented above are placed with a bank in the PRC with a term of 6 months to 1 year upon placement. Since the time deposits will be matured in the coming financial year, the time deposits are classified as current assets.

18. TIME DEPOSITS AND CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents

	2019 RMB'000	2018 RMB'000
Cash at banks	**504,681**	66,023
Cash equivalents *(note)*		
– Money market funds	**217,104**	635,313
– Time deposits	**404,651**	–
	1,126,436	701,336

Note: Cash equivalents represent (1) investment in a public debt constant net asset value money market fund, and low volatility net asset value money market fund; and (2) time deposits with maturity date within three months on the initial placement date.

Time deposits and cash at banks carry interests at market rates per annum ranging as follows:

	2019	2018
Time deposits	**2.84% – 3.30%**	3.32%
Cash at banks	**0.00% – 0.30%**	0.00% – 0.30%

The carrying amounts of the Group's time deposits and cash and cash equivalents denominated in currencies other than functional currencies of the relevant group entities at the end of the reporting period are as follows:

	2019 RMB'000	2018 RMB'000
United States Dollar ("US$")	**1,877,293**	1,433,370
Hong Kong Dollar ("HK$")	**795,428**	–

19. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	2019 RMB'000	2018 RMB'000
Trade payables	**37,304**	4,559
Accrued expenses		
– Research and development *(note a)*	**270,099**	43,012
– Legal and professional fees	**3,723**	1,742
– Issue costs and listing expenses	**–**	27,270
– Others	**8,121**	2,131
	281,943	74,155
Other payables	**2,131**	1,801
Other tax payable *(note b)*	**97,589**	1,570
Payables in respect of acquisition of property, plant and equipment	**–**	340
Staff payroll payable	**30,473**	11,149
	449,440	93,574

Notes:

(a) Amounts mainly included service fees paid to outsourced service providers including CRO and outsourced service providers.

(b) Amounts included withholding tax payable for employee's individual income tax associated with vested restricted share units of approximately RMB96,845,000. The amounts was subsequently settled to the tax bureau in January 2020.

The credit period on trade purchase is 0 to 90 days. Ageing analysis of the Group's trade payables based on the invoice dates at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
Less than 30 days	**26,471**	4,331
31 – 60 days	**10,833**	–
61 – 90 days	**–**	84
Over 90 days	**–**	144
	37,304	4,559

20. DEFERRED INCOME

	2019 RMB'000	2018 RMB'000
Subsidies related to property, plant and equipment *(note a)*	**2,599**	3,385
Other subsidies *(note b)*	**12,680**	4,180
	15,279	7,565
Analysed as:		
Non-current	**11,099**	7,565
Current	**4,180**	–
	15,279	7,565

Notes:

(a) The Group received government subsidies for capital expenditure incurred for the plant, machineries and spare parts. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

(b) In 2019, the Group received certain government subsidies of approximately RMB8,500,000 (2018: RMB4,180,000) towards research and development projects. Certain conditions have to be fulfilled until these subsidies can be regarded as fully granted. As at December 31, 2019, the relevant conditions have not been fully fulfilled and therefore, the government subsidies were deferred.

21. LEASE LIABILITIES

	2019 RMB'000
Lease liabilities payable:	
Within one year	**4,344**

22. PREFERRED SHARES

During the year ended December 31, 2016, the Company entered into share purchase agreements with several independent third party investors and issued Series A Preferred Share to the investors. Furthermore, during the year ended December 31, 2018, the Company issued Series B Preferred Shares to several independent third party investors and employees.

For details of the background and movement of Preferred Shares, please refer to note 20 to the consolidated financial statements included in the Group's annual report for the year ended December 31, 2018.

The par value per preferred share is US$0.0001 and the difference between the par value and the subscription price less the fair value of conversion features at issuance of Preferred Shares is accounted for under the share premium.

All Series A and Series B Preferred Shares were automatically converted into 143,703,471 ordinary shares upon the successful IPO of the Company on February 26, 2019.

22. PREFERRED SHARES (continued)

Conversion features

The Preferred Shares are considered as equity instruments and are determined by deducting the fair value of the conversion features from the gross proceeds.

The Group has recognised the conversion features attached to the Preferred Shares as financial liabilities measured at FVTPL.

The change in fair value of the conversion features attached to the Preferred Shares is charged to profit or loss and is included in the loss on fair value changes of derivative financial liabilities under the "other gains and losses" line item. Management considered that there is no credit risk of the financial liability that drives the change of its fair value. The conversion features were valued by the directors of the Company with reference to valuation report carried out by an independent qualified professional valuer.

The Company used the back-solve method to determine the underlying share value of the Company and performed an equity allocation based on Binomial Option Pricing model ("OPM model") to arrive at the fair value of the conversion features.

In addition to the underlying share value of the Company determined by back-solve method, other key valuation assumptions used in OPM model to determine the fair value are as follows:

	At February 26, 2019	At December 31, 2018	At September 25, 2018*	At August 22, 2018*	At April 28, 2018*	At December 31, 2017
Time to IPO	**0.01 year**	0.13 year	0.5 year	0.6 year	1 year	3.25 years
Time to liquidation	**6 years**	6 years	6 years	6 years	6 years	6 years
Risk-free interest rate	**2.55%**	2.55%	2.97%	2.73%	2.86%	2.26%
Volatility	**58.36%**	57.89%	56.92%	56.45%	58.53%	58.88%
Dividend yield	**0%**	0%	0%	0%	0%	0%
Possibilities under liquidation scenario	**0.5%**	50%	60%	60%	70%	80%
Possibilities under IPO scenario	**99.5%**	50%	40%	40%	30%	20%

* It represented the issue dates of preferred shares during 2018.

22. PREFERRED SHARES (continued)

Conversion features (continued)

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the period from the respective valuation dates to the expected liquidation dates. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected liquidation dates.

	At January 1, 2018 *RMB'000*	(Cancellation)/ Issuance *RMB'000*	Fair value changes *RMB'000*	At December 31, 2018 *RMB'000*	Fair value changes *RMB'000*	Automatic conversion of Preferred Shares upon IPO *RMB'000*	**At December 31, 2019 *RMB'000***
Series A							
– Tranche 1	48,531	(55,724)	328,407	321,214	258,641	(579,855)	–
– Tranche 2	37,964	(100,087)	311,551	249,428	194,411	(443,839)	–
– Tranche 3	–	10,269	20,425	30,694	16,264	(46,958)	–
– Tranche 4	–	145,250	90,434	235,684	192,502	(428,186)	–
Series B	–	43,876	134,752	178,628	94,646	(273,274)	–
	86,495	43,584	885,569	1,015,648	756,464	(1,772,112)	–

23. ORDINARY SHARE CAPITAL/TREASURY SHARES HELD IN THE TRUSTS

	Number of shares	**Share capital *US$'000***
Ordinary shares		
Ordinary shares of US$0.0001 each		
Authorised		
At January 1, 2018	402,500,000	40
Reclassification and re-designation on issuance of Series B Preferred Shares *(note a)*	(46,261,962)	(5)
At December 31, 2018	356,238,038	35
Increase in authorised share capital on February 26, 2019 *(note h)*	1,643,761,962	165
At December 31, 2019	2,000,000,000	200

23. ORDINARY SHARE CAPITAL/TREASURY SHARES HELD IN THE TRUSTS (continued)

	Number of shares	Amount *US$'000*	Equivalent amount of ordinary shares *RMB'000*
Issued and fully paid			
At January 1, 2018	40,000,000	4	26
Issuance of restricted shares *(note b)*	1,000,000	–	1
Exercise of share options *(note c)*	3,270,599	–	2
At December 31, 2018	44,270,599	4	29
Exercise of share options *(note e)*	3,593,327	–	2
Issuance of shares to a trust for CStone Incentivisation Limited *(note d)*	9,672,192	1	6
Automatic conversion of Preferred Shares upon IPO *(note 22)*	143,703,471	14	94
Capitalisation Issue *(note f)*	598,241,649	60	401
Issuance of ordinary shares on IPO *(note g)*	186,396,000	19	125
Issuance of shares on exercise of over-allotment option *(note g)*	27,959,000	3	19
Issuance of shares to a trust for Computershare Hong Kong Trustees Limited *(note i)*	14,238,552	1	11
At December 31, 2019	1,028,074,790	102	687

Treasury shares held in trusts:

	Number of treasury shares	US$ *US$'000*	Equivalent amount of ordinary shares *RMB'000*
Issuance of shares to a trust for CStone Incentivisation Limited *(note d)*	9,672,192	1	6
Capitalisation Issue *(note f)*	29,016,576	3	20
Issuance of shares to a trust for Computershare Hong Kong Trustees Limited *(note i)*	14,238,552	1	11
Restricted stock units exercised under the trust *(Note j)*	(9,385,302)	(1)	(7)
Treasury shares held in trust at December 31, 2019	43,542,018	4	30

23. ORDINARY SHARE CAPITAL/TREASURY SHARES HELD IN THE TRUSTS (continued)

As of December 31, 2019, shares are held in trust including 38,688,768 shares for outstanding options and 4,853,250 shares for unvested restricted stock units and disclosed as treasury shares since the Company has control over the trusts.

Notes:

(a) On April 28, 2018, the Company redesignated and reclassified 46,261,962 shares in its authorised capital into Series B Preferred Shares.

(b) On April 1, 2018, 1,000,000 restricted shares with subscription price of US$0.0001 per share were issued to Dr. Jiang, with details set out in note 24(d).

(c) During the year ended December 31, 2018, share option holders exercised their rights to subscribe for 3,021,666 and 248,933 ordinary shares in the Company at US$0.17 and US$0.10 per share, respectively. The shares allotted and issued rank pari passu in all respects with the then existing issued shares of the Company.

(d) On January 31, 2019, the Company and Maples Trustee Services (Cayman) Limited (the "Maples Trustee"), an independent third party, set up the 2019 CStone Share Incentivisation Trust which entered into a trust deed pursuant to which the Maples Trustee has agreed to act as the trustee to administer the Pre-IPO Incentivisation Plan (as defined in note 24) and to hold the ordinary shares under the Pre-IPO Incentivisation Plan through the nominee, CStone Incentivisation Limited (the "Nominee"). 9,672,192 ordinary shares (equivalent to 38,688,768 shares after adjusted for the effect of the Capitalisation Issue as defined in note 23(f)) (the "Shares"), was issued to the Nominee to set aside a pool of ordinary shares to satisfy the pre-IPO share options and share awards granted under the Pre-IPO Share Incentivisation Plan. The Shares held in the trust are accounted for as treasury shares of the Company.

(e) During the year ended December 31, 2019, share option holders exercised their rights to subscribe for 962,257, 1,852,300, 739,509 and 39,261 ordinary shares in the Company at US$0.10, US$0.20, US$0.57 and US$2.37 per share, respectively (without taking into account the effect of the Capitalisation Issue). The shares allotted and issued rank pari passu in all respects with the then existing issued shares of the Company.

(f) Pursuant to the written resolutions of the shareholders of the Company passed on January 30, 2019, and subject to the share premium account of the Company being credited as a result of the issue of offer shares pursuant to the IPO, an aggregate of 598,241,649 shares credited as fully paid at par were allotted and issued on the Listing Date ("February 26, 2019") to the holders of ordinary shares and Preferred Shares on the register of members of the Company in the Cayman Islands at the close of business on the business day preceding the Listing Date, in proportion to their existing respective shareholdings (save that no holder of ordinary shares and Preferred Shares shall be entitled to be allotted or issued any fraction of a share). The shares allotted and issued pursuant to this resolution (the "Capitalisation Issue") rank pari passu in all respects with the then existing issued shares of the Company.

(g) In connection with the Company's IPO, 186,396,000 and 27,959,000 ordinary shares of the Company with US$0.0001 par value each were issued at HK$12 per share for a total gross cash consideration of HK$2,236,752,000 and HK$335,508,000 (equivalent to RMB1,907,949,000 and RMB285,708,000), on February 26, 2019 and March 26, 2019, respectively. The shares allotted and issued rank pari passu in all respects with the then existing issued shares of the Company.

(h) Pursuant to the special resolutions passed by the then shareholders of the Company on January 30, 2019, the authorised share capital has been increased to US$200,000 divided into 2,000,000,000 shares of par value of US$0.0001 each with effect from the Listing Date.

(i) On July 11, 2019, the Company and Computershare Hong Kong Trustees Limited (the "Computershare Trustee"), an independent third party, set up the 2019 CStone Share Incentivisation Trust for Non-Connected Persons which entered into a trust deed pursuant to which the Computershare Trustee has agreed to act as the trustee to administer the Pre-IPO Incentivisation Plan (as defined in note 24(a)) and to hold the ordinary shares under the Pre-IPO Incentivisation Plan through the Computershare Trustee. 14,238,552 ordinary shares was issued to the Computershare Trustee to set aside a pool of ordinary shares to satisfy the pre-IPO restricted share units granted under the Pre-IPO Share Incentivisation Plan. The Shares held in the trust are accounted for as treasury shares of the Company.

(j) During the year ended December 31, 2019, 9,385,302 restricted stock units granted to several employees were exercised.

24. SHARE-BASED PAYMENT TRANSACTIONS

(a) Employee stock option plan ("ESOP")

The Pre-IPO ESOP

During the year ended December 31, 2016, the Group granted share options under its employee stock option plan (the "Pre-IPO ESOP") for the purpose of incentivising, retaining and rewarding certain employees and board members of the Company or its subsidiaries ("Eligible Persons") for their contributions to the Group's business, and to align their interests with those of the Group.

The directors of the Company adopted and approved such Pre-IPO ESOP on July 7, 2017, with the intent at that time that the directors of the Company delegated full authority to Dr. Jiang, the executive director of the Company, to grant option awards in accordance with the Pre-IPO ESOP before Pre-IPO ESOP was approved and adopted by the directors of the Company. The overall limit on the number of underlying shares which may be delivered under the Plan was 24,010,293 shares of the Company, subject to any adjustments for other dilutive issuances.

Except as provided otherwise in the grant letter or offer in any other form by the directors of the Company, the vesting schedule of the share options shall be a sixty months vesting schedule consisting of a cliff vesting of twenty percent after twelve months from the vesting commencement date and, thereafter, monthly vesting of equal instalments over the remaining forty-eight months.

On August 3, 2018, the directors of the Company resolved to adopt and approved the amended and restated employee equity plan (the "Pre-IPO Incentivisation Plan") for the purpose of granting restricted share units and other equity incentive permitted by the Pre-IPO Incentivisation Plan to the employees, directors of the Company, consultants and advisors of the Company. Further on August 14, 2018, the board of directors of the Company resolved the change of vesting schedule and updated the outstanding options and restricted shares units with the new vesting schedule under the Pre-IPO Incentivisation Plan, whereas 25% of the shares will be vested on the first anniversary of the original vesting commencement date, and the remaining shares will be vested with equal monthly instalments over the following thirty-six months.

The share options and the restricted share units shall be restricted to the eligible employees, directors of the Company consultants and advisors of the Company and shall not be assignable to other person. No eligible employee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any share option and restricted share units or attempt to do so.

The overall limit on the number of underlying shares which may be delivered under the Pre-IPO Incentivisation Plan for both employees stock option plan and the restricted shares units is 130,831,252 shares of the Company (considering the Capitalisation Issue). The incremental fair value at the modification date is assessed to be insignificant as there is no change in exercise price nor exercisable period.

24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

***The Pre-IPO ESOP** (continued)*

The following table discloses movements of the Company's share options held by grantees during the year:

	Number of Pre-IPO ESOP share options			
	Dr. Jiang		Employees	
	2019	2018	**2019**	2018
Outstanding at the beginning of the year	**2,158,334**	5,180,000	**8,529,447**	5,862,000
Granted before Capitalisation Issue	**–**	–	**837,185**	3,736,380
Forfeited before Capitalisation Issue	**–**	–	**(35,000)**	(820,000)
Exercised before Capitalisation Issue	**–**	(3,021,666)	**(1,767,621)**	(248,933)
Capitalisation Issue	**6,475,002**	–	**22,692,033**	–
Forfeited after Capitalisation Issue	**–**	–	**(1,850,920)**	–
Exercised after Capitalisation Issue	**–**	–	**(1,825,706)**	–
Outstanding at the end of the year	**8,633,336**	2,158,334	**26,579,418**	8,529,447

At December 31, 2019, 14,013,271 outstanding options after Capitalisation Issue (2018: 3,144,141) were exercisable.

The following table discloses the weighted average exercise price of the Company's share options held by grantees during the year:

	Weighted average exercise price*			
	Dr. Jiang		Employees	
	2019 ***USD***	2018 *USD*	**2019** ***USD***	2018 *USD*
Granted during the year	**–**	–	**0.16**	0.15
Forfeited during the year	**–**	–	**0.13**	0.04
Exercised during the year	**–**	0.04	**0.08**	0.03

* Adjusted by the effect of Capitalisation Issue

Fair value of share options granted

Back-solve method was used to determine the underlying equity fair value of the Company and OPM model to determine the fair value of the option granted. Key assumptions, such as risk-free interest rate and volatility, are required to be determined by the directors of the Company with best estimate.

24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

The Pre-IPO ESOP *(continued)*

Fair value of share options granted (continued)

The key inputs into the model were as follows:

	2019*	2018
Grant date option fair value per share	**USD0.82 – USD1.39**	USD2.73 – USD5.39
Weighted average share price	**USD1.28 – USD1.53**	USD4.47 – USD5.92
Exercise price	**USD0.14 – USD0.59**	USD0.10 – USD2.37
Expected volatility	**57.70% – 58.75%**	55.82% – 58.89%
Expected life	**4 years**	4 years
Risk-free rate	**2.43% – 2.45%**	2.48% – 2.91%
Expected dividend yield	**0%**	0%

* Adjusted by the effect of Capitalisation Issue.

During the year ended December 31, 2019, the Group has granted 837,185 Pre-IPO ESOP share options before Capitalisation Issue and the weighted average fair value is US$1.2 per share after adjusting the effect of the Capitalisation Issue.

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date. The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income for share options granted to a director of the Company and employees are approximately RMB63,934,000 for the year ended December 31, 2019 (2018: RMB57,819,000).

The Post-IPO ESOP

Pursuant to a resolution passed on January 30, 2019, the directors of the Company further adopted an employee equity plan (the "Post-IPO ESOP") to grant option awards to any employee, officer, director, contractor, advisor or consultant of the Group by reason of his or her contribution to the Group. The Post-IPO ESOP shall be valid and effective for a period of ten years commencing on February 26, 2019. Options granted must be taken up within the period specified in the letter containing the offer of the grant of the options. The total number of shares in respect of share options may be granted under the Post-IPO ESOP is not permitted to exceed 10% of the shares of the Company in issue immediately after completion of the IPO and as at the Listing Date (i.e. 98,405,153 shares), without prior approval from the shareholders of the Company.

On August 15, 2019, the Company announced that the board of directors approved granting of 40,480,421 options under the Post-IPO ESOP to Dr. Jiang. As such proposed grant would result in the Shares of the Company to be issued upon exercise of the options exceeding 1% of the total issued share capital of the Company, the proposed grant would be subject to independent shareholders' approval in the forthcoming general meeting.

24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

The Post-IPO ESOP *(continued)*

Unless otherwise approved by the directors of the Company and set forth in an offer letter, the vesting schedule should be forty-eight months consisting of a cliff vesting of twenty five percent on the first anniversary of the vesting commencement date and, thereafter, monthly vesting of equal instalments over the following thirty-six months, provided that the grantee continues to be an eligible employee (as described under the Post-IPO ESOP) as of each such vesting date.

The table below discloses movements of the Post-IPO ESOP share options held by grantees during the year:

	Number of Post-IPO ESOP share options	
	Dr. Jiang	Employees
At January 1, 2019	–	–
Granted during the year	–	**11,389,500**
Forfeited during the year	–	**(180,000)**
At December 31, 2019	–	**11,209,500**

At December 31, 2019, no outstanding Post-IPO ESOP share options were exercisable.

Fair value of share options granted

OPM model was used to determine the fair value of the Post-IPO ESOP share options granted. Key assumptions, such as risk-free interest rate and volatility, are required to be determined by the directors of the Company with best estimate.

The key inputs into the model were as follows:

	2019
Grant date option fair value per share	**HK$5.74 – HK$7.19**
Exercise price	**HK$10.79 – HK$15.86**
Expected volatility	**61.32% – 62.57%**
Expected life	**4 years**
Risk-free rate	**1.40% – 1.89%**
Expected dividend yield	**0%**

During the year ended December 31, 2019, the Group has granted 1,174,000, 1,888,000, 1,421,000 and 6,906,500 Post-IPO ESOP share options in April 2019, June 2019, October 2019 and December 2019, respectively.

24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

The Post-IPO ESOP *(continued)*

Fair value of share options granted (continued)

During the year ended December 31, 2019, the weighted average fair value of the Post-IPO ESOP options granted is HK$6.26 per share.

The directors of the Company estimated the risk-free interest rate based on the yield of the Hong Kong Government Bonds with a maturity life close to the option life of the Post-IPO ESOP share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date.

For the year ended December 31, 2019, the total expenses recognised in the consolidated statements of profit or loss and other comprehensive income for the Post-IPO ESOP share options granted to a director of the Company and employees are approximately RMB8,302,000.

(b) Restricted share units ("RSU")

The Pre-IPO RSU Plan

On August 3, 2018, December 6, 2018 and January 16, 2019, 8,467,541, 1,500,000 and 8,112,124 RSUs of the Company were granted at nil consideration to the grantees by the directors of the Company in accordance with Pre-IPO Incentivisation Plan respectively.

On August 14, 2018, the directors of the Company resolved and approved the vesting schedule of the RSU with 25% of the shares to be vested on the first anniversary of the vesting commencement date, and the remaining shares to be vested with equal monthly instalments over the following thirty-six months.

The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the restricted shares as of the grant date and recognised the amount as compensation expenses over the vesting period for each separate vesting portion of the RSUs. The total expense recognised in the consolidated statement of profit or loss and other comprehensive income for RSUs granted to a director of the Company and employees are approximately RMB276,227,000 for the year ended December 31, 2019 (2018: RMB147,984,000).

The RSUs were valued by the directors of the Company with reference to the valuation carried out by an independent qualified professional valuer, ValueLink Management Consultants Limited, on the grant respective dates of the RSUs. The weighted average fair value of the Pre-IPO RSU share awards granted is US$1.22 per share after adjusting the effect of the Capitalisation Issue.

24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share units ("RSU") (continued)

The Pre-IPO RSU Plan *(continued)*

The following table summarised the Group's Pre-IPO RSUs movement during the years:

	Number of RSU			
	Dr. Jiang		Employees	
	2019	2018	**2019**	2018
Outstanding at the beginning of the year	**4,240,956**	–	**5,726,585**	–
Granted before Capitalisation Issue	**5,210,478**	4,240,956	**2,901,646**	5,726,585
Forfeited before Capitalisation Issue	**–**	–	**–**	–
Capitalisation Issue	**28,354,302**	–	**25,884,693**	–
Exercised after Capitalisation Issue	**–**	–	**(9,385,302)**	–
Outstanding at the end of the year	**37,805,736**	4,240,956	**25,127,622**	5,726,585

As at December 31, 2019, 14,526,286 RSUs (2018: 3,182,067) have been vested but not yet registered and 48,407,072 RSUs (2018: 6,785,474) remained unvested.

Fair value of RSUs granted

Back-solve method was used to determine the underlying equity fair values of the Company and OPM model to determine the fair value of the RSUs granted. Key assumptions, such as years to liquidity event, risk-free interest rate and volatility, are required to be determined by the directors of the Company with best estimate.

The key inputs into the model other than the underlying equity fair value of the Company at grant date were as follows:

	2019	2018
Time to IPO	**0.01 year**	0.25 – 0.75 year
Time to liquidation	**6 years**	6 years
Risk-free interest rate	**2.55%**	2.77% – 2.88%
Volatility	**58.36%**	57.48% – 57.97%
Dividend yield	**0%**	0%
Possibilities under liquidation scenario	**0.50%**	50% – 70%
Possibilities under IPO scenario	**99.50%**	30% – 50%

24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share units ("RSU") (continued)

The Pre-IPO RSU Plan *(continued)*

Fair value of RSUs granted (continued)

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the period from the valuation date to the expected liquidation date. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the valuation date to expected liquidation date.

The Post-IPO RSU Plan

During the year ended December 31, 2019, a restricted share award scheme (the "Post-IPO RSU Plan") was approved and adopted pursuant to a resolution passed on March 22, 2019. The directors of the Company may, from time to time, at its absolute discretion grant RSUs to an eligible person in accordance with the Post-IPO RSU Plan. The overall limit on the number of RSUs under the Post-IPO RSU Plan is 7,650,000 shares and the maximum number of shares which may be awarded to any eligible person under the Post-IPO RSU Plan shall not exceed 1% of the issued share capital of the Company as at March 22, 2019.

On July 15, 2019, additional 30,360,316 ordinary shares (amounting for approximately 3.00% of the total issued share capital of the Company as of July 15, 2019) are reserved for issuance pursuant to the Post-IPO RSU Plan was approved by the Board.

The vesting of the Post-IPO RSUs granted is subject to the eligible person remaining at all times after the date of granting and on the vesting date an eligible person of the Post-IPO RSU Plan. RSUs granted under the Post-IPO RSU Plan shall have a contractual term of 10 years and generally vest over a four year period, with 25% of total options vesting on the anniversary date one year after the vesting commencement date and the remaining 75% vesting subsequently in 36 equal monthly instalments or with 25%, 25%, 25% and 25% of total RSUs vesting on the first, second, third and fourth anniversary date one year after the vesting commencement date.

The grantee may not have any interest or right in the RSUs granted until such Post-IPO RSUs have been vested.

The RSUs granted to the eligible person under the Post-IPO RSU Plan shall be restricted to eligible person only and shall not be assignable to other person. No eligible person may in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to the award. The Post-IPO RSU Plan will be expired on March 23, 2029.

The total expense recognise in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2019 for the Post-IPO RSU granted is RMB62,254,000.

24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share units ("RSU") (continued)

The Post-IPO RSU Plan *(continued)*

The following table summarised the Group's Post-IPO RSUs and movement during the year:

	Number of Post-IPO RSUs	
	Dr. Jiang	Employees
At January 1, 2019	–	–
Granted	**10,120,105**	**15,601,457**
Forfeited	–	**(536,000)**
At December 31, 2019	**10,120,105**	**15,065,457**

As at December 31, 2019, 25,185,562 Post-IPO RSUs remained unvested.

The fair value of the Post-IPO RSUs is measured on the basis of an observable market price as at grant date.

(c) Series B-2 Preferred shares

On August 3, 2018, the directors of the Company resolved that the Company will issue up to an additional 353,144 Series B-2 Preferred Shares at the purchase price of USD5.6634 per share to a limited partnership approved by the Company which is owned by the employees of the Group. On August 22, 2018, the directors of the Company further approved and announced the granting of the Series B-2 Preferred Shares to respective employees, and these 332,165 Series B-2 Preferred Shares were issued by the Company on September 25, 2018.

The Series B-2 Preferred Shares were valued by the directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer, ValueLink Management Consultants Limited, which has appropriate qualifications and experiences in valuation of similar instruments. The fair value was determined to be USD5.87 per share as of August 22, 2018.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income for Series B-2 Preferred Shares subscribed by the employees are approximately RMB1,029,000 for the year ended December 31, 2018 (2019:nil).

24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(c) Series B-2 Preferred shares (continued)

Fair value of Series B-2 Preferred Shares granted

Back-solve method was used to determine the underlying equity fair value of the Company and OPM model to determine the fair value of the Series B-2 Preferred Shares granted. Key assumptions, such as years to liquidity event, risk-free interest rate and volatility, are required to be determined by the directors of the Company with best estimate.

The key inputs into the model other than the underlying fair value of the Company at grant date were as follows:

	At August 22, 2018
Time to IPO	0.6 year
Time to liquidation	6 years
Risk-free interest rate	2.73%
Volatility	56.45%
Dividend yield	0%
Possibilities under liquidation scenario	60%
Possibilities under IPO scenario	40%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to period from the valuation date to the expected liquidation date. Volatility was estimated on the valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the valuation date to expected liquidation date.

(d) Restricted share award

On April 1, 2018, the Company issued an aggregate of 1,000,000 restricted shares to Dr. Jiang at a subscription price of USD0.0001 per share.

Dr. Jiang shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of any unvested shares and Dr, Jiang shall not transfer any vested shares, or any interest therein until Dr. Jiang has offered the Company the right to purchase the vested shares at the same price and on the same terms and conditions as those offered to any prospective transferee. The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the unvested restricted shares as of the grant date and is recognising the amount as compensation expense over the vesting period for each separately vesting portion of the unvested restricted shares.

24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(d) Restricted share award (continued)

437,500 restricted shares shall vest immediately on the grant date, and the remaining 562,500 restricted shares shall be subject to repurchase at the option of the Company at the subscription price paid by Dr. Jiang upon voluntary or involuntary termination of his employment with the Company (the "Repurchase Option"), arising which 20,833 of the unvested shares shall be vested and be released from the Repurchase Option on a monthly basis from May 1, 2018 until July 1, 2020.

On November 25, 2018, the directors of the Company resolved the Company to accelerate the vesting of all the remaining restricted shares of Dr. Jiang. All the remaining unvested restricted shares have become vested and recognised as share-based payment expenses on the same day.

The total expenses recognised in the consolidated statements of profit or loss and other comprehensive income for the restricted shares granted are approximately RMB28,130,000 for the year ended December 31, 2018 (2019: Nil).

The restricted shares were valued by the directors of the Company with reference to the valuation carried out by ValueLink Management Consultants Limited, on the grant date of the restricted shares. The fair value of the restricted shares was determined to be RMB28.13 per share as of April 1, 2018.

Dr. Jiang

The following table summarised the Group's unvested restricted shares movement during the year ended December 31, 2018:

	Number of unvested restricted shares	Weighted average granted date fair value *RMB*
Unvested as at January 1, 2018	–	
Granted	1,000,000	28.13
Vested	(1,000,000)	28.13
Unvested as at December 31, 2018	–	

24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(d) Restricted share award (continued)

Fair value of restricted shares granted

Back-solve method was used to determine the underlying equity fair value of the Company and OPM model to determine the fair value of the restricted shares granted. The key inputs into the model other than the underlying equity fair value of the Company at the date of grant were as follows:

	At April 1, 2018
Time to IPO	1 year
Time to liquidation	6 years
Risk-free interest rate	2.86%
Volatility	58.53%
Dividend yield	0%
Possibilities under liquidation scenario	70%
Possibilities under IPO scenario	30%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the period from the valuation date to the expected liquidation date. Volatility was estimated on the valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the valuation date to expected liquidation date.

25. OPERATING LEASES COMMITMENTS

The Group as lessee

At the end of 31 December 2018, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and laboratory premises which fall due as follows:

	2018 *RMB'000*
Within one year	5,798
In the second to fifth year inclusive	3,250
	9,048

26. CAPITAL COMMITMENTS

The Group had capital commitments under non-cancellable contracts as follows:

	31/12/2019 RMB'000	31/12/2018 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements: acquisition of intangible assets and property, plant and equipment	**4,020**	–

27. RETIREMENT BENEFIT PLANS

The PRC

The employees of the Company's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the relevant local government authority in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC and charged to profit or loss are approximately RMB18,688,000 for the year ended December 31, 2019 (2018: RMB7,712,000).

28. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the consolidated financial statements, the Group also entered into the following transactions during the year with certain related parties.

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management were as follows:

	2019 RMB'000	2018 RMB'000
Short term benefits	**27,459**	18,243
Retirement benefit scheme contributions	**368**	241
Total cash compensation	**27,827**	18,484
Share-based payment – non cash	**337,062**	200,822
	364,889	219,306

The remuneration of key management personnel is determined by the directors of the Company having regard to the performance of individuals and market trends.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its stakeholders and maintaining an adequate capital structure. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents, time deposits and equity attributable to owners of the Company, comprising issued ordinary share capital, preferred share capital and reserves.

The directors of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of the capital. The Group will balance its overall capital structure through the new shares issues as well as the issue of new debt.

30. FINANCIAL INSTRUMENTS

30a Categories of financial instruments

	2019 ***RMB'000***	2018 *RMB'000*
Financial assets		
Amortised cost (including restricted bank deposit, cash at banks and time deposits)	**2,609,696**	829,914
Cash equivalents at FVTPL	**217,104**	635,313
Other investments classified as financial assets measured at FVTPL	**11,946**	16,792
Debt instruments at FVTOCI	**4,811**	78,620
Financial liabilities		
Amortised cost	**39,435**	6,700
Derivative financial liabilities	**–**	1,015,648

30b Financial risk management objectives and policies

The Group's financial instruments include deposits and other receivables, debt instruments at FVTOCI, other investments classified as financial assets measured at FVTPL, restricted bank deposit, time deposits, cash and cash equivalents, derivative financial liabilities and trade and other payables. Details of these financial instruments are disclosed in the respective notes.

The risks associated with the Group's financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

30. FINANCIAL INSTRUMENTS (continued)

30b Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

Certain time deposits, cash and cash equivalents, other receivables, debt instruments measured at FVTOCI, other investments classified as financial assets at FVTPL and trade and other payables are denominated in foreign currencies of the respective group entities which are exposed to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging of significant foreign currency exposure should the need arise.

The carrying amounts of monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are as follows:

	Assets		Liabilities	
	2019 ***RMB'000***	2018 *RMB'000*	**2019** ***RMB'000***	2018 *RMB'000*
US$	**1,877,434**	1,545,572	**13,771**	436
HK$	**795,428**	–	**–**	–
Schweizer Franken ("CHF")	**–**	–	**25,596**	–

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase in RMB against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates increase in post-tax loss where RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss.

	2019 ***RMB'000***	2018 *RMB'000*
US$	**93,183**	77,257
HK$	**39,771**	–
CHF	**(1,280)**	–

The directors of the Company considered the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

30. FINANCIAL INSTRUMENTS (continued)

30b Financial risk management objectives and policies (continued)

Market risk *(continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate debt instruments at FVTOCI, lease liabilities and time deposits. The Group is also exposed to cash flow interest rate risk in relation to cash at banks (note 18). The Group currently does not enter into any hedging instrument for fair value or cash flow interest rate risk.

Sensitivity analysis

No sensitivity analysis is performed as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate cash at banks is insignificant because the current market interest rates are relatively low and stable.

(iii) Other price risk

The Group is exposed to other price risk arising from derivative financial liabilities and money market fund.

The Group is also exposed to other price risk arising from investments in fixed-rate debt instruments at FVTOCI.

Sensitivity analysis

Derivative financial liabilities

The sensitivity analyses below have been determined based on the exposure to price risk at the reporting date for derivative financial liabilities.

If the equity value of the Company had been changed based on the 5% higher/lower, the post-tax loss of the Group for the year ended December 31, 2018 would increase by RMB50,171,000 and decrease by RMB51,053,000. No derivative financial liabilities are outstanding as at December 31, 2019.

Money market funds

No sensitivity analysis is performed as the directors of the Company consider that the exposure of other price risk arising from the money market fund is insignificant because investments in money market fund are mainly on government treasury securities with high credit rating and liquidity.

30. FINANCIAL INSTRUMENTS (continued)

30b Financial risk management objectives and policies (continued)

Market risk *(continued)*

(iii) Other price risk (continued)

Sensitivity analysis (continued)

Investments in debt instruments at FVTOCI

The sensitivity analysis below have been determined based on the exposure to other price risk at the reporting date for investments in debt instruments at FVTOCI.

If the prices of the respective investments had been changed based on the 5% higher/lower, OCI for the year ended December 31, 2019 would increase/decrease by RMB241,000 (2018: RMB3,931,000).

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate other debtors and other debt instruments issuers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Life-time ECL-not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Life-time ECL-credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is write-off

30. FINANCIAL INSTRUMENTS (continued)

30b Financial risk management objectives and policies (continued)

***Credit risk and impairment assessment** (continued)*

For the purpose of impairment assessment for rental deposits, other receivables and receivables from the director and key managements of the Company, with a total gross carrying amount of RMB100,313,000 (2018: RMB2,675,000), the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for these financial assets, the directors of the Company have taken into account the assets positions of the counterparties in estimating the probability of default of each of the other receivables and other current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12m ECL allowance is insignificant.

The credit risk on restricted bank deposit, time deposits, cash at banks, debt instruments at FVTOCI and investments in money market funds of the Group is limited because the counterparties are banks, bond issuers, government and financial institutions with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group issues shares as a significant source of liquidity.

The directors of the Company are satisfied that the Group will have sufficient financial resource to meet its financial obligation as they fall due for the foreseeable future after taking into account of the aforesaid proceeds from the shares issuance and the expected working capital requirements for the next twelve months from the end of the reporting period.

The following table details remaining contractual maturity of the Group for the payables which has been drawn up based on the undiscounted cash flows based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate %	Repayable on demand or less than 1 year *RMB'000*	Total undiscounted cash flows *RMB'000*	Total carrying amount *RMB'000*
At December 31, 2019				
Trade and other payables	–	**39,435**	**39,435**	**39,435**
Lease liabilities	**5.22%**	**4,436**	**4,436**	**4,344**
At December 31, 2018				
Trade and other payables	–	6,700	6,700	6,700

30. FINANCIAL INSTRUMENTS (continued)

30c Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities (except for those set out below) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets and financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	December 31, 2019 *RMB'000*	December 31, 2018 *RMB'000*				
(1). Wealth management plan	**11,946**	16,792	Level 2	Income approach – In this approach, the discounted cash flow method was used to estimate the return from underlying assets.	N/A	N/A
(2) Conversation features derivatives	**–**	1,015,648	Level 3	Back-solve method and OPM method – the key inputs are: time to liquidity, risk-free interest rate, volatility and dividend yield, and possibilities under liquidation and IPO scenario	Possibilities under liquidation scenario 2019: N/A 2018: 50% Possibilities under IPO scenario 2019: N/A 2018: 50%	The higher the possibilities under IPO scenario, the higher the fair value *(note)*
(3) Corporate bonds	**–**	37,325	Level 1	Quoted bid prices in active market	N/A	N/A
(4) Treasury bills	**4,811**	41,295	Level 1	Quoted bid prices in active market	N/A	N/A
(5) Cash equivalents at FVTPL	**217,104**	635,313	Level 2	Based on the net asset values of the fund, which is determined with reference to observable and quoted prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A

Note: A 5% increase/decrease in the possibilities under IPO scenario, while all other variables keep constant, would increase the fair value of conversion features derivatives as at December 31, 2018 by RMB101,565,000 or decrease the carrying amount as at December 31, 2018 by RMB101,565,000.

30. FINANCIAL INSTRUMENTS (continued)

30c Fair value measurements of financial instruments (continued)

(ii) Reconciliation of Level 3 fair value measurements

Fair value gains or losses on derivative financial liabilities at FVTPL are included in "Loss on fair value changes of derivative financial liabilities measured at FVTPL" under "other gains and losses" line item.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

(iv) Fair value measurement and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation or uses quoted forward exchange rates derived from quoted exchange rates matching maturities of the contracts at the end of the reporting period. The finance department of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Derivative financial liabilities *RMB'000 (note 22)*	Subscription receivable of Preferred Shares *RMB'000 (note 22)*	Lease liabilities *RMB'000*	Accrued expenses for issue costs *RMB'000 (note 19)*	Total *RMB'000*
At January 1, 2018	86,495	(490)	–	–	86,005
Financing cash flows	43,876	–	–	(2,300)	41,576
Non-cash changes:					
Foreign exchange rate changes	–	(27)	–	–	(27)
Fair value changes	885,569	–	–	–	885,569
Repurchase of preferred shares	(292)	517	–	–	225
Deferred issued costs accrual *(note 16)*	–	–	–	8,312	8,312
At December 31, 2018	1,015,648	–	–	6,012	1,021,660
Adjustment upon application of IFRS 16 *(note 2)*	–	–	5,942	–	5,942
At January 1, 2019	**1,015,648**	**–**	**5,942**	**6,012**	**1,027,602**
Financing cash flows	**–**	**–**	**(4,986)**	**(101,201)**	**(106,187)**
Non-cash changes:					
Fair value changes	**756,464**	**–**	**–**	**–**	**756,464**
New leases entered *(note 14)*	**–**	**–**	**3,085**	**–**	**3,085**
Finance cost	**–**	**–**	**303**	**–**	**303**
Automatic conversion of preferred shares upon IPO	**(1,772,112)**	**–**	**–**	**–**	**(1,772,112)**
Deferred issued costs accrual *(note 16)*	**–**	**–**	**–**	**95,189**	**95,189**
At December 31, 2019	**–**	**–**	**4,344**	**–**	**4,344**

32. PARTICULARS OF SUBSIDIARIES

General information of subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are set out below:

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and fully paid share capital/registered capital	Shareholding/equity interest attributable to the Company		Principal activities
			2019	2018	
Directly held					
CStone HK	Hong Kong	Issued capital of HK$1 and paid-up capital of HK$1	**100%**	100%	Investment holding
CStone Australia	Australia	Registered capital of AUD19,000,000 (equivalent to RMB99,476,400) and paid-up capital of AUD11,714,643 (equivalent to RMB56,480,130)	**100%**	100%	Research and development
Indirectly held:					
CStone Suzhou	The PRC *(Note)*	Registered capital of USD59,761,363 (equivalent to RMB401,724,787) and paid-up capital of USD58,761,057 (equivalent to RMB394,746,452)	**100%**	100%	Research and development and sales of drugs
拓石藥業(上海)有限公司	The PRC *(Note)*	Registered capital of RMB4,080,000 and paid-up capital of RMB4,011,600	**100%**	100%	Research and development
創石(北京)醫藥科技有限公司	The PRC *(Note)*	Registered capital of RMB1,200,000 and paid-up capital of RMB850,000	**100%**	100%	Research and development

None of the subsidiaries had issued any debt securities at the end of the year.

Note: CStone Suzhou is a foreign invested limited liability company. 拓石藥業(上海)有限公司and 創石(北京)醫藥科技有限公司are domestic owned limited liability companies.

32. PARTICULARS OF SUBSIDIARIES (continued)

Details of the non-wholly owned subsidiary that have material non-controlling interests

The table below shows details of the non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018
				RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
CStone Suzhou	The PRC	***(note)***	*(note)*	**–**	(47,852)	**–**	–

Note: On June 20, 2018, CStone HK made further capital contribution into CStone Suzhou amounting to USD3,863,636 (equivalent to RMB25,564,134). Upon the completion of this capital injection, the equity interest held by non-controlling interests of CStone Suzhou decreased from 14.5631% to 12.1951%. On August 22, 2018, upon the completion of the shares transfer agreement, the non-controlling interests of CStone Suzhou have become preferred shareholders of the Company (note 22).

Summarised financial information in respect of CStone Suzhou that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	January 1, 2018 to August 21, 2018
	RMB'000
Expenses	(358,560)
Loss and total comprehensive expense for the period	(358,560)
Loss and total comprehensive expense attributable to:	
The Group	(310,708)
Non-controlling interests of CStone Suzhou	(47,852)
Loss and total comprehensive expense for the period	(358,560)
Net cash outflow from operating activities	(240,847)
Net cash inflow from investing activities	32,714
Net cash inflow from financing activities	222,119
Effects of foreign exchange rate changes	1,354
Net cash inflow	15,340

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 RMB'000	2018 RMB'000
Non-current assets		
Investments in subsidiaries	**2,164,696**	985,257
Amounts due from subsidiaries	**6,450**	19,195
	2,171,146	1,004,452
Current assets		
Other receivables	**533**	15,811
Debt instruments at FVTOCI	**4,811**	78,620
Time deposits	**1,599,431**	761,216
Cash and cash equivalents	**1,072,558**	652,714
	2,677,333	1,508,361
Current liabilities		
Other payables and accrued expenses	**133,330**	55,786
Amounts due to subsidiaries	**6,563**	1,069
Derivative financial liabilities	**–**	1,015,648
	139,893	1,072,503
Net current assets	**2,537,440**	435,858
Net assets	**4,708,586**	1,440,310
Capital and reserves		
Ordinary share capital	**687**	29
Preferred share capital	**–**	94
Reserves	**4,707,899**	1,440,187
Total equity	**4,708,586**	1,440,310

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

The movement of the reserves of the Company is as follows:

	Share premium *RMB'000*	Investment revaluation reserve *RMB'000*	Share-based payment reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At January 1, 2018	706,710	(1,477)	37,456	(282,895)	459,794
Profit (loss) and total comprehensive income (expense) for the year	–	1,827	–	(1,185,079)	(1,183,252)
Issuance of Preferred Shares	1,925,285	–	–	–	1,925,285
Cancellation of preferred shares	(225)	–	–	–	(225)
Recognition of equity-settled share-based payment	29,159	–	205,803	–	234,962
Exercise of share options *(note 24(a))*	24,942	–	(21,319)	–	3,623
At December 31, 2018	2,685,871	350	221,940	(1,467,974)	1,440,187
Loss and total comprehensive expense for the year	–	(350)	–	(1,008,258)	(1,008,608)
Recognition of equity-settled share-based payment	–	–	410,717	–	410,717
Exercise of share options *(note 24(a))*	34,192	–	(30,332)	–	3,860
Automatic Conversion of Preferred Shares upon IPO	1,772,112	–	–	–	1,772,112
Capitalisation Issue	(381)	–	–	–	(381)
Shares issued upon IPO and over-allotment	2,193,513	–	–	–	2,193,513
Transaction costs attributable to issuance of new shares	(103,501)	–	–	–	(103,501)
At December 31, 2019	**6,581,806**	**–**	**602,325**	**(2,476,232)**	**4,707,899**

34. SUBSEQUENT EVENTS

Except as disclosed elsewhere in the consolidated financial statements, the Group has the following subsequent events after December 31, 2019:

a. As of the date of the financial statements being authorised to issue, business operations of the Group in China have been impacted by an outbreak of the novel coronavirus (COVID-19) since the latter half of January 2020. The Group, following government mandate, have taken various mitigation measures including arranging for delivery of drug candidates via courier services, to ensure that patient protocol continues to be followed in those regions heavily impacted by the outbreak. Despite the management of the Group currently does not foresee significant disruption in the current ongoing trials, there could be potential delays in the patient enrollment of ongoing trials and delays in the initiation of additional clinical trials in 2020.

Definitions

In this 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.

"Agios"	Agios Pharmaceuticals, Inc., a corporation incorporated on August 7, 2007 and existing under the laws of the State of Delaware, U.S., whose shares are listed on NASDAQ (ticker symbol: AGIO)
"AGM"	annual general meeting of the Company
"Articles" or "Articles of Association"	the fourth amended and restated articles of association of the Company adopted on January 30, 2019 with effect from Listing, as amended, supplemented or otherwise modified from time to time
"Audit Committee"	the audit committee of the Board
"Board", "our Board" or "Board of Directors"	the board of directors of our Company
"Board Committees"	the Audit Committee, the Nomination Committee, the Compensation Committee, and the Strategy Committee
"CAGR"	compound annual growth rate
"CDE"	Center for Drug Evaluation
"CG Code"	The Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"China" or "PRC"	the People's Republic of China, for the purposes of this report only, excluding Hong Kong and Macau SAR and Taiwan
"Company", "CStone", "our Company", or "the Company"	CStone Pharmaceuticals (Stock code: 2616), an exempted company with limited liability incorporated under the laws of the Cayman Islands on December 2, 2015, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Compensation Committee"	the compensation committee of the Board
"Consolidated Financial Statements"	the audited consolidated financial statements of the Group

Definitions

"Corporate Governance Report"	the corporate governance report of the Group for the year ended December 31, 2019
"CRO(s)"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"CStone Suzhou"	CStone Pharmaceuticals (Suzhou) Co., Ltd. (基石藥業(蘇州)有限公司), a company established under the laws of the PRC on April 21, 2016 and one of the Company's subsidiaries
"CTA"	clinical trial application
"Director(s)"	the director(s) of our Company
"GIST"	gastrointestinal stromal tumor, a type of tumor that occurs in the gastrointestinal tract, most commonly in the stomach or small intestine
"Global Offering"	the Hong Kong public offering and the international offering of the Shares
"Group", "our Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries from time to time
"HCC"	hepatocellular carcinoma, a type of cancer arising from hepatocytes in predominantly cirrhotic liver
"HKD" or "HK$" or "HK dollars"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia
"Independent Auditor" or "Deloitte"	Deloitte Touche Tohmatsu
"INED(s)"	the independent non-executive Director(s)
"IO"	immuno-oncology
"IPO"	the initial public offering of the Company on the Stock Exchange
"Listing"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange

"Listing Date"	February 26, 2019, being the date on which the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market
"Memorandum" or "Memorandum of Association"	the fourth amended and restated memorandum of association of the Company adopted on January 30, 2019 with effect from Listing, as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"NDA"	new drug application
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"Nomination Committee"	the nomination committee of the Board
"Post-IPO ESOP"	the Company's post-IPO employee share option plan
"Post-IPO RSU Scheme"	the Company's post-IPO restricted share award scheme
"Preferred Share(s)"	preferred share(s) in the share capital of the Company prior to the Listing Date
"Pre-IPO Incentivization Plan"	the Company's pre-IPO employee equity plan
"Prospectus"	the prospectus of the Company, dated February 14, 2019, in relation to its global offering
"Reporting Period"	the one-year period from January 1, 2019 to December 31, 2019
"RET"	rearranged during transfection
"RMB" or "Renminbi"	Renminbi Yuan, the lawful currency of China
"Securities Transactions Code"	the code of conduct of the Company regarding securities transactions, namely the Policy on Management of Securities Transactions by Directors

Definitions

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of US$0.0001 each in the issued share capital of our Company
"Shareholders"	holders of Shares
"Share Incentivization Schemes"	the Pre-IPO Incentivization Plan, Post-IPO ESOP and Post-IPO RSU Scheme
"SM"	systemic mastocytosis, a form of mastocytosis, in which mast cells accumulate in internal tissues and organs such as the liver, spleen, bone marrow, and small intestines
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Board
"TGA"	Therapeutic Goods Administration of Australia
"USD" or "US$" or "US dollars"	United States Dollars, the lawful currency of the United States of America
"U.S. FDA"	U.S. Food and Drug Administration
"WuXi AppTec"	WuXi AppTec Co., Ltd, a limited company incorporated under the laws of PRC on December 1, 2000, whose shares are listed on the Shanghai Stock Exchange (stock code: 603259) and the Hong Kong Stock Exchange (stock code: 2359), and an independent third party
"WuXi Biologics"	WuXi Biologics (Cayman) Inc., a limited company incorporated under the laws of Cayman Islands on February 27, 2014, whose shares are listed on the Hong Kong Stock Exchange (stock code: 2269), and an independent third party
"WuXi Entities"	Wuxi Biologics and WuXi AppTec and their respective subsidiaries
"Zhengze Yuanshi"	Suzhou Industrial Park Zhengze Yuanshi Venture Capital L.P. (蘇州工業園區正則原石創業投資企業(有限合夥))
"%"	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.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