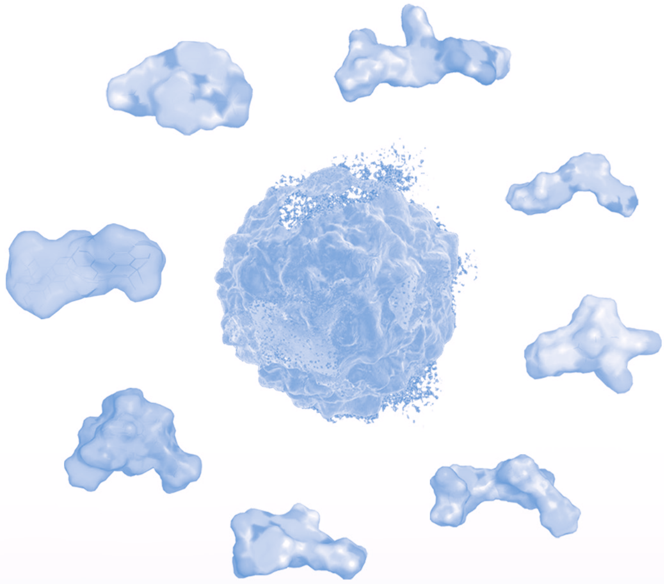
亞盛醫藥
Ascentage Pharma

Ascentage Pharma Group International
亞盛醫藥集團

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6855

2020
ANNUAL REPORT



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Definitions

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

"2018 RSU Scheme"	the restricted share unit scheme approved by the board of directors of the Company on July 6, 2018 as amended from time to time
"2021 RSU Scheme"	the restricted share unit scheme of the Company approved by the Board on February 2, 2021 for adoption, in its present form or as amended from time to time
"AGM"	annual general meeting of the Company
"Articles" or "Articles of Association"	the articles of association of the Company as amended from time to time
"Ascentage Australia"	Jiangsu Ascentage Pharma Pty. Ltd., a company incorporated in New South Wales, Australia with limited liability on March 24, 2016, our indirectly wholly-owned subsidiary
"Ascentage Grains Valley"	Suzhou Ascentage Grains Valley Venture Capital Co., Ltd. (蘇州亞盛磐谷創業投資有限責任公司), a limited liability company incorporated in the PRC, our indirectly wholly-owned subsidiary
"Ascentage HK" or "SPV III"	Ascentage Investment Limited (亞盛投資有限公司), a company incorporated in Hong Kong with limited liability on April 20, 2018, our indirectly wholly-owned subsidiary
"Ascentage International"	Ascentage International Limited (亞盛國際有限公司), a limited liability company incorporated in Hong Kong on October 28, 2015, our wholly-owned subsidiary
"Ascentage Investment" or "SPV II"	Ascentage Investment International, an exempted company incorporated in the Cayman Islands with limited liability on March 22, 2018, our wholly-owned subsidiary
"Ascentage Jiangsu"	Jiangsu Ascentage Pharma Co., Ltd (江蘇亞盛醫藥開發有限公司), a limited liability company incorporated in the PRC on June 1, 2010, our indirectly wholly-owned subsidiary
"Ascentage Pharma (HK)"	Ascentage Pharma Group Corp Limited (亞盛醫藥集團(香港)有限公司), a company incorporated in Hong Kong with limited liability on May 22, 2009, our wholly-owned subsidiary
"Ascentage Shanghai"	Shanghai Yasheng Pharmaceutical Technology Co., Ltd. (上海亞盛醫藥科技有限公司) (formerly known as 上海亞晟醫藥科技有限公司), a limited liability company incorporated in the PRC on December 10, 2015, our indirectly wholly-owned subsidiary
"Ascentage Suzhou"	Suzhou Yasheng Pharmaceutical Co., Ltd. (蘇州亞盛藥業有限公司), a limited liability company incorporated in the PRC, our indirectly wholly-owned subsidiary
"Ascentage US"	Ascentage Pharma Group Inc., a corporation incorporated in Delaware, United States on November 4, 2015, our indirectly wholly-owned subsidiary
"Audit Committee"	the audit committee of the Board

"Board Committees"	the Audit Committee, the Remuneration Committee and the Nomination Committee
"Board of Directors" or "Board"	our board of Directors
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Chairman"	the chairman of the Board
"Company", "our Company", "Ascentage Pharma", "Group", "our Group", "we", "our" or "us"	Ascentage Pharma Group International (亞盛醫藥集團) (stock code: 6855), an exempted company incorporated in the Cayman Islands with limited liability on November 17, 2017
"Concert Party Confirmation Deed"	the concert party confirmation deed dated August 11, 2018 executed by Dr. Yang, Dr. Wang, Dr. Guo, Dr. Zhai, the Founders SPV and the Dr. Zhai SPV, to confirm, agree and acknowledge, among other things, that they are parties acting in concert in relation to our Group since December 5, 2016 and will continue to act in concert after the Listing
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires refers to the Founders, the Founders SPV, Dr. Zhai, Dr. Zhai SPV
"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules. For the purposes of this annual report, our Core Product is HQP1351
"Deed of Non-Competition"	the deed of non-competition dated April 24, 2019 entered into by our Controlling Shareholders, in favour of our Company (for itself and as trustee for each of our subsidiaries), particulars of which are set out in the paragraph headed "Relationship with Controlling Shareholders — Non-competition undertakings" in the Prospectus
"Director(s)"	the director(s) of the Company or any one of them
"Dr. Guo"	Dr. Guo Edward Ming, our chief operating officer and Controlling Shareholder
"Dr. Wang"	Dr. Wang Shaomeng, our non-executive director and Controlling Shareholder
"Dr. Yang"	Dr. Yang Dajun, our chairman, chief executive officer, Controlling Shareholder, and spouse of Dr. Zhai
"Dr. Zhai"	Dr. Zhai Yifan, our chief medical officer, Controlling Shareholder, and spouse of Dr. Yang
"Dr. Zhai SPV"	HealthQuest Pharma Limited, a company incorporated in BVI with limited liability and wholly owned by Dr. Zhai (for herself and as settlor of the Zhai Family Trust), our Controlling Shareholder
"FDA"	U.S. Food and Drug Administration
"Founders"	Dr. Yang, Dr. Wang and Dr. Guo

Definitions

"Founders Family Trusts"	Yang Family Trust, Wang Family Trust and Guo Family Trust
"Founders SPV"	Ascentage Limited, a company incorporated in BVI with limited liability which is owned by Dr. Yang (for himself and as settlor of the Yang Family Trust) as to 45.53%, Dr. Guo (for himself and as settlor of the Guo Family Trust) as to 27.69% and Dr. Wang (for himself and as settlor of the Wang Family Trust) as to 26.78% as at the Latest Practicable Date, our Controlling Shareholder
"FVTPL"	fair value through profit or loss
"Global Offering"	the Hong Kong public offering and international offering as described in the Prospectus
"Guo Family Trust"	Ming Edward Guo Dynasty Trust, a discretionary family trust established by Dr. Guo as settlor for the benefits of Dr. Guo's family members, of which South Dakota Trust is a trustee
"Healthquest Pharma"	Guangzhou Healthquest Pharma Co., Ltd. (廣州順健生物醫藥科技有限公司), a limited liability company incorporated in the PRC on July 3, 2012, our indirectly wholly-owned subsidiary
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"Independent Auditor"	Ernst & Young
"IPO"	the initial public offering of the Company, having become unconditional in all aspects on October 28, 2019
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	October 28, 2019, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"NDA"	new drug application
"Nomination Committee"	the nomination committee of the Board
"Post-IPO Share Option Scheme"	the post-IPO share option scheme approved by the board of directors of the Company on September 28, 2019 as amended from time to time
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved by the board of directors of the Company on July 13, 2018 as amended from time to time
"Prospectus"	the prospectus of the Company dated October 16, 2019

"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the one-year period from January 1, 2020 to December 31, 2020
"RMB"	Renminbi, the lawful currency of the PRC
"RSU Holdco"	Best Elevation Limited, a business company incorporated in the BVI with limited liability which holds the Shares of our Company on trust for the benefits of selected future employees of the Company
"RSU(s)"	restricted share unit(s)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai UUBiopharma"	Shanghai UUBiopharma Co., Ltd. (上海優佑健藥業有限公司), a limited liability company incorporated in the PRC, our indirectly wholly-owned subsidiary
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of US$0.0001 each
"Shareholder(s)"	holder(s) of Shares
"South Dakota Trust"	South Dakota Trust Company LLC, the trustee of each of Founders Family Trusts and Zhai Family Trust
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trustee"	the trustee(s) to be appointed by the Board to hold Shares for the purpose of the 2021 RSU Scheme
"Unity"	Unity Biotechnology, Inc.
"U.S." or "the United States"	the United States of America, its territories, its possession and all areas subject to its jurisdiction
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"Wang Family Trust"	Shaomeng Wang Dynasty Trust, a discretionary family trust established by Dr. Wang as settlor for the benefits of Dr. Wang's family members, of which South Dakota Trust is a trustee
"Yang Family Trust"	Dajun Yang Dynasty Trust, a discretionary family trust established by Dr. Yang as settlor for the benefits of Dr. Yang's family members, of which South Dakota Trust is a trustee
"Zhai Family Trust"	Yifan Zhai Dynasty Trust, a discretionary family trust established by Dr. Zhai as settlor for the benefits of Dr. Zhai's family members, of which South Dakota Trust is a trustee
"%"	per cent.

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

Corporate Information

BOARD OF DIRECTORS

Executive Director

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

Non-executive Directors

Dr. Wang Shaomeng
Dr. Tian Yuan
Mr. Zhao Qun (resigned on March 31, 2021)
Dr. Lu Simon Dazhong
Mr. Liu Qian

Independent non-executive Directors

Mr. Ye Changqing
Dr. Yin Zheng
Mr. Ren Wei
Dr. David Sidransky (appointed on March 31, 2021)

COMPANY SECRETARY

Mr. Wong Cheung Ki Johnny, *FCPA, FCG (CS, CGP), FCS (CS, CGP)*

AUTHORISED REPRESENTATIVES

Mr. Yang Dajun
Mr. Wong Cheung Ki Johnny, *FCPA, FCG (CS, CGP), FCS (CS, CGP)*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

COMPLIANCE ADVISER

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

HONG KONG LEGAL ADVISER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

STOCK CODE

Stock Code: 6855

WEBSITE

www.ascentagepharma.com

Financial Highlights

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

	For the year ended December 31,				
	2016	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	7,667	6,328	6,807	14,513	**12,450**
Research and development expenses	(102,692)	(118,815)	(249,565)	(463,883)	**(564,571)**
Administrative expenses	(22,032)	(26,314)	(89,717)	(161,643)	**(128,970)**
Loss for the year	(107,839)	(118,514)	(345,307)	(1,480,714)	**(677,606)**
Total comprehensive loss for the year	(107,342)	(120,299)	(369,084)	(1,579,513)	**(740,809)**

	As at December 31,				
	2016	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total current assets	463,699	414,713	990,219	909,105	**1,079,044**
Total non-current assets	129,642	166,951	239,157	295,945	**651,995**
Total current liabilities	77,618	79,535	105,269	202,062	**276,148**
Total non-current liabilities	530,329	633,926	2,135,693	112,513	**608,270**
Total equity/(deficit)	(14,606)	(131,797)	(1,011,586)	890,475	**846,621**

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

Dear Shareholders,

On behalf of the board of directors of the company, I am pleased to present our annual report for the financial year ended 31 December 2020.

The year of 2020 witnessed Ascentage Pharma's numerous significant milestones as we made meaningful progress across all aspects of our business. We have built a robust pipeline of eight clinical stage and four pre-clinical stage drug candidates, with the focus on difficult-to target protein-protein interactions, or PPIs, key regulatory proteins for apoptosis (or programmed cell death) and next generation tyrosine kinase inhibitors, or TKIs. Our clinical stage drug candidates include HQP1351, a third generation BCR-ABL/KIT inhibitor and apoptosis targeting compounds, APG-2575 (a Bcl-2 selective inhibitor), APG-1387 (a pan-IAP inhibitor), APG-115 (an MDM2-p53 inhibitor) and so on. Additionally, our pre-clinical drug candidates include APG-5918 (an EED inhibitor), AS-1266(an allosteric BCR-ABL inhibitor), APG-1842 (a KRAS G12C inhibitor) and an MDM2 protein degrader.

Ascentage Pharma's clinical development effort has received fast-growing recognition by international regulatory authorities and academic community. Our leading drug candidate, HQP1351, has witnessed its NDA submission in June 2020, and was included int the list of "Priority Review" by CDE in October 2020. In March 2021, HQP1351 was granted a Breakthrough Therapy Designation by CDE. Our drug candidate APG-2575 has reported that the objective response rate (ORR) of 70% has been reached in evaluable relapsed/refractory (r/r) chronic lymphocytic leukemia (CLL)/small lymphocytic lymphoma (SLL) patients in December 2020. We have received eleven Orphan Drug Designations (ODDs) from the US FDA until March 31, 2021, which is a record number by any Chinese biopharmaceutical company. We presented six abstracts at the 2020 American Association for Cancer Research (AACR) Annual Meeting. We presented four abstracts at American Society of Clinical Oncology (ASCO) Annual Meeting 2020. We announced the new clinical data of HQP1351 and gave an oral report at the 2020 American Society of Hematology Annual Meeting. Following our oral presentations in 2018 and 2019, this is the third consecutive time in which clinical progress of HQP1351 was selected for oral presentation at the ASH Annual Meetings.

Moreover, we have built strategic partnership globally to further promote our competences. In June 2020, Ascentage Pharma has entered a clinical collaboration with Acerta Pharma, the hematology research and development center of excellence of AstraZeneca, to study the combination of Ascentage Pharma's APG-2575 and Acerta Pharma's CALQUENCE® (acalabrutinib), a BTK inhibitor, evaluating the efficacy and safety of this combination therapy in patients with r/r CLL/SLL. In July 2020, we have entered a clinical collaboration with MSD to evaluate the combination of APG-115 and KEYTRUDA® (pembrolizumab), MSD's anti-PD-1 therapy, for the treatment of patients with advanced solid tumors. In December 2020, we have received the milestone in common stock from our global strategic cooperation partner, UNITY Biotechnology, as it has dosed the first patient in the US for drug candidate UBX1325 in patients with diabetic macular edema (DME). UBX1325 is developed from BM-962, a Bcl-xL inhibiting compound licensed to UNITY by Ascentage Pharma for the treatment of age-related diseases. Those strategical collaborations and partnerships that help rapidly advance the development of drug candidate in our broad clinical pipeline should allow us to capture additional commercialization opportunities in the future.

Ascentage Pharma is positioned to become a fully integrated global focused biotechnology company with a comprehensive set of capabilities beyond our core competency in research and development. Since December 2020, we have started establishing our own sales and marketing team with the arrival of the Chief Commercial Officer. Our own China-based global R&D center and manufacturing facility has completed the construction of the structure by January 2021 and should be commissioned in 2021. Also, Ascentage pharma was officially included into the Shenzhen-Hong Kong Stock Connect program (the "**Hong Kong Stock Connect**") in December 2020.

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

Dr. Yang Dajun
Chairman and Chief Executive Officer

Suzhou, PRC, March 31, 2021

Management Discussion and Analysis

OVERVIEW

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

Our PPI drug candidates are intended to treat cancer and other diseases by restoring the normal function of key intrinsic apoptotic pathways, including the Bcl-2/Bcl-xL, MDM2-p53 and IAP pathways, which play a pivotal role in regulating apoptosis. We are also developing several next generation TKIs to treat diseases with high unmet medical needs. Our compounds are being developed for use as a single agent or in combination with other therapies. As of December 31, 2020, we are conducting more than 30 Phase I or II clinical trials to evaluate our eight drug candidates in the United States, Australia and China. In addition, we are developing and implementing biomarker strategies in our drug discovery with the goal of improving the success rates of our clinical trials.

Product Pipeline

We have a pipeline of eight clinical stage small molecule drug candidates. The following table summarizes our pipeline and the development status of each candidate as at December 31, 2020:

BUSINESS REVIEW

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

Core Product Candidate

HQP1351

Our Core Product, HQP1351 (Olverembatinib), is a third generation BCR-ABL inhibitor targeting BCR-ABL mutants, including those with the T315I mutation. With the "one-time umbrella approval" of HQP1351 in China, HQP1351 is currently under development as monotherapy for treatment of patients with TKI resistant CML with or without T315I mutation. The HQP1351 NDA was submitted to National Medical Products Administration (NMPA) in China in June 2020, and was accepted by the Center for Drug Evaluation (CDE) under the NMPA with "Priority Review" status based on the results of two pivotal phase II clinical studies, for the treatment of patients with tyrosine kinase inhibitor (TKI) resistant and with T315I-mutant chronic phase chronic myeloid leukemia (CML) and accelerated phase CML in October 2020. HQP1351 has been included in the list of the commercialization application made in China if the application is approved, HQP1351 will be the first marketed third generation BCR-ABL inhibitor in China. The third pivotal study in CML patients who are resistant/ intolerant to 1st and 2nd generation TKIs is ongoing, the enrollment of this study will be completed in the first half of 2021.

In addition, a Phase Ib clinical trial for the treatment of patients with TKI resistant CML and Philadelphia Chromosome positive ALL (Ph + ALL) with or without T315I mutations is ongoing in the United States. Preliminary data have demonstrated that HQP1351 is efficacious on treatments of these CML patients who are TKI resistant including resistant or failed to Ponatinib. Furthermore, FDA has granted HQP1351 an Orphan Drug Designation for the treatment of CML and a Fast Track Designation for the treatment of CML with certain genetic markers who have failed to respond to treatments with existing TKIs in April 2020.

Data from the clinical trial showed that HQP1351 has achieved significant antitumor activity in TKI resistant CML patients with favorable safety profile. The positive data from pivotal Phase II clinical studies of HQP1351 (Olverembatinib) was present orally at the 62nd American Society of Hematology (ASH) Annual Meeting in December 2020. This is the third consecutive time in which clinical progress of HQP1351 was selected for oral presentation at the ASH Annual Meetings since 2018.

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

Key Product Candidates

APG-2575

APG-2575 is a novel, orally administrated Bcl-2 selective inhibitor developed to treat a variety of hematologic malignancies by selectively blocking Bcl-2 to restore the normal apoptosis process in cancer cells. APG-2575 had received clearances and approvals for multiple Phase Ib/II clinical studies in China, United States, Australia and Europe, and is currently being clinically developed in a range of hematologic malignancies globally.

Total 13 Phase I/II clinical studies are ongoing globally, with over 150 subjects who have been treated with APG-2575 as a single agent at doses ranging from 20 mg to 1200 mg. APG- 2575 is also the first made-in-China Bcl-2 selective inhibitor to enter clinical trials in China. The patients enrolled include chronic lymphocytic leukemia (CLL), mantle cell lymphoma (MCL), acute myeloid leukemia (AML), multiple myeloma (MM), Waldenstrom macroglobulinemia (WM), diffuse large B-cell lymphoma (DLBCL), follicular lymphoma (FL),and Hairy cell leukemia (HCL), etc.

More than 50 patients with relapsed/refractory CLL (r/r CLL) have been treated with APG-2575. Preliminary results have showed that an objective response rate (ORR) of more than 70% has been reached in the evaluable patients. No DLT (dose limited toxicity) has been reported and the maximum tolerated does (MTD) has not been reached, even in 1200mg dose level, which shows that APG-2575 has a much better safety profile in the same class drug. Most treatment-related adverse events (TRAEs) were of Grade 1 or 2. Limited cases of neutropenia and thrombocytopenia were reported.

In addition, we entered a global clinical collaboration with Acerta Pharma, the hematology research and development center of excellence of AstraZeneca to evaluate the combination of APG-2575 with acalabrutinib, a BTK inhibitor in patients with R/R CLL/SLL in June 2020.

Furthermore, FDA has granted five Orphan Drug Designations (ODDs) on APG-2575 for the treatment of patients with follicular lymphoma (FL), Waldenström macroglobulinemia (WM), chronic lymphocytic leukemia (CLL), multiple myeloma (MM), and acute myeloid leukemia (AML).

APG-1252

APG-1252 is a novel, highly potent, small molecule drug designed to restore apoptosis through selective inhibition of the Bcl-2 and Bcl-xL proteins for the treatment of small cell lung cancer (SCLC), non-small cell lung cancer (NSCLC) and myelofibrosis.

A total of 135 patients have been treated with APG-1252. We are currently conducting three Phase I dose-escalation/expansion trials in patients with advanced cancers in the United States Australia and China, respectively. APG-1252 is also being tested in a variety of combination trials including a Phase Ib/II study of APG-1252 plus paclitaxel in patients with SCLC in the United States and Australia, a Phase Ib/II study of APG-1252 plus ruxolitinib in patients with myelofibrosis in the United States, and a Phase Ib study of APG-1252 plus osimertinib in patients with NSCLC in China.

Furthermore, the US Food and Drug Administration (FDA) has granted APG-1252 an Orphan Drug Designation for the treatment of small-cell lung cancer (SCLC) in October 2020.

APG-115

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

APG-115 is the first MDM2-p53 inhibitor entering clinical stage in China, with multiple ongoing clinical studies in treating solid tumors as well as hematological tumors in China, the United States, and Australia.

We are currently enrolling three clinical trials of APG-115 in the United States, a Phase Ib/II study in combination with pembrolizumab for treatment of metastatic melanoma and other advanced solid tumors, in collaboration with Merck, a Phase I/II combination with chemo in AML, and a Phase I/II study as a single agent or in combination with chemotherapy for treatment of salivary gland cancer.

APG-115 is the first MDM2-p53 inhibitor to enter clinical stage in China with a Phase Ib/II study as a single agent or in combination with chemotherapy for treatment of AML or MDS (myelodysplastic syndrome).

In addition, The Center for Drug Evaluation (CDE) of the China National Medical Products Administration (NMPA) has granted clinical approval for a Phase Ib/II clinical study of APG-115 in combination with PD-1/PD-L1 inhibitors for the treatment of patients with advanced liposarcoma (LPS) or other advanced solid tumors, as well as approved a clinical study of APG-115, as a single agent or in combination with the APG-2575, for the treatment of patients with relapsed/refractory T-cell prolymphocytic leukemia (R/R T-PLL). This study will also enroll in the USA.

In addition, in 2020, the US Food and Drug Administration (FDA) has granted APG-115 four Orphan Drug Designation for the treatment of soft tissue sarcoma, for the treatment gastric cancer(GC), the treatment of acute myeloid leukemia (AML) and for the Retinoblastoma.

Other Clinical or IND-stage Candidates

APG-1387

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

APG-1387 is the first IAP-targeting drug to enter clinical trials in China and has completed the Phase I clinical trials as a single agent in solid tumors in Australia and China. We are currently conducting a Phase I clinical trial in the United States, testing combination of APG-1387 with pembrolizumab ("**Keytruda**"), an anti-PD-1 mAb in solid tumors and the preliminary result was released in ASCO meeting in May 2020. Meanwhile, in China, a Phase Ib/II clinical trial testing the combination of APG-1387 with toripalimab (拓益), another anti-PD-1 mAb in solid tumors is ongoing. A Phase Ib/II clinical trial of APG-1387 in combination with nab-paclitaxel plus gemcitabine in advanced pancreatic cancer is in initiation.

In addition, 2 clinical trials of APG-1387 in Hepatitis B disease area are ongoing. The Phase I trial of single agent APG1387 in treatment naive Chronic Hepatitis B (CHB) patients has completed the treatment and follow-up in the monotherapy regimen. With the positive preliminary result, the extension of the Phase I study with APG-1387 sequentially combo with NAs in treatment naive CHB patients is ongoing. A Phase II clinical trial of APG-1387 concurrently combo with nucleic acids in CHB patients is ongoing as well. As at December 31, 2020, a total of 176 patients were enrolled and treated in the studies.

Pre-clinical Assets And Discovery Programmes

Mcl-1 inhibitors AS00491 and APG-3526

Mcl-1 is another important member of the Bcl-2 family proteins that regulate apoptosis. Mcl-1 is in one of the top 10 most frequently amplified gene regions for cancer. Overexpression of Mcl-1 contributes to the evasion of apoptosis and is one of the major resistance mechanisms for many types of chemotherapy and targeted therapy, including venetoclax. Mcl-1 mediates its effects primarily through interactions with pro-apoptotic BH3-containing proteins, and traditionally it has been a difficult target for drug development in the PPI field. Currently, there are two Mcl-1 inhibitors in active clinical trials.

We have discovered multiple lead compounds of Mcl-1 inhibitors using PPI platform, including AS00491 and APG-3526, which exhibit high binding affinity to Mcl-1 and anti-proliferative activity in cell-based assays. In xenograft model studies in vivo, AS00491 and APG-3526 exerted significant antitumor activity in human AML MV-411 and MM NCI-929 and OPM-2 models. Treatment with these lead compounds led to equivalent or more potent antitumor activity compared with the reference agent AZD-5991 in human AML and MM xenograft models. CR was achieved after a single intravenous administration of AS00491 or APG-3526. The pharmacodynamics (PD) study using tumor samples further revealed caspase 3 activation and PARP cleavage triggered by APG-3526, which disrupts MCL-1:BIM (Bcl-2-like protein 11) complex thus freeing BIM to initiate the apoptotic cascade.

EED inhibitor APG-5918

APG-5918 has been nominated as the clinical candidate targeting EED in April 2020, marking the entrance of the program into the IND-enabling stage. APG-5918 is a potent, orally available, and selective EED inhibitor with the best-in-class potential. APG-5918 demonstrated substantial activities in both biochemical and cell-based assays, as well as impressive antitumor activity in xenograft tumor models in mice. In addition, APG-5918 showed overall favorable DMPK, TOX and physicochemical properties.

Allosteric BCR-ABL inhibitor AS1266

After the 3rd generation BCR-ABL inhibitor HQP1351 targeting T315I mutation, the company developed AS1266, a fourth generation BCR-ABL inhibitor. AS1266 binds to an allosteric pocket unique to BCR-ABL fusion protein. AS1266 is highly a selective, unique inhibitor, leading to enhanced activity and offering the potential for overcoming acquired drug resistance conferred by additional mutations. Indeed, AS1266 in combination with classical TKIs including HQP1351 shows synergic effect in cells expressing various drug resistant mutations.

Management Discussion and Analysis

KRAS G12C covalent inhibitor APG-1842

The Company has developed multiple classes of highly potent KRAS G12C mutant specific inhibitors, lead compounds have demonstrated potent in vitro activity against cancer cells with mutated KRAS G12C. It has demonstrated excellent oral pharmacokinetics, robust antitumor activity in animal models.

PROTACs MDM2 protein degrader

The Company entered into an agreement with the University of Michigan through which the Company shall obtain the exclusive global rights to a MDM2 protein degrader developed the Proteolysis-Targeting Chimeras (PROTACs) technology. The molecule is well tolerated in mice, rats and dogs; has excellent pharmacokinetics in rodents and non-rodents.

RESEARCH AND DEVELOPMENT

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

For the years ended December 31, 2019 and 2020, our research and development expenses were RMB463.9 million and RMB564.6 million, respectively.

INTELLECTUAL PROPERTIES

Intellectual property rights are fundamental to our business. Through our robust research and development, we have strategically developed a global intellectual property portfolio with exclusive licenses to issued patents or patent applications worldwide with respect to our product candidates. As at December 31, 2020, we had 110 issued patents and more than 450 patent applications globally, among of which, about 90 patents had been issued overseas.

BUSINESS DEVELOPMENT

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

In June 2020, we have entered into a global clinical collaboration with Acerta Pharma, the hematology research and development center of excellence of AstraZeneca (LSE/STO/NYSE: AZN). We will sponsor a clinical trial to study the combination of APG-2575, and Acerta Pharma’s CALQUENCE® (acalabrutinib), a BTK inhibitor, evaluating the efficacy and safety of this combination therapy in patients with r/r CLL/SLL.

In July 2020, we entered into a global clinical collaboration with MSD to evaluate the combination of APG-115 and Keytruda for the treatment of patients with advanced solid tumors. We have commenced three clinical trials of APG-115 in the United States, including a Phase I study as single agent, a Phase Ib/II study in combination with pembrolizumab for treatment of metastatic melanoma and other advanced solid tumors, and a Phase I/II study as a single agent or in combination with chemotherapy for treatment of salivary gland cancer.

Furthermore, we signed a strategic cooperation agreement with China National Clinical Research Center for Hematological Diseases on the joint construction of the “National Hematological Diseases Clinical Medical Research Center” to promote the research and clinical development in this field in July 2020.

In December 2020, we received milestone payment from our global strategic cooperation partner, UNITY Biotechnology according to the licensing agreement entered into between Ascentage Pharma and UNITY of drug candidate UBX1325, a drug developed from BM-962, a Bcl-xL inhibiting compound licensed to UNITY by Ascentage Pharma for the treatment of age-related diseases.

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

MANUFACTURING

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

In November 2019, the groundbreaking ceremony for the new Suzhou Facility was held at the Suzhou Industrial Park. At the Suzhou Facility, we intend to produce drug product for clinical or, in the future, commercial use. The Suzhou Facility is expected to consist of two oral-solid-dosage production lines, for both tablet and capsule formulations, and two parenteral liquid/lyophilization powder-for-injection production lines. Our own China-based global R&D center and manufacturing facility has completed the construction of the structure by January 2021 and should be commissioned in 2021.

EXPECTED COVID-19 IMPACT

The Company expects that even though vaccines have begun to be distributed, the Company's global operations, including clinical trial recruitment and participation, regulatory interactions, drug supply and manufacturing and R&D facility construction, will continue to be negatively impacted depending on the scope and duration of the novel coronavirus pneumonia ("**COVID-19**").

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

The Company is closely monitoring the impact of COVID-19 and will operate our clinical trials in compliance with applicable regulatory guidelines during the COVID-19 pandemic to minimize delays and disruptions which may have an impact on our ability to deliver our clinical and regulatory goals in 2021.

Facing the severe novel coronavirus pandemic, Ascentage Pharma proactively fulfilled its social responsibility by donating RMB500,000 to Wuhan Union Hospital and Wuhan Tongji Hospital in January 2020, for their procurement of relevant protective equipment and other urgently needed medical supplies to combat the pandemic. Meanwhile, Ascentage Pharma also took the initiative to organize procurement of supplies, spending a total amount of RMB500,000 to purchase urgently needed medical supplies, including N95 masks, protective clothing, safety goggles and other medical supplies, from the United States, which were delivered to various hospitals in Wuhan.

Through our connection with various parties, we made use of the voluntary donation of RMB100,000 from our employees to purchase medical disposable protective clothing. We successfully purchased 400 protective clothing, which was delivered directly to Peking University People's Hospital in March 2020 to help combat the pandemic.

FINANCIAL REVIEW

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Revenue	**12,450**	14,513
Other income and gains	**45,265**	49,116
Selling and distribution expenses	**(1,372)**	—
Research and development expenses	**(564,571)**	(463,883)
Administrative expenses	**(128,970)**	(161,643)
Finance costs	**(6,255)**	(4,274)
Other expenses	**(30,029)**	(914,049)
Loss for the year	**(677,606)**	(1,480,714)
Total comprehensive loss for the year	**(740,809)**	(1,579,513)

Overview

For the year ended December 31, 2020, the Group recorded revenue of RMB12.5 million, as compared with RMB14.5 million for the year ended December 31, 2019, and the total comprehensive loss of RMB740.8 million, as compared with RMB1,579.5 million for the year ended December 31, 2019. The loss of the Group was RMB677.6 million for the year ended December 31, 2020, as compared with RMB1,480.7 million for the year ended December 31, 2019, the decrease was primarily attributable to no fair value loss on convertible redeemable preferred shares was accounted for the year ended December 31, 2020, as compared to a fair value loss on convertible redeemable preferred shares of RMB836.7 million for the year ended December 31, 2019. The selling and distribution expenses of the Group was RMB1.4 million for the year ended December 31, 2020, while no such expenses were incurred for the year ended December 31, 2019, since the Group only started the preparations of commercialization in 2020. The research and development expenses of the Group was RMB564.6 million for the year ended December 31, 2020, as compared with RMB463.9 million for the year ended December 31, 2019. The administrative expenses was RMB129.0 million for the year ended December 31, 2020 as compared with RMB161.6 million for the year ended December 31, 2019.

Revenue

For the year ended December 31, 2020, the Group generated revenue of RMB12.5 million from the non-recurring research and development services provided to the customers and an IP license fee income from Unity, as compared to RMB14.5 million for the year ended December 31, 2019, representing a decrease of RMB2.0 million, or 14.2%. We have not commercialized any of our product candidates and therefore did not generate any revenue from sales of drug products in 2019 and 2020.

Other Income and Gains

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

For the year ended December 31, 2020, other income and gains of the Group decreased by RMB3.8 million, or 7.7% to RMB45.3 million, from RMB49.1 million for the year ended December 31, 2019, primarily due to (i) government grants of the Group was RMB20.5 million for the year ended December 31, 2020, as compared with RMB30.4 million for the year ended December 31, 2019; (ii) interest income on term deposit at banks of the Group was RMB5.2 million for the year ended December 31, 2020, as compared with RMB12.9 million for the year ended December 31, 2019; partially offset by (iii) the foreign exchange gain of RMB17.1 million for the year ended December 31, 2020, as compared to the foreign exchange gain of RMB0.4 million for the year ended December 31, 2019.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consists of staff costs and travel and meeting expenses.

For the year ended December 31, 2020, the selling and distribution expenses of the Group increased to RMB1.4 million, while no such expenses were incurred for the year ended December 31, 2019. The increase was attributable to the set-up of sales team in preparation of the potential commercialization of our drugs.

Research and Development Expenses

The Group's research and development expenses primarily consists of internal research and development expenses, external research and development expenses, staff costs, IP expenses, materials, depreciation and amortization and share option and RSU expenses.

For the year ended December 31, 2020, the research and development expenses of the Group increased by RMB100.7 million, or 21.7% to RMB564.6 million from RMB463.9 million for the year ended December 31, 2019. The increase was primarily attributable to additional clinical trials of the Company's drug candidates, increased research and development headcount, and increased expenses in IP.

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

	Year ended December 31,	
	2020	2019*
	RMB'000	RMB'000
Internal research and development expenses	**97,599**	74,884
External research and development expenses	**93,843**	72,820
Staff costs	**233,579**	178,110
IP expenses	**16,757**	7,633
Materials	**35,954**	35,918
Depreciation and amortization	**15,719**	14,406
Share option and RSU expenses	**48,480**	50,580
Others	**22,640**	29,532
Total	**564,571**	463,883

* Research and development expenses for the year ended December 31, 2019 were reclassified to keep consistent with that of 2020.

Administrative Expenses

For the year ended December 31, 2020, the administrative expenses of the Group decreased by RMB32.6 million, or 20.2% to RMB129.0 million from RMB161.6 million for the year ended December 31, 2019. The decrease was primarily attributable to (i) decreased expenses in relation to the listing of the Company; (ii) decreased expenses of business travel and meeting due to COVID-19; and (iii) partially offset by increased expenses in relation to administrative headcount and the RSU Scheme. The following table sets forth the components of our administrative expenses for the periods indicated.

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Listing expenses	**—**	35,393
Share option and RSU expenses	**25,547**	20,242
Staff costs	**54,581**	50,763
Depreciation and amortization	**11,703**	12,027
Others	**37,139**	43,218
Total	**128,970**	161,643

Finance Costs

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

For the year ended December 31, 2020, the finance costs of the Group increased by RMB2.0 million, or 46.5% to RMB6.3 million from RMB4.3 million for the year ended December 31, 2019. The increase was primarily attributable to additional interest incurred in relation to bank borrowings.

Other Expenses

The Group's other expenses mainly consists of (i) fair value losses on financial assets or liabilities; and (ii) fair value loss on contingent consideration in relation to our acquisition of Healthquest Pharma in December 2016.

For the year ended December 31, 2020, the Group reported other expenses of RMB30.0 million, as compared to other expenses of RMB914.0 million for the year ended December 31, 2019, represented a decrease of RMB884.0 million, or 96.7%. The decrease primarily attribute to: (i) there is no fair value loss on convertible redeemable preferred shares for the year ended December 31, 2020, as compared to a fair value loss of RMB836.7 million for the year ended December 31, 2019; (ii) fair value loss on financial assets at FVTPL of RMB6.1 million for the year ended December 31, 2020, as compared to a fair value loss of RMB35.9 million for the year ended December 31, 2019; and (iii) the decrease of fair value loss on long-term payables measured at FVTPL from RMB41.2 million for the year ended December 31, 2019 to RMB22.3 million for the year ended December 31, 2020.

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

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

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

Loss for the Reporting Period

As a result of the above factors, the loss of the Company decreased to RMB677.6 million for the year ended December 31, 2020 from RMB1,480.7 million for the year ended December 31, 2019.

Cash Flows

For the year ended December 31, 2020, net cash flows used in operating activities of the Group amounted to RMB610.0 million, as compared to that of RMB460.3 million for the year ended December 31, 2019, mainly due to the expansion of our research and development activities.

For the year ended December 31, 2020, net cash flows used in investing activities of the Group amounted to RMB107.4 million, which mainly consisted of purchase of items of property, plant and equipment and other intangible assets of RMB251.5 million, partially offset by the redemption of time deposits of RMB139.5 million. For the year ended December 31, 2019, net cash flow from investing activities amounted to RMB201.3 million, which mainly consisted of (i) purchase of items of property, plant and equipment and other intangible assets of RMB81.4 million; and (ii) increase in time deposits of RMB139.5 million, partially offset by the net proceeds from redemption of other financial assets of RMB19.6 million.

For the year ended December 31, 2020, net cash flows from financing activities of the Group amounted to RMB1,040.0 million, which mainly consisted of net proceeds of RMB622.9 million* from issuance of shares through Follow-on Offering and net borrowings of RMB432.8 million from banks. For the year ended December 31, 2019, net cash flows from financing activities amounted to RMB442.4 million, which mainly consisted of net proceeds of RMB404.3 million* from issuance of shares through Global Offering and net borrowings of RMB50.0 million from banks.

* representing proceeds from issue of shares minus cash payment of share issue expenses recorded as a deduction of share premium in the year ended December 31, 2020 and December 31, 2019.

Key Financial Ratios

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

	As at December 31,	
	2020	2019
Current ratio(1)	**3.9**	4.5
Quick ratio(2)	**3.9**	4.5
Gearing ratio(3)	**N/A**(4)	N/A(4)

Notes:

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

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

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

(4) As at December 31, 2019 and 2020, the Group's cash and bank balances exceeded the interest-bearing borrowings. As such, no gearing ratio as at December 31, 2019 and 2020 was presented.

Significant Investments

The Group did not make any significant investments during the year ended December 31, 2020.

Foreign Exchange Risk

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

Material Acquisitions and Disposals

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

Bank Loans and Other Borrowings

As at December 31, 2020, we had bank loans of RMB517.8 million denominated in RMB and lease liabilities of RMB11.9 million.

As at December 31, 2020, RMB149.8 million of the Group's borrowings were at fixed interest rates.

	Effective interest rate per annum (%)	Maturity	RMB'000
Current			
Bank loans — unsecured	**4.05–4.35**	**2021**	**30,000**
Current portion of long term bank loans — unsecured	**4.75**	**2021**	**3,500**
Current portion of long term bank loans — unsecured	**1 year LPR+0.9/0.65**	**2021**	**11,250**
Lease liabilities	**4.00–4.35**	**2021**	**5,811**
			50,561
Non-current			
Bank loans — unsecured	**1 year LPR+0.9/0.65**	**2023–2025**	**138,750**
Bank loans — unsecured	**4.5–4.75**	**2023**	**116,250**
Bank loans — secured*	**5 year LPR+0.15**	**2023–2030**	**218,055**
Lease liabilities	**4.00–4.35**	**2022–2023**	**6,079**
			479,134
			529,695

Note: LPR represents the Loan Prime Rate.

* The bank loans amounting to RMB218.1 million were secured by the pledge of the Group's right-of-use assets with a carrying amount of RMB31.0 million and the construction in process with a carrying amount of RMB406.6 million as at December 31, 2020.

The following table sets forth the maturity analysis of the Group's interest-bearing bank and other borrowings:

	2020 RMB'000	2019 RMB'000
Analysed into:		
Within one year	**50,561**	92,194
In the second year	**24,025**	4,720
In the third to fifth years, inclusive	**297,054**	4,491
Beyond five years	**158,055**	—
	529,695	101,405

Charges on Group Assets

As at December 31, 2020, the Group had pledged the Group's right-of-use assets with a carrying amount of RMB31.0 million and the construction in process with a carrying amount of RMB406.6 million to bank facilities.

Contingent Liabilities

As at December 31, 2020, the Group did not have any material contingent liabilities.

Liquidity and Financial Resources

The Group adopts a conservative approach for cash management and investment on uncommitted funds. We place cash and cash equivalents (which are mostly held in U.S. dollars, Hong Kong dollars and RMB) in short term deposits with authorized institutions in Hong Kong and China.

As at December 31, 2020, the Group's cash and bank balances increased to RMB1,024.4 million from RMB882.5 million as at December 31, 2019. The increase primarily resulted from issuance of shares through the 2020 Placing (as defined below) and borrowings from banks; partially offset by the purchase of items of property, plant and equipment and other intangible assets.

As at December 31, 2020, the Group's cash and bank balances were held mainly in U.S. dollars, Hong Kong dollars and RMB.

As at December 31, 2020, the Group had not used any financial instruments for hedging purposes.

As at December 31, 2020, the current assets of the Group were RMB1,079.0 million, including cash and bank balances of RMB1,024.4 million and other current assets of RMB54.6 million. As at December 31, 2020, the current liabilities of the Group were RMB276.1 million, including trade payables of RMB23.4 million, other payables and accrued expenses of RMB188.6 million, borrowings of RMB50.6 million and tax payables and other current liabilities of RMB13.5 million. As at December 31, 2020, the non-current liabilities of the Group were RMB608.3 million, including long term borrowings of RMB479.1 million, other long term payables and deferred income of RMB113.8 million and deferred tax liability of RMB15.4 million.

Relationship with Employees, Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the Reporting Period, there was no material and significant dispute between the Group and its employees, customers and suppliers.

EMPLOYEES AND REMUNERATION POLICIES

The following table sets forth a breakdown of our employees as of December 31, 2020 by function:

Function	Number	%
Research and Development	361	83.4
Administrative and Commercial	72	16.6
Total	**433**	**100.00**

As at December 31, 2020, we had 433 full-time employees, including a total of 57 employees with M.D. or Ph.D. degrees. Of these, 361 are engaged in full-time research and development and laboratory operations and 72 are engaged in full-time general and administrative and commercial administrative functions, and business development function. Our research and development personnel includes 53 employees with M.D. or Ph.D. degrees, and many of them have experience working in research institutions and hospitals and in the FDA drug approval process.

Our senior management team has extensive experience and expertise in the biotechnology industry and has been contributive in driving the success of our business. As at December 31, 2020, we had 222 senior employees who have an average of 15 to 20 years of experience in relevant fields.

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

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

The Company has also adopted the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and the RSU Scheme.

On September 14, 2020, the Company granted 2,590,592 RSUs under the RSU Scheme, representing 2,590,592 Shares to 50 RSU Selected Persons, who are the employees of the Group.

Please refer to the section headed "Statutory and General Information — D. Employee Incentive Schemes" in Appendix IV to the Prospectus and the relevant announcements of the Company dated September 16, 2020 and March 19, 2021 for further details.

FUTURE AND OUTLOOK

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

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

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

Additionally, we expect to expand our intellectual property portfolio by actively seeking patent rights for our product candidates. For each of our clinical programs, we seek to extend the coverage to additional indications and obtain new method of new use patent for our drug candidates, as appropriate. As of December 31, 2020, we had 110 issued patents and more than 450 patent applications globally, among which, about 90 patents were issued overseas. We will further enhance our comprehensive and growing global intellectual property portfolio in the future.

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

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year ended December 31, 2020, the following significant event took place:

Adoption of the 2021 RSU Scheme

On February 2, 2021, the Board has approved the adoption of the 2021 RSU Scheme. The 2021 RSU Scheme will be maintained in parallel with the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the 2018 RSU Scheme and such other share incentive schemes which may be adopted by the Company from time to time. Pursuant to the 2021 RSU Scheme, the Company may (i) allot and issue Shares under its available general mandate to the Trustee to be held by the Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise. The Company shall procure that sufficient funds are provided to the Trustee to enable the Trustee to satisfy its obligations in connection with the 2021 RSU Scheme. For further details of the 2021 RSU Scheme, please refer to the relevant announcement of the Company dated February 2, 2021.

Placing of existing Shares and top-up subscription of new Shares under general mandate

On February 8, 2021, an aggregate of 26,500,000 sale shares have been successfully placed to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons at the placing price of HK$44.20 per sale shares pursuant to the terms and conditions of the placing and subscription agreement entered into among the Company, Ascentage Limited, J.P. Morgan Securities (Asia Pacific) Limited and China International Capital Corporation Hong Kong Securities Limited dated February 3, 2021. On February 11, 2021, the Company allotted and issued 26,500,000 subscription shares (being the same number as the sale shares) to Ascentage Limited at HK$44.20 per subscription share (being the same as the placing price). The net proceeds from the placing amounted to HK$1,153.64 million and will be used for (i) the clinical trials of the key product candidate, APG-2575; (ii) the registrational trials for full approval and the commercialization of the Core Product, HQP1351; (iii) clinical development for other molecules and preclinical assets; and (iv) general corporate purposes. For further details, please refer to the relevant announcements of the Company dated February 4, 2021 and February 11, 2021.

For the clinical development of our drug candidates subsequent to the year ended December 31, 2020, please refer to the above section headed “Business Review” in this annual report.

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

Directors and Senior Management

DIRECTORS

Executive Director

Yang Dajun (楊大俊), M.D., Ph.D., aged 58, is the co-founder of our Group, Chairman of the Board and chief executive officer of our Company. Dr. Yang was appointed as the executive Director on November 17, 2017. For positions with other members of our Group, Dr. Yang is also a director of each of Ascentage Pharma (HK), Ascentage Jiangsu, Ascentage International, Ascentage Suzhou, Ascentage Shanghai, Ascentage Australia and Ascentage US. Dr. Yang is the spouse of Dr. Zhai, our chief medical officer and a member of our senior management.

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

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

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

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

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

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

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

Non-executive Directors

Wang Shaomeng (王少萌), Ph.D., aged 57, was appointed as our Director on November 17, 2017 and was re-designated as non-executive Director on August 15, 2018. For positions with other members of the Group, Dr. Wang is the director of Ascentage International. Dr. Wang is the co-founder of Ascentage Pharma (HK) and has been appointed as its chairman of scientific advisory board since 2010.

Dr. Wang joined the University of Michigan in July 2001 as a tenured faculty and is currently a Warner-Lambert/Parke Davis Professor in Medicine at the University of Michigan, Ann Arbor, where he also serves as director of the Michigan Center for Therapeutic Innovation. Dr. Wang was also appointed as the editor-in-chief of the Journal of Medicinal Chemistry in 2011, and was re-appointed to the same role in 2015. Dr. Wang's term as the editor-in-chief for the Journal of Medicinal Chemistry has ended on December 31, 2020.

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

Tian Yuan (田源), Ph.D., aged 66, was appointed as our Director on July 6, 2018 and was re-designated as non-executive Director on August 15, 2018. Prior to joining the Group, Dr. Tian established China International Futures Corporation (a PRC-based company mainly engaged in futures investment business) in 1992 and served as the chairman from 1992 to 2007. Dr. Tian is the founding partner of Yuanming Capital, a healthcare specialty fund focusing on China-US cross-border investments with offices in Beijing and New York City. He also served as the chairman of China Chengtong Holdings Group Limited (a company primarily engaged in integrated logistics service, assets operation and management in the PRC) from July 1997 to September 2002.

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

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

Zhao Qun (趙群), aged 45, was appointed as our Director on July 6, 2018 and was re-designated as non-executive Director on August 15, 2018.

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

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

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

Mr. Zhao ceased to be the non-executive Director of the Company with effective from March 31, 2021. For further details, please refer to the relevant announcement of the Company on March 31, 2021.

Directors and Senior Management

Lu Simon Dazhong (呂大忠), Ph.D., aged 52, was appointed as our Director on July 6, 2018 and was re-designated as non-executive Director on August 15, 2018.

Dr. Lu has more than 21 years of experience in the investment and consulting business. Between 1999 and 2002, Dr. Lu worked in a number of financial institutions, including China International Capital Corporation Limited (中國國際金融股份有限公司), an investment bank based in the PRC. From September 2002 to December 2007, Dr. Lu served as the investment manager and partner of Shanghai Newmargin Ventures (上海聯創投資管理公司), a venture capital management company based in the PRC. Between 2008 and 2009, Dr. Lu worked at CEL Partners, a private equity firm that focuses on buy-outs, acquisitions and mergers. Since August 2009, Dr. Lu served as the managing director and partner of SDIC Fund Management Company Ltd., a PRC-based private equity fund manager.

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

Dr. Lu was a director of Innovent Biologics, Inc. (信達生物製藥) between 2016 and 2018 prior to its listing on the Stock Exchange. As at the date of this annual report, Dr. Lu was a director of a number of companies engaged in the pharmaceutical sector. The major appointments as at the date of this Annual Report include: (1) BrightGene Bio-Medical (Suzhou) Co., Ltd. (博瑞生物醫藥(蘇州)股份有限公司) which was principally engaged in developing complex generic drugs; and (2) Dizal (Jiangsu) Pharma Co., Ltd. (迪哲(江蘇)醫藥有限公司) whose pipeline targets include NSCLC (non-small-cell lung carcinoma), autoimmune disease, solid and liquid tumours, solid tumour, CKD (chronic kidney disease) and infectious diseases of the respiratory tract (呼吸道感染).

Liu Qian (劉騫), aged 49, was appointed as our Director on August 1, 2018 and was re-designated as non-executive Director on August 15, 2018.

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

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

Independent non-executive Directors

Ye Changqing (葉長青), aged 50, was appointed as an independent non-executive Director on June 13, 2019. He is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Ye has over 28 years of experience in professional accounting, financial advisory and investment. From April 1993 to January 2011, Mr. Ye worked at the China office of PricewaterhouseCoopers, with his last position as the partner and service line leader of the firm's advisory services and transaction services. From February 2011 to December 2015, Mr. Ye served as the managing director, chief financial officer and a member of the investment committee at CITIC Private Equity Funds (中信產業基金) (a PRC-based private equity fund). Since May 2016, Mr. Ye has been an independent director of Baozun Inc., a company listed on NASDAQ (stock code: BZUN) (the holding company of a PRC-based provider of e-commerce business solutions) and subsequently the company also listed on the Stock Exchange (stock code: 9991) on September 29, 2020. Since October 2018, Mr. Ye has been an independent non-executive director of Niu Technologies (stock code: NIU) (the holding company of a PRC-based manufacturer of e-scooter). Since December 2018, Mr. Ye has been an independent non-executive director of Luzhou City Commercial Bank Co., Ltd. (stock code: 1983). Since June 2019, Mr. Ye has been an independent non-executive director of Jinxin Fertility Group Limited (stock code: 1951). Since September 2019, Mr. Ye has also been an independent non-executive director of Hygeia Healthcare Holdings Co., Limited (stock code: 6078).

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

Yin Zheng (尹正), Ph.D., aged 49, was appointed as an independent non-executive Director on June 13, 2019. He is primarily responsible for supervising and providing independent judgement to our Board.

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

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

Ren Wei (任為), aged 40, was appointed as an independent non-executive Director on June 13, 2019. He is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Ren has over 17 years of legal experience covering onshore and offshore securities issues, PRC-related mergers & acquisitions and foreign investment. He has been a lawyer in Jingtian & Gongcheng since March 2003 and has become a partner since January 2009.

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

Dr. David Sidransky, M.D., aged 60, was appointed as an independent non-executive Director on March 31, 2021.

Dr. Sidransky currently serves as the director of the Head and Neck Cancer Research Division, professor in otolaryngology — head and neck surgery, professor in cellular and molecular medicine, and professor in urology and genetics of The Johns Hopkins University. Dr. Sidransky also currently serves as professor in oncology at the Johns Hopkins Oncology Center.

From 1984 to 1988, Dr. Sidransky attended the Baylor College of Medicine in the U.S. and earned his MD degree and then continued as an intern and resident in internal medicine, and chief resident in internal medicine until June 1988. Dr. Sidransky completed a fellowship in Oncology at The Johns Hopkins University and Hospital from July 1988 to June 1992 and was then appointed as faculty in July 1992.

Dr. Sidransky graduated with a Bachelor of Science degree in Chemistry from the Brandeis University in the U.S. in June 1981. Dr. Sidransky is a current member of the American Association of Cancer Research and the American Society of Clinical Oncology. He was a member of certain working groups under the National Cancer Institute, including the Development Diagnostics Working Group and the Cancer Prevention and Control Working Group. Dr. Sidransky has also received certifications from the American Board of Internal Medicine and the American Board of Medical Oncology.

In addition, Dr. Sidransky currently sits on the National Board of Scientific Advisors of the National Cancer Institute. He was a founder of Champions Oncology, Inc. (NASDAQ: CSBR) and currently Lead Board Director. He is on the Board of Directors of Galmed Pharmaceuticals Ltd. (NASDAQ: GLMD), Orgenesis Inc. (NASDAQ: ORGS), and the Chairman of Advaxis, Inc. (NASDAQ: ADXS) and the Chairman of Ayala Pharmaceuticals, Inc. (NASDAQ: AYLA). He is also Chairman of the MAB of the Flight Attendants Medical Research Foundation and the Adenocystic Carcinoma Research.

Dr. Sidransky has received numerous honors, such as the Israel Cancer Research Fund Osserman Award, the AACR-Richard and Hinda Rosenthal Foundation Award, the Toby Comet Award Bar Ilan University and the AACR Team Award Theme Circulating DNA. As of the date of this annual report, he is the author of over 550 articles published in professional journals, the author of 45 book chapters, reviews and commentaries, and the inventor of 28 patents.

SENIOR MANAGEMENT

Yang Dajun (楊大俊), M.D., Ph.D., aged 58, is the Chairman, chief executive officer and an executive Director. Please refer to “Directors — Executive Director” in this section for his biography.

Guo Edward Ming (郭明), Ph.D., aged 64, is our co-founder and chief operating officer. Dr. Guo joined our Group in May 2009. For positions with members of the Group, Dr. Guo is a director of Ascentage Suzhou and Ascentage International. Dr. Guo has more than 20 years of industrial experience in research and development of new drug, regulatory, project management, corporate management, strategic planning, and entrepreneurship. From 1995 to 2005, he served in various technical and managerial roles at Pfizer Inc. From March 2005 to 2010, he worked at Ascenta Therapeutics, Inc. as the vice president of pharmaceutical sciences and manufacturing. Dr. Guo served as an adjunct professor from 2007 to 2009 and served as a teaching staff as well a supervisor for master thesis since 2009 at Peking University (北京大學). Dr. Guo served as the independent non-executive director at Porton Fine Chemicals Ltd. (重慶博騰製藥科技股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code of 300363) from October 2012 to March 2016.

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

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

Zhai Yifan (翟一帆), M.D., Ph.D., aged 58, is our chief medical officer. Dr. Zhai joined our Group in July 2013. For position with other members of the Group, Dr. Zhai is the founder and a director of Healthquest Pharma. Being the author of more than 27 academic papers, Dr. Zhai has over 25 years of experience in cancer research and new drug development since 1984. Dr. Zhai was a postdoctoral fellow at the surgery branch, National Cancer Institute between 1993 and 1996. She also served as a scientist at Human Genome Sciences Inc., now GSK, between 1996 and 1999; senior research scientist at Bayer Pharmaceuticals Corp. between 1999 and 2001; director of the department of pharmacology at Exelixis Inc. between 2001 and 2003; President of HealthQuest Inc. between 2003 and 2005; and chief scientific officer at Oncomax Acquisition Corp. between 2005 and 2007. Dr. Zhai served as executive director of Anaborex (Shanghai) R & D Co., Ltd. between 2007 and 2008. She joined Celladon Corporation as chief scientific officer in 2007 until 2010. She founded Healthquest Pharma in July 2012 and served as president and chief executive officer (首席執行官). Dr. Zhai was the president of Chinese Biopharmaceutical Association-USA (美國華人生物醫藥科技協會) from 2009 to 2010.

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

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

Raymond Jeffrey Kmetz, aged 63, has been the chief business officer since February 1, 2019. Mr. Kmetz has more than 18 years of experience in management of the formulation and execution of drug commercialization strategies. From February 2001 to August 2007, he was associate director of oncology marketing at Berlex Laboratories Inc., which provides medicine to patients and healthcare providers. Mr. Kmetz joined Bayer Corporation (a multinational pharmaceutical and life science company) in August 2007, initially as director of global strategic marketing and later as hematology franchise head until December 2010. From 2010 to 2012, he was the director of marketing at Alexion Pharmaceuticals, Inc., which is an ultra-orphan/rare disease biotech company listed on NASDAQ (stock code: ALXN). Mr. Kmetz joined Pharmacyclics LLC., a biopharmaceutical company focusing on development of cancer therapies, as senior director in marketing from July 2012 and later as head of commercial development (vice president) until March 2018. From April 2018 to October 2018, he was a chief business officer in Pulse Biosciences Inc., a clinical stage medical device company listed on NASDAQ (stock code: PLSE), responsible for developing business strategies for clinical and commercial development for immune oncology technology.

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

Thomas Joseph Knapp, aged 68, is the senior vice president, general counsel. Mr. Knapp joined our Group in September 2018 serving as senior vice president in legal affairs and was promoted to senior vice president, general counsel of our Group in March 2019.

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

February 2019, after the merger of Galena Biopharma, Inc. and SELLAS Life Sciences Group, he became consultant at SELLAS Life Sciences Group, Inc. which is a listed company on NASDAQ (stock code: SLS). He also has been a legal consultant providing outside general counsel services to various pharmaceutical, biotech and IT companies from January 2018 to September 2018, and was a member of the board of directors and the audit, compensation and nominating committees of Osiris Therapeutics, Inc., a company listed on NASDAQ (stock code: OSIR) from February 2017 to April 2019.

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

Zhang Su (張甦), aged 43, has been our chief financial officer since August 26, 2019. For positions with members in the Group, he is the supervisor of Ascentage Jiangsu and Ascentage Shanghai. Mr. Zhang has more than 18 years of experiences in the finance industry. In December 2006, Mr. Zhang joined Exane BNP Paribas as an equity analyst. Mr. Zhang then joined Standard Chartered Bank Hong Kong in June 2013 and served as an equity analyst covering emerging healthcare companies until February 2015. From April 2015 to December 2016, he was a research analyst of research department at BNP Paribas, Hong Kong. Before joining our Group, Mr. Zhang served as a director of the equity research department covering healthcare sector at China Merchant Securities Co., Ltd until August 2019.

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

Gang Zhu (祝剛), aged 61, has been our Chief Commercial Officer since October 1st. 2020.

Mr. Zhu graduated from Capital Medical University and worked as a clinician in the early years of his career. With over 25 years of experience at large multinational pharmaceutical companies in China, he played various integral roles in the launch and growth of around 10 oncology brands in the country. Prior to joining Ascentage Pharma, Mr. Zhu was the General Manager of Celgene China, where he assembled Celgene's commercial team from the ground up. Prior to that, Mr. Zhu had worked in a range of leadership positions at Sanofi-Aventis and Novartis, including Sales Director, Head of Business Unit, and Vice President. During his tenure at Novartis and Celgene, Mr. Zhu was in charge of the commercial rollouts of numerous hematologic cancer drugs indicated for chronic myeloid leukemia, acute myeloid leukemia, myelodysplastic syndromes, lymphocytic leukemia, multiple myeloma, etc.

COMPANY SECRETARY

Wong Cheung Ki Johnny (王章旗), aged 37, was appointed as the company secretary of our Company on July 30, 2018 and is responsible for our company secretarial affairs. Mr. Wong has more than 13 years of experience in the area of accounting and financial management. Currently, Mr. Wong is the sole proprietor of Jovial Wings CPA Company.

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

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

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

PRINCIPAL ACTIVITIES

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

Particulars of the Company's principal subsidiaries as at December 31, 2020 are set out in Note 1 to the consolidated financial statements.

BUSINESS REVIEW

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

RESULTS AND DIVIDEND

Details of the consolidated loss of the Group for the Reporting Period and the Group's financial position as at December 31, 2020 are set out in the consolidated financial statements.

No dividend was paid or declared by the Company or other members of the Group during the years ended December 31, 2019 and 2020.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks Related to our Financial Position and Need for Additional Capital

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

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

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

Risks Related to Clinical Development of our Drug Candidates

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

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

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

Risks Related to Obtaining Regulatory Approval for our Drug Candidates

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

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

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

Risks Related to Commercialization of our Drug Candidates

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

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

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

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

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

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

Risks Related to our Intellectual Property

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

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

Risks Related to our Reliance on Third Parties

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

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

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

Risks Related to our Industry, Business and Operations

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

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

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

Risks Related to our Doing Business in the PRC

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

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

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

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

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

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

MAJOR CUSTOMERS AND SUPPLIERS

Revenue attributable to the Group's five largest customers and the largest customer accounted for 100.0% and 86.3%, respectively, of the Group's total revenue for the Reporting Period.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 22.1% and 7.4%, respectively, of the Group's total purchases for the Reporting Period.

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUBSIDIARIES

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2020 are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2020 and details of the Shares issued during the year ended December 31, 2020 are set out in Note 29 to the consolidated financial statements.

DONATION

During the year ended December 31, 2020, the Group made approximately RMB1.0 million of charitable donations to support the fight against COVID-19.

DEBENTURE ISSUED

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

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the 2018 RSU Scheme as set out in this annual report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2020.

DIVIDENDS

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

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force for the year ended December 31, 2020. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

As at December 31, 2020, the Company did not have any distributable reserves.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2020 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 22 to the consolidated financial statements in this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors' fees and other emoluments are supervised by the Remuneration Committee and determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 9, Note 10 and Note 36(c) to the consolidated financial statements.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the Note 36 to the consolidated financial statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2020.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

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

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2020.

DIRECTORS OF SUBSIDIARIES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

NON-COMPETITION ARRANGEMENTS

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

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

UPDATE ON DIRECTORS' INFORMATION

The change in Directors' information as required to be disclosed pursuant to Rule 13.51B of the Listing Rules is set out below:

Dr. Wang, non-executive Director of the Company, ceased to be the editor-in-chief for the Journal of Medicinal Chemistry on December 31, 2020.

Mr. Zhao, non-executive Director of the Company, resigned as director of Oncopia Therapeutics Inc. on November 13, 2020.

Dr. Lu, non-executive Director of the Company, resigned as director of CF PharmTech, Inc. on November 13, 2020.

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

As at December 31, 2020, the interests and short positions of the Directors or chief executives of our Company in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules were as follows:

Name of Director or chief executive	Nature of Interest[1]	Number of Ordinary Shares	Approximate percentage of shareholding interest
Dr. Yang	Interest of controlled corporation[4] Interests held jointly with other persons[2] Interest of spouse[3] Settlor of discretionary trust[4]	67,204,967	29.73%
Dr. Wang	Interest of controlled corporation[4] Interests held jointly with other persons[2] Settlor of discretionary trust[4]	67,204,967	29.73%
Dr. Guo	Interest of controlled corporation[4] Interest held jointly with other persons[2] Settlor of a discretionary trust[4]	67,204,967	29.73%
Dr. Zhai	Interest of controlled corporation[5] Interest held jointly with other persons[2] Interest of spouse[3] Settlor of a discretionary trust[5]	67,204,967	29.73%
Dr. Tian Yuan	Interest of controlled corporation[6, 7, 8]	20,431,962	9.04%
	Beneficial owner[11]	292,714	0.12%
Mr. Liu Qian	Interest of controlled corporation[9]	10,743,772	4.75%
	Beneficial owner[11]	37,688	0.01%
Mr. Zhao Qun (resigned as a non-executive Director with effect from March 31, 2021)	Interest of controlled corporation[10]	4,419,421	1.96%
	Beneficial owner[11]	292,714	0.12%
Dr. Lu Dazhong Simon	Beneficial owner[11]	41,457	0.01%
Mr. Raymond Jeffrey Kmetz	Beneficial owner[11]	395,964	0.17%

Notes:

1. All interests stated are long position.

2. Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV are parties to the Concert Party Confirmation Deed, according to which they have been actively cooperating, communicating and acting in concert with each other with respect to their interests in or the business of the relevant members of our Group since December 5, 2016 and will continue to act in concert after Listing. Accordingly, each of Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV is deemed to be interested in an aggregate of 29.73% shareholding interest in our Company.

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

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

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

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

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

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

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

10. Mr. Zhao Qun, our non-executive Director, owned 40% interest in Oriza Seed Limited, which is the general partner of and also held 100% interest in Oriza Seed L.P., which is in turn the general partner of and also held 100% interest in Oriza Seed Fund I L.P.. Mr. Zhao is the sole director of Oriza Seed Venture Capital II Limited. Accordingly, Mr. Zhao is deemed to be interested in 4,419,421 Shares held by Oriza Seed Fund I L.P. and Oriza Seed Venture Capital II Limited.

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

12. All interests are calculated based on the total Shares in issue as at December 31, 2020, being 226,042,041.

Save as disclosed above, as at December 31, 2020, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

As at December 31, 2020, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Substantial Shareholder	Nature of Interest	Number of Ordinary Shares	Approximate percentage of shareholding interest
Li Ju-Yun	Interest of spouse(2)	67,204,967(L)	29.73%
Gao Sharon Xia	Interest of spouse(3)	67,204,967(L)	29.73%
Founders SPV	Beneficial owner Interest held jointly with other persons(4)	67,204,967(L)	29.73%
Dr. Zhai SPV	Beneficial owner Interest held jointly with other persons(4)	67,204,967(L)	29.73%
South Dakota Trust	Trustee(5, 6)	56,993,041(L)	25.21%
Future Industry Investment Co., Limited	Beneficial owner(7)	19,076,840(L)	8.43%
Future Industry Investment Fund	Interest of controlled corporation(7)	19,076,840(L)	8.43%
SDIC Fund Management Co., Ltd.	Interest of controlled corporation(7)	19,076,840(L)	8.43%
Chen Yiwen	Interest of spouse(8)	10,781,460(L)	4.76%
Prudence Financial Holdings Group Limited	Interest of controlled corporation(9)	10,743,772(L)	4.75%
Fangyuan Financial Holdings Group	Interest of controlled corporation(9)	10,743,772(L)	4.75%
Yuanming Capital Group Limited	Interest of controlled corporation(9)	10,743,772(L)	4.75%
Yuanming Capital Management Limited	Interest of controlled corporation(9)	10,743,772(L)	4.75%
Yuanming Prudence SPC	Beneficial owner(9)	10,743,772(L)	4.75%
Zhao Li	Interest of spouse(10)	20,724,676(L)	9.16%
Morgan Stanley	Interest of controlled corporation(11)	12,253,769(L)	5.42%
Morgan Stanley	Interest of controlled corporation(11)	4,860,770(S)	2.15%

Notes:

1. (L) — Long position; (S) — Short position.

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

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

4. Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV are parties to the Concert Party Confirmation Deed, according to which they have been and will be actively cooperating, communicating and acting in concert with each other with respect to their interests in or the business of the relevant members of our Group since December 5, 2016 and will continue to act in concert after Listing. Accordingly, each of Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV is deemed to be interested in an aggregate of 29.73% shareholding interest in our Company.

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

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

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

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

9. Prudence Investment Management (Hong Kong) Limited is the investment manager of Yuanming Prudence SPC. Yuanming Prudence SPC is wholly owned by Yuanming Capital Management Limited. Yuanming Capital Management Limited is owned as to (i) 50% by Fangyuan Financial Holdings Group which is in turn owned as to 80% by Prudence Financial Holdings Group Limited, and (ii) 50% by Yuanming Capital Group Limited.

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

11. According to the information disclosed to the Company under Divisions 2 and 3 Part XV of SFO, these shares were held by Morgan Stanley through corporations controlled directly or indirectly as to 100% by it. Among which 50,502 shares (long position) and 1,271 shares (short position) as cash settled unlisted derivatives.

12. All interests are calculated based on the total Shares in issue as at December 31, 2020, being 226,042,041.

EQUITY PLANS

1. Pre-IPO Share Option Scheme

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

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

Eligible Participants

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

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

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

The overall limit on the number of underlying shares which may be delivered pursuant to share options granted under the Pre-IPO Share Option Scheme is 12,307,533 Shares, representing 5.44% of the issued capital of the Company, with a par value of US$0.0001 each as at December 31, 2020.

Consideration

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

Determination of Exercise Price

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

Life of the Pre-IPO Share Option Scheme

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

Outstanding Share Options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as at December 31, 2020. All the options under the Pre-IPO Share Option Scheme were granted on or before the Listing Date and no further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date. For further details on the movement of the options during the Reporting Period, please see Note 31 to the consolidated financial statements and the below summary:

Relevant Grantee	Number of underlying Shares to be issued upon exercise of the option in full	Date of Grant	Outstanding as at January 1, 2020	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at December 31, 2020
Directors of the Company						
Tian Yuan	292,714	August 15, 2018	292,714	–	–	292,714
Zhao Qun (resigned as a non-executive Director with effect from March 31, 2021)	292,714	August 15, 2018	292,714	–	–	292,714
Lu Dazhong Simon	41,457	August 15, 2018	41,457	–	–	41,457
Liu Qian	37,688	August 15, 2018	37,688	–	–	37,688
Chief executives of the Company						
Raymond Jeffrey Kmetz	452,531	May 15, 2019	452,531	113,133	–	339,398
Thomas Joseph Knapp	374,472	May 15, 2019	374,472	93,618	–	280,854
Other grantees						
Employees of the Group	10,812,906	Between August 15, 2018 to September 16, 2019	10,812,906	1,933,563	**568,514**	8,310,829
Total			**12,304,482**	**2,140,314**	**568,514**	**9,595,654**

Notes:

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

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

2. Post-IPO Share Option Scheme

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

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

Eligible Participants

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

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

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

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

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

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

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

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

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

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

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

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

As at December 31, 2020, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 20,707,462, Shares, representing 9.16% of the issued share capital of the Company as at December 31, 2020.

Maximum entitlement of Each Participant

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

Life of the Post-IPO Share Option Scheme

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

Exercise Price

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

Consideration

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

3. 2018 RSU Scheme

The purpose of the 2018 RSU Scheme is to incentivize the existing and incoming Directors, senior management and employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

Eligible Participants

Persons eligible to receive RSUs under the 2018 RSU Scheme are existing or incoming employees, directors (whether executive or non-executive) or officers of our Company or any member of our Group. Our Board selects the eligible persons to receive RSUs under the 2018 RSU Scheme at its discretion.

Maximum Number of Shares pursuant to RSUs

The maximum number of RSUs that may be granted under the 2018 RSU Scheme in aggregate (excluding RSUs that have lapsed or been canceled in accordance with the rules of the 2018 RSU Scheme) shall be 5,274,657 ordinary shares representing 2.33% of the issued shares of the Company as at December 31, 2020.

Life of the 2018 RSU Scheme

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

On September 14, 2020, the Company granted 2,590,592 RSUs under the 2018 RSU Scheme, representing 2,590,592 Shares to 50 RSU Selected Persons, who are employees of the Group. Shares representing the maximum number of RSUs of the Company that may be granted under the 2018 RSU Scheme (being 5,274,657 Shares) were issued and allotted to the RSU Holdco as the settlor of the 2018 RSU Scheme prior to the Listing. The vesting of the awards under the 2018 RSU Scheme will be satisfied by such Shares held by the RSU Holdco.

Further details of the 2018 RSU Scheme are set out in the Prospectus and Note 31 to the consolidated financial statements.

Set out below are details of the movements of the outstanding RSUs granted under the 2018 RSU Scheme as at December 31, 2020:

	Outstanding as at January 1, 2020	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at December 31, 2020
50 RSU Selected Persons	—	2,590,592	647,668	28,266	1,914,658

Save as disclosed above, there were no other equity plans adopted by the Company for the year ended December 31, 2020.

CONNECTED TRANSACTIONS

The Group has not conducted any non-exempt continuing connected transaction for the year ended December 31, 2020. Details of related party transactions of the Group for the year ended December 31, 2020 are set out in Note 36 to the consolidated financial statements. The related party transactions disclosed in Note 36 were not regarded as connected transactions and were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

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

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

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2020.

The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2020.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

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

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

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

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

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

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

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

- approximately 19% of the net proceeds (approximately HK$70.3 million) for ongoing and planned clinical trials of APG-115, with approximately 1% of the net proceeds (approximately HK$3.7 million) allocated to the ongoing Phase I clinical trial in China, and approximately 18% of the net proceed (approximately HK$66.6 million) allocated to the ongoing Phase Ib/II clinical trial in the United States;
- approximately 6% of the net proceeds (approximately HK$22.2 million) allocated to ongoing and planned clinical trials for the rest of our clinical programs, APG-1387 and APG-2449, including approximately 3% of the net proceeds (approximately HK$11.1 million) allocated to the ongoing Phase I clinical trials for APG-1387 in the United States and China, and 3% of the net proceeds (approximately HK$11.1 million) allocated to the ongoing Phase I clinical trial for APG-2449 in China; and
- approximately 1% of the net proceeds (approximately HK$3.7 million) allocated to our working capital and general corporate purposes.

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

Use of proceeds		**Planned allocation of Net Proceeds** (HKD million)	**Planned allocation of Net Proceeds** (RMB million)	**Utilized amount (as at the date of this annual report)** (RMB million)
Research and development to bring our Core Product, HQP1351, to commercialization	42%	155.2	138.2	138.2
Ongoing and planned clinical trials of APG-1252	13%	48.1	42.8	42.8
Ongoing and planned clinical trials of APG-2575	19%	70.3	62.5	62.5
Ongoing and planned clinical trials of APG-115	19%	70.3	62.5	62.5
Ongoing and planned clinical trials for the rest of our clinical programs, APG-1387 and APG-2449	6%	22.2	19.7	19.7
Working capital and general corporate purposes	1%	3.7	3.3	3.3
Total	100.0%	369.8	329.1	329.1

Notes:

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

(2) Net proceeds from the Global Offering were received in Hong Kong dollars and translated to Renminbi at the exchange rate of December 31, 2019 for application planning. The plan was adjusted slightly due to the fluctuation of the exchange rate since the Global Offering.

FUND RAISING

On July 15, 2020, a total of 15,000,000 placing shares (with an aggregate nominal value of US$1,500) have been successfully placed to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected person at the placing price of HK$46.80 per placing share (with the net price being approximately HK$45.96 per placing share) under the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on June 19, 2020 (the "**2020 Placing**"). The closing price of the Shares on July 8, 2020, being the date on which the terms of the 2020 Placing was fixed, was HK$46.80.

The Directors consider that the 2020 Placing represents an opportunity to raise capital for the Company while broadening its Shareholder base. The Directors are of the view that the Placing would strengthen the financial position of the Group and provide working capital to the Group.

The table below sets out the planned applications of the net proceeds from the 2020 Placing and the actual usage up to December 31, 2020:

Use of proceeds		**Planned allocation of net proceeds** (HK$ million)	**Planned allocation of net proceeds** (RMB million)	**Utilized amount (as at December 31, 2020)** (RMB million)	**Expected timeline for utilizing the remaining balance of net proceeds from the 2020 Placing**
Clinical development for other pipeline products, such as APG-2575, APG-115, APG-1387 and APG-1252	60%	413.5	348.0	126	June 30, 2021
Registration, trial production and marketing of the Core Product, HQP1351	20%	138.0	116.0	59.0	June 30, 2021
General corporate purposes	20%	138.0	116.0	28.0	June 30, 2021
Total	100.0%	689.5	580.0	213.0	

Notes:

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

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

(3) Net proceeds from the 2020 Placing were received in Hong Kong dollars and translated to RMB at the exchange rate of December 31, 2020 for application planning. The plan was adjusted slightly due to the fluctuation of the exchange rate since the 2020 Placing.

Save as disclosed above, there was no fund raising activity carried out by the Company during the year ended December 31, 2020.

Report of the Directors

PUBLIC FLOAT

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

AUDITOR

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

Future Plans for Material Investments and Capital Assets

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

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

Suzhou, PRC, March 31, 2021

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

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and code provisions as set out in the CG Code. Save for the deviation disclosed below, in the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code during the year ended December 31, 2020.

Pursuant to code provision A.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer, and Dr. Yang Dajun currently performs these two roles. The Board believes that such arrangement will not impair the balance of power and authority between the Board and the management of the Company, because (a) decision to be made by our Board requires approval by at least a majority of our Directors and that our Board comprises three independent non-executive Directors out of nine Directors, which represents one-third of the Board composition and satisfies the Listing Rules requirement, and we believe that there is sufficient check and balance in the Board; (b) Dr. Yang and other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; (c) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company; and (d) strategic decisions and other key business, financial, and operational policies of our Group are formalized collectively after thorough discussion at both Board and senior management levels.

The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

THE BOARD

RESPONSIBILITIES

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

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

BOARD COMPOSITION

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

EXECUTIVE DIRECTOR:

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

NON-EXECUTIVE DIRECTORS:

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

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Ye Changqing
Dr. Yin Zheng
Mr. Ren Wei
Dr. David Sidransky (appointed on March 31, 2021)

Note: Mr. Zhao Qun resigned as a non-executive Director with effect from March 31, 2021 in order to allocate more time to the fund investment business and other personal undertakings. Please refer to the relevant announcement of the Company dated March 31, 2021 for further details.

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

During the year ended December 31, 2020, the Board at all times met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

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

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

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

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

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

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

Below is the record of participation in continuous professional development programme by the Directors in year 2020 relevant to the directors' duties and responsibilities, regulatory updates and business, financial and operational matters of the Group.

	Attending seminars/ conferences/ forums	Giving talks at seminars/ conferences/ forums	Reading materials
Executive Director			
Dr. YANG Dajun	✓	✓	✓
Non-executive Directors			
Dr. WANG Shaomeng	✓	✓	✓
Dr. TIAN Yuan	✓	✓	✓
Mr. ZHAO Qun (resigned on March 31, 2021)	✓	✓	✓
Dr. LU Simon Dazhong	✓	✓	✓
Mr. LIU Qian	✓	✓	✓
Independent Non-executive Directors			
Mr. YE Changqing	✓		✓
Dr. YIN Zheng			✓
Mr. REN Wei			✓

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

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

BOARD MEETINGS

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code and the Securities Transaction Code during the year ended December 31, 2020. In addition, the Company is not aware of any non-compliance of the Model Code and the policy on management of securities transaction by director by the senior management of the Group during the year ended December 31, 2020.

DELEGATION BY THE BOARD

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

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

CORPORATE GOVERNANCE FUNCTION

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

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

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

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

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

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

During the year ended December 31, 2020, the Board approved the terms of reference of the Nomination Committee, the Audit Committee and the Remuneration Committee.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended December 31, 2020 are set out in Note 9 and Note 36(c) to the consolidated financial statements in this annual report.

The biographies of the senior management are disclosed in the section headed "Directors and Senior Management" in this annual report. Remuneration paid to the top senior management (excluding the Directors) for the year ended December 31, 2020 fell within the following bands as follows:

Remuneration Band	**No. of employees**
USD1,000,001 to USD1,200,000	2
USD800,001 to USD1,000,000	1
USD600,001 to USD800,000	2
USD400,000 to USD600,000	1
	6

DIRECTORS' LIABILITY INSURANCE

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

BOARD COMMITTEES

NOMINATION COMMITTEE

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

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

The primary duties of the Nomination Committee include:

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

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

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

— assessing the independence of independent non-executive Directors;

— evaluating the balance of Directors;

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

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

During the year ended December 31, 2020, the Nomination Committee held one meeting during which the Nomination Committee has performed the following major works:

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

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

— made recommendations to the Board on re-election of retiring Directors at the annual general meeting held on June 19, 2020;

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

— reviewed the board diversity policy of the Company.

POLICY FOR THE NOMINATION OF DIRECTORS

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

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

BOARD DIVERSITY POLICY

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

The Nomination Committee is delegated by the Board to be responsible for compliance with relevant codes governing board diversity under the CG Code. During the year, there was no change in the board structure; however the Nomination Committee has reviewed the board diversity policy from time to time to ensure its continued effectiveness.

REMUNERATION COMMITTEE

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

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

The primary duties of the Remuneration Committee include:

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

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

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

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

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

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

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

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

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

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

During the year ended December 31, 2020, the Remuneration Committee held one meeting during which the Remuneration Committee has performed the following major works:

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

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

AUDIT COMMITTEE

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

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

The primary duties of the Audit Committee include:

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

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

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

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

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

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

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

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

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

— preforming the corporate governance functions delegated by the Board.

During the year ended December 31, 2020, the Audit Committee held one meeting during which the Audit Committee has performed the following major works:

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

— reviewed and approved the consolidated results of the Group for the year ended December 31, 2019;

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

— reviewed and approved the draft audited consolidated financial statements of the Group and the reports of the Directors and Independent Auditors of the Company for the year ended December 31, 2019, and recommended to the Board for approval;

— reviewed the draft audited annual results announcement of the Group for the year ended December 31, 2019, and recommended to the Board for approval;

— reviewed and approved the fees charged by Ernst & Young for the non-audit services provided to the Group during the year ended December 31, 2019;

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

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

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

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

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

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

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

Each of the Controlling Shareholders of the Company has provided with the Company a confirmation on compliance pursuant to their undertakings under the Deed of Non-Competition. The Audit Committee has reviewed the confirmations and noted that during the year ended December 31, 2020, each of the Controlling Shareholders of the Company has complied with the Deed of Non-Competition. The Audit Committee was not aware of any significant issues that would have an adverse impact on the effectiveness of the corporate governance measures.

ATTENDANCE RECORDS OF BOARD MEETINGS, BOARD COMMITTEE MEETING AND GENERAL MEETINGS

The attendance records of each Director and each member of the Board Committees of the Company at the relevant meetings held for the year ended December 31, 2020 are as follows:

	Actual Attendance/Number of Meetings a Director is entitled to attend				
	Board	Nomination Committee	Remuneration Committee	Audit Committee	General Meeting
No. of meetings held during the year	4	1	1	1	1
Executive Directors					
Dr. Yang Dajun	4/4	1/1	—	—	1/1
Non-executive Directors					
Dr. Wang Shaomeng	4/4	—	—	—	1/1
Dr. Tian Yuan	4/4	—	1/1	—	1/1
Mr. Zhao Qun (resigned with effect from March 31, 2021)	4/4	—	—	—	1/1
Dr. Lu Simon Dazhong	4/4	—	—	1/1	1/1
Mr. Liu Qian	4/4	—	—	—	1/1
Independent Non-executive Directors					
Mr. Ye Changqing	4/4	1/1	—	1/1	1/1
Dr. Yin Zheng	4/4	—	1/1	1/1	1/1
Mr. Ren Wei	4/4	1/1	1/1	—	1/1

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements for the year ended December 31, 2020 and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

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

The statement by the Independent Auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 64 and 65 of this annual report.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Company's risk management and internal control systems, for reviewing its effectiveness and to resolve material internal control defects (if any) on an ongoing basis. During the year ended December 31, 2020, the Group's internal audit team and senior management conducted reviews of the effectiveness of the risk management and internal control systems of the Group, successively on Expense Reimbursements, Procurement and Contract Management processes. The Audit Committee reviewed the findings and recommendations of the internal audit team and the senior management in their meetings and reported to the Board on such review.

There is an ongoing process to identify, evaluate and manage significant risks faced by the Group. The Group's internal audit team and senior management make a yearly plan to cover multiple functions and processes, and at each quarter end, after the Audit Committee reviews the report and gives their opinion, the Group's internal audit team and senior management will follow the progress of improvements made by the responsible party.

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

During the year ended December 31, 2020, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programs and budget.

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

DISSEMINATION OF INSIDE INFORMATION

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

AUDITOR'S REMUNERATION

For the year ended December 31, 2020, the total remuneration paid or payable to the Company's auditors, Ernst & Young, for annual audit and non-audit services totally RMB2.9 million.

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

Description of services performed	**Amount** (RMB'000)
Audit and audit related services	2,450
Non-Audit services	450
Total	2,900

The Board and the Audit Committee have agreed on the re-appointment of Ernst & Young as the Independent Auditor of the Group for the year 2021 and the proposal will be submitted for approval at the AGM to be held on May 10, 2021.

COMPANY SECRETARY

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

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

SHAREHOLDERS' RIGHTS

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS AND PUTTING FORWARD PROPOSALS

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

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

MAKING ENQUIRIES TO THE BOARD

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

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

POLICY ON PAYMENT OF DIVIDENDS

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

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

CONSTITUTIONAL DOCUMENTS

In September 2019, the Company has adopted an amended and restated memorandum and articles of association of the Company, a copy of which is available on the websites of the Company (www.ascentagepharma.com) and the Stock Exchange (www.hkexnews.hk). There are no significant changes to the constitutional documents of the Company for the year ended December 31, 2020.

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

OPINION

We have audited the consolidated financial statements of Ascentage Pharma Group International (the "Company") and its subsidiaries (the "Group") set out on pages 66 to 142, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Risk of misstatement of research and development expenses For the year ended December 31, 2020, the Group incurred research and development ("R&D") expenses amounting to RMB564,571,000. The R&D expenses mainly include clinical trial expenses and service fees paid to contract research organizations ("CROs"). The R&D activities with these CROs are documented in the detailed agreements and are billed usually based on the milestones. Allocation of these R&D expenses to the appropriate financial reporting periods based on the progress of the R&D activities involves significant management's judgements. In addition, determining the amounts to be capitalized or expensed requires management to make assumptions regarding technical feasibility, intention and ability to complete the intangible asset, ability to use or sell the asset, generation of future economic benefits and the ability to measure the costs reliably. The disclosures about accounting policies of R&D expense recognition are included in note 2.4 "Summary of significant accounting policies" and note 3 "Significant accounting estimates".	We updated our understanding of the internal control over the R&D expenses process, performed walkthroughs and test of controls, and assessed the effectiveness of the design and implementation of the relevant internal controls. We inquired management about the reasons for periodical fluctuations in R&D expenses and assessed the reasonableness of those fluctuations. We, on a sample basis, reviewed the terms in R&D related agreements and evaluated the measurement basis of the R&D expenses and relevant accruals with the reference to the progress reported by the relevant CROs and/or by the audit confirmation. We, on a sample basis, reviewed R&D expenses payments and other supporting documents in both current and subsequent periods to determine whether those expenses were recorded in the appropriate financial reporting periods. Regarding the capitalization or expense of development expenditures, we conducted interview with the key management members in charge of R&D department, to obtain an understanding of the current R&D projects in process, and to obtain certifications related to different stages of development activities and commercial and technical feasibility reports, if any. We also focused on the adequacy of the disclosures of the R&D expenses.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
March 31, 2021

Consolidated Statement of Profit or Loss

Year ended December 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**12,450**	14,513
Cost of sales		**(1,966)**	(2,096)
Gross profit		**10,484**	12,417
Other income and gains	5	**45,265**	49,116
Selling and distribution expenses		**(1,372)**	—
Administrative expenses		**(128,970)**	(161,643)
Research and development expenses		**(564,571)**	(463,883)
Other expenses	7	**(30,029)**	(914,049)
Finance costs	8	**(6,255)**	(4,274)
LOSS BEFORE TAX	6	**(675,448)**	(1,482,316)
Income tax (expense)/credit	11	**(2,158)**	1,602
LOSS FOR THE YEAR		**(677,606)**	(1,480,714)
Attributable to:			
Owners of the parent		**(677,606)**	(1,480,714)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
— For loss for the year (RMB)		**(3.14)**	(12.69)

Consolidated Statement of Comprehensive Income

Year ended December 31, 2020

	2020 RMB'000	2019 RMB'000
LOSS FOR THE YEAR	**(677,606)**	(1,480,714)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(63,203)**	(98,799)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(63,203)**	(98,799)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(740,809)**	(1,579,513)
Attributable to:		
Owners of the parent	**(740,809)**	(1,579,513)

Consolidated Statement of Financial Position

December 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**434,405**	93,787
Right-of-use assets	15(a)	**42,596**	48,500
Goodwill	16	**24,694**	24,694
Other intangible assets	17	**66,405**	72,192
Financial assets at fair value through profit or loss ("FVTPL")	18	**31,774**	32,191
Other non-current asset	19	**52,121**	24,581
Total non-current assets		**651,995**	295,945
CURRENT ASSETS			
Prepayments, other receivables and other assets	20	**54,644**	26,648
Cash and bank balances	21	**1,024,400**	882,457
Total current assets		**1,079,044**	909,105
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	22	**50,561**	92,194
Trade payables	23	**23,361**	13,084
Other payables and accruals	24	**188,565**	96,738
Tax payable		**3,557**	—
Contract liabilities		**43**	46
Other current liabilities	25	**10,061**	—
Total current liabilities		**276,148**	202,062
NET CURRENT ASSETS		**802,896**	707,043
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,454,891**	1,002,988
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	22	**479,134**	9,211
Deferred tax liabilities	26	**15,355**	16,957
Long-term payables measured at FVTPL	27	**73,574**	51,248
Contract liabilities		**4**	50
Deferred income	28	**40,203**	35,047
Total non-current liabilities		**608,270**	112,513
Net assets		**846,621**	890,475
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	**154**	142
Treasury shares		**(4)**	(4)
Capital and reserves	30	**846,471**	890,337
Total equity		**846,621**	890,475

Dr. Yang Dajun
Director

Dr. Wang Shaomeng
Director

	Attributable to owners of the parent						
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital and reserves RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At January 1, 2020	142	(4)	3,454,371	(341,208)	(126,295)	(2,096,531)	890,475
Loss for the year	–	–	–	–	–	(677,606)	(677,606)
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	–	–	–	–	(63,203)	–	(63,203)
Total comprehensive loss for the year	–	–	–	–	(63,203)	(677,606)	(740,809)
Issue of ordinary shares	11	–	634,188	–	–	–	634,199
Share issue expenses	–	–	(11,289)	–	–	–	(11,289)
Equity-settled share-based payments (note 31)							
– Pre-IPO share option expenses	–	–	–	50,289	–	–	50,289
– Restricted share unit ("RSUs") expenses	–	–	–	23,738	–	–	23,738
– Exercise of pre-IPO share options	1	–	36,809	(36,792)	–	–	18
– Exercise of restricted share units	–	–	16,341	(16,341)	–	–	–
At December 31, 2020	154	(4)	4,130,420*	(320,314)*	(189,498)*	(2,774,137)*	846,621

Consolidated Statement of Changes in Equity *(Continued)*

Year ended December 31, 2020

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

* These reserve accounts comprise the consolidated capital and reserves of RMB846,471,000 (2019: RMB890,337,000) in the consolidated statements of financial position.

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS USED IN OPERATING ACTIVITIES			
Loss before tax		**(675,448)**	(1,482,316)
Adjustments for:			
Depreciation of property, plant and equipment	6	**10,556**	10,442
Depreciation of right-of-use assets	6	**9,524**	8,943
Amortization of other intangible assets	6	**7,342**	7,048
Equity-settled share-based payments	6	**74,027**	70,822
Gain on other financial assets	5	**(2,360)**	(5,208)
Loss on disposal of items of property, plant and equipment		**2**	47
Fair value loss on financial assets measured at FVTPL	6	**6,105**	35,897
Fair value loss on long-term payables measured at FVTPL	6	**22,326**	41,214
Fair value loss on convertible redeemable preferred shares	6	**—**	836,738
Finance costs	8	**6,255**	4,274
Covid-19-related rent concessions from lessors	15	**(536)**	—
Foreign exchange difference		**(20,017)**	651
		(562,224)	(471,448)
Increase of restricted bank balances		**(474)**	(3,947)
Increase in investment at FVTPL		**(7,865)**	(8,383)
Increase in prepayments, other receivables and other assets		**(30,221)**	(14,337)
Increase in other non-current assets		**(9,455)**	(12,101)
Increase in trade payables		**10,277**	8,003
(Decrease)/increase in other payables and accruals		**(26,017)**	33,842
Decrease in contract liabilities		**(49)**	(43)
Increase in other current liabilities		**10,916**	—
Increase in deferred income		**5,156**	8,109
Net cash flows used in operating activities		**(609,956)**	(460,305)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of other financial assets		**(2,170,111)**	(1,806,601)
Proceeds from other financial assets		**2,174,696**	1,826,208
Purchases of items of property, plant and equipment		**(249,921)**	(77,456)
Purchase of items of other intangible assets		**(1,555)**	(3,960)
Decrease/(increase) in time deposits with original maturity of more than three months		**139,524**	(139,524)
Net cash flows used in investing activities		**(107,367)**	(201,333)

Consolidated Statement of Cash Flows *(Continued)*

Year ended December 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**634,217**	432,279
Share issue expense		**(11,289)**	—
Listing expense paid		**(2,125)**	(27,989)
Interests paid		**(5,935)**	(4,268)
New bank loans		**527,805**	85,000
Repayment of bank loans		**(95,000)**	(35,000)
Principal portion of lease payments		**(7,670)**	(7,660)
Net cash flows from financing activities		**1,040,003**	442,362
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**322,680**	(219,276)
Cash and cash equivalents at beginning of year		**738,986**	957,088
Effect of foreign exchange rate changes, net		**(41,687)**	1,174
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,019,979**	738,986
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year	21	**1,019,979**	738,986
Restricted bank balances	21	**4,421**	3,947
Time deposits with original maturity of more than three months	21	**—**	139,524
Cash and bank balances at end of year		**1,024,400**	882,457

1. CORPORATE AND GROUP INFORMATION

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

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

On October 28, 2019, the shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange (the "Stock Exchange"). In connection with the Company's listing, 12,180,900 new shares of the Company were issued and allotted at the offer price of HK$34.2 per share. On November 25, 2019, an aggregate of 1,827,100 over-allotment shares were issued and allotted by the Company at HK$34.2 per share. On July 15, 2020, an aggregate of 15,000,000 placing shares of the Company were issued and allotted at a price of HK$46.80 per share.

In the opinion of the directors, the ultimate controlling shareholders of the Company are Dr. Yang Dajun ("Dr. Yang"), Dr. Guo Edward Ming ("Dr. Guo"), Dr. Wang Shaomeng ("Dr. Wang"), Dr. Zhai Yifan ("Dr. Zhai"), Ascentage Limited, a company incorporated in BVI with limited liability which is owned by Dr. Yang, Dr. Guo and Dr. Wang and HealthQuest Pharma Limited, a company incorporated in BVI with limited liability and wholly owned by Dr. Zhai.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of business	Nominal value of issued/registered share capital	Percentage of equity interests attributable to the Company		Principal business
			Direct	Indirect	
Ascentage Pharma Group Corp Limited	Hong Kong May 22, 2009	Hong Kong dollar ("HK$")16,666	100%	–	Investment holding and business development
Jiangsu Ascentage Pharma Co., Limited.* (江蘇亞盛醫藥開發有限公司) ("Ascentage Jiangsu")	People's Republic of China ("PRC")/ Mainland China June 1, 2010	United States dollars ("US$")12,505,770	–	100%	Medical research and development
Guangzhou Healthquest Pharma Co., Ltd.* (廣州順健生物醫藥科技有限公司) ("Healthquest Pharma")	PRC/Mainland China July 3, 2012	Renminbi ("RMB")150,000,000	–	100%	Clinical development
Ascentage International Limited	Hong Kong October 28, 2015	HK$100,000	100%	–	Investment holding
Ascentage Pharma Group Inc.	United States of America ("United States") November 4, 2015	US$1	–	100%	Clinical trials operation

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Company name	Place and date of incorporation/ registration and place of business	Nominal value of issued/registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal business
Shanghai Yasheng Pharmaceutical Technology Co., Ltd.* (上海亞盛醫藥科技有限公司)	PRC/Mainland China December 10, 2015	RMB40,000,000	–	100%	Medical research and development
Jiangsu Ascentage Pharma Pty. Ltd.	Australia March 24, 2016	Australian dollar ("AUD") 1,000	–	100%	Clinical trials operation
Suzhou Yasheng Pharmaceutical Co., Ltd.* (蘇州亞盛藥業有限公司)	PRC/Mainland China June 1, 2016	RMB660,000,000	–	100%	Medical research and development
Ascentage Investment International	Cayman Islands March 22, 2018	US$50,000	100%	–	Investment holding
Ascentage Investment Limited	Hong Kong April 20, 2018	HK$1	–	100%	Investment holding
Suzhou Ascentage Grains Valley Venture Capital Co., Ltd. (蘇州亞盛磐谷創業投資有限責任公司)^*	PRC/Mainland China October 27, 2020	RMB12,000,000	100%	–	Venture capital investment
Shanghai UUBiopharma Co., Ltd. (上海優佑健藥約有限公司)^*	PRC/Mainland China December 24, 2020	RMB100,000,000	100%	–	Medical research and development

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

^ No capital contribution has been made by the period ended December 31, 2020.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

These have been prepared under the historical cost convention, except for financial asset at FVTPL, other financial assets and long-term payables measured at FVTPL which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after January 1, 2020. The amendments did not have any impact on the financial position and performance of the Group.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after June 1, 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended December 31, 2020, certain monthly lease payments for the leases of the Group's office building have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on January 1, 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended December 31, 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB536,000 has been accounted for as a variable lease payment by derecognizing part of the lease liabilities and crediting to profit or loss for the year ended December 31, 2020.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

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

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from January 1, 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognize hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after January 1, 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after January 1, 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labor and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after January 1, 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognized as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement to disclose significant accounting policies with a requirement to disclose material accounting policies. In assessing the materiality of accounting policy information, both quantitative and qualitative aspects need to be considered. Entity-specific accounting policy information is more useful for users of financial statements than the standardised information. The amendments also add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are effective for annual periods beginning on or after January 1, 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 8 are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments explain how entities use measurement techniques and inputs to develop accounting estimates and state that these can include estimation and valuation techniques. The amendments clarify that not all estimates will meet the definition of an accounting estimate, but rather may refer to inputs used in developing accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

Annual Improvements to IFRS Standards 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

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

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

Fair value measurement

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

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

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

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

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

Impairment of non-financial assets

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

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

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

Intangible assets (other than goodwill)

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

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

Software	3 to 10 years
Intellectual property	14 years

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Research and development costs

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

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

Leases

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

Group as a lessee

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

(a) *Right-of-use assets*

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

Leasehold land	30 years
Buildings	2 to 5 years

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

(b) *Lease liabilities*

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(b) Lease liabilities (Continued)

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

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

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

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

Subsequent measurement

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

Financial assets at amortized cost (debt instruments)

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

Financial assets designated at FVOCI (equity investments)

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

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

Financial assets at FVTPL

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

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets at FVTPL *(Continued)*

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

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

Derecognition of financial assets

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

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

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

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

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

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

General approach

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

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

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

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

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

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

The Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings, other current liabilities, and long-term payables measured at fair value through profit and loss.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

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

Cash and cash equivalents

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

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

Provisions

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

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

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

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

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

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

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

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

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

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

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

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

Government grants

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

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

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

Revenue recognition

Revenue from contracts with customers

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

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

The Group recognizes revenue from the following major sources:

(a) *Intellectual property license fee*

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

(b) *Compounds Library license fee*

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

(c) *Research and development service fee*

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

Other income

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

Contract liabilities

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

Share-based payments

The Company operates a share incentive plan which includes pre-IPO share option scheme and 2018 restricted share unit scheme (the "2018 RSU Scheme"), for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. Further details of which are given in note 31 to the financial statements.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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

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

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

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

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

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

Other employee benefits

Pension scheme

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

The Group implemented a safe harbor defined contribution 401(k) savings plan (the "401(k) Plan") for U.S. employees. The 401(k) Plan covers all U.S. employees and allows participants to defer a portion of their annual compensation on a pre-tax basis. In addition, the Company implemented a matching contribution to the 401(k) Plan, matching 100% of an employee's contribution up to a maximum of 6% of the participant's annual base salary. Such matching contribution vest when made.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Dividends

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

Foreign currencies

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

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

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

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

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2020 was RMB24,694,000 (December 31, 2019: RMB24,694,000). Further details are given in note 16.

Leases — Estimating the incremental borrowing rate

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

3. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 26 to the financial statements.

Fair value of long-term payables measured at FVTPL

The fair value of long-term payables measured at FVTPL is determined using valuation techniques, including a discounted cash flow analysis. Valuation techniques are certified by the management. Such valuation is based on certain assumptions in regard to future cash flows, credit risks and possibility of payment, which are subject to uncertainty and might materially differ from the actual results. The fair value of a long-term payables measured at FVTPL at December 31, 2020 was RMB73,574,000 (December 31, 2019: RMB51,248,000). Further details are included in note 27 to the financial statements.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the award. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share options, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 31.

Useful lives of property, plant and equipment and intangible assets

The Group determines the estimated useful lives and related depreciation and amortization charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and other intangible assets of similar nature and functions. Estimate for IP is based on the patent protection period and the duration in which the future economic benefits from the IP flows into the Group. Management will increase the depreciation charge or amortization charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Research and development expenses

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the development of novel small-scale therapies for cancers, hepatitis B virus, or HBV, and certain age-related diseases. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

(a) Revenue from external customers

	2020	2019
	RMB'000	RMB'000
United States	**10,739**	13,913
Mainland China	**1,711**	600
	12,450	14,513

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

(b) Non-current assets

	2020	2019
	RMB'000	RMB'000
Mainland China	**617,368**	259,248
United States	**2,486**	4,377
Others	**367**	129
	620,221	263,754

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

Information about major customers

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

	2020	2019
	RMB'000	RMB'000
Customer A	**10,739**	13,913

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

	2020 RMB'000	2019 RMB'000
Types of services		
Research and development service fee income	**2,574**	3,990
License fee income	**9,876**	10,523
	12,450	14,513
Timing of revenue recognition		
At a point in time		
IP license fee income	**9,830**	10,479
Over time		
Research and development service fee income	**2,574**	3,990
Compounds Library license fee income	**46**	44
	12,450	14,513

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

	2020 RMB'000	2019 RMB'000
Types of services		
Compounds Library license fee income	**46**	44

(b) Performance obligations

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

IP license

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

Compounds Library license

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

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

Revenue from contracts with customers *(Continued)*

(b) Performance obligations *(Continued)*

Research and development services

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

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2020 and 2019 are as follows:

	2020 **RMB'000**	2019 RMB'000
Amounts expected to be recognized as revenue:		
Within one year	**43**	46
After one year	**4**	50
	47	96

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

Other income and gains

	2020 **RMB'000**	2019 RMB'000
Government grants related to income*	**20,488**	30,424
Gain on other financial assets**	**2,360**	5,208
Foreign exchange gain, net	**17,089**	430
Bank interest income	**5,218**	12,906
Others	**110**	148
	45,265	49,116

* Government grants related to income that have been received to compensate for expenses of the Group's research and development. Some of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These government grants related to income are recognized in profit or loss when related costs are subsequently incurred and the Group receives government acknowledge of compliance. Details of these grants are set out in note 28.

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

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

6. LOSS BEFORE TAX

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

	2020 RMB'000	2019 RMB'000
Cost of sales	**1,966**	2,096
Depreciation of property, plant and equipment (note 14)	**10,556**	10,442
Depreciation of right-of-use assets (note 15)	**9,524**	8,943
Amortization of intangible assets (note 17)	**7,342**	7,048
Research and development costs	**564,571**	463,883
Employee benefit expense (including directors' remuneration) (note 9):		
Wages and salaries	**258,855**	213,139
Equity-settled share-based payments (note 31)	**74,027**	70,822
Pension scheme contributions (defined contribution scheme)	**9,726**	12,071
	342,608	296,032
Fair value loss on long-term payables measured at FVTPL (note 27)	**22,326**	41,214
Lease payments not included in the measurement of lease liabilities (note 15)	**303**	276
Fair value loss on convertible redeemable preferred shares	**—**	836,738
Auditors' remuneration	**2,450**	1,500
Listing expenses	**—**	35,393
Foreign exchange gain, net	**(17,089)**	(430)
Fair value loss on financial assets at FVTPL	**6,105**	35,897

7. OTHER EXPENSES

	2020 RMB'000	2019 RMB'000
Fair value loss on financial assets measured at FVTPL	**6,105**	35,897
Fair value loss on convertible redeemable preferred shares	**—**	836,738
Fair value loss on long-term payables measured at FVTPL	**22,326**	41,214
Others	**1,598**	200
	30,029	914,049

8. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest expenses on bank loans	**10,843**	3,442
Interest expenses on lease liabilities (note 15)	**639**	832
	11,482	4,274
Less: Interest capitalized (note 14)	**(5,227)**	—
	6,255	4,274

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2020	2019
	RMB'000	RMB'000
Fees	**1,207**	592
Other emoluments:		
Salaries, allowances and benefits in kind	**5,307**	4,527
Equity-settled share-based payment expenses	**2,798**	2,663
Pension scheme contributions	**122**	128
	8,227	7,318
	9,434	7,910

In August 2018, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such options, which has been recognized in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

	2020	2019
	RMB'000	RMB'000
Mr. Ye Changqing*	**414**	203
Dr. Yin Zheng*	**414**	203
Mr. Ren Wei*	**379**	186
	1,207	592

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

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

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

(b) Executive director and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share option expenses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended December 31, 2020					
Executive director:					
Dr. Yang Dajun**	**–**	**4,166**	**–**	**122**	**4,288**
Non-executive directors:					
Dr. Wang Shaomeng****	**–**	**1,141**	**–**	**–**	**1,141**
Dr. Tian Yuan***	**–**	**–**	**1,232**	**–**	**1,232**
Mr. Zhao Qun***	**–**	**–**	**1,232**	**–**	**1,232**
Dr. Lu Simon Dazhong***	**–**	**–**	**175**	**–**	**175**
Mr. Liu Qian***	**–**	**–**	**159**	**–**	**159**
	–	**1,141**	**2,798**	**–**	**3,939**
	–	**5,307**	**2,798**	**122**	**8,227**
Year ended December 31, 2019					
Executive director:					
Dr. Yang Dajun**	–	3,384	–	128	3,512
Non-executive directors:					
Dr. Wang Shaomeng****	–	1,143	–	–	1,143
Dr. Tian Yuan***	–	–	1,173	–	1,173
Mr. Zhao Qun***	–	–	1,173	–	1,173
Dr. Lu Simon Dazhong***	–	–	166	–	166
Mr. Liu Qian***	–	–	151	–	151
	–	1,143	2,663	–	3,806
	–	4,527	2,663	128	7,318

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

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

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

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included no directors or the chief executive (2019: included no directors or the chief executive). Details of the remuneration for the year of the five highest paid employees who are neither a director nor chief executive of the Company are as follow:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	**18,766**	16,115
Equity-settled share-based payments expenses	**11,717**	10,581
Pension scheme contributions	**481**	621
	30,964	27,317

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

	2020	2019
RMB4,500,001 to RMB5,000,000	**1**	1
RMB5,000,001 to RMB5,500,000	**1**	2
RMB5,500,001 to RMB6,000,000	**–**	1
RMB6,000,001 to RMB6,500,000	**1**	1
RMB6,500,001 to RMB7,000,000	**1**	–
RMB7,000,001 to RMB7,500,000	**1**	–
	5	5

During the year and in prior years, share options or RSUs were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of such options and RSUs, which have been recognized in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

11. INCOME TAX

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

Cayman Islands

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

Hong Kong

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

Mainland China

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

United States

Pursuant to the tax law and regulations in the United States, the subsidiary operating in the United States is subject to income tax at a rate of 21%. No provision for income tax has been made as the Group had no assessable profit earned in the United States during the reporting period.

Pursuant to the tax law and regulations in the United States, a subsidiary operating outside the United States is subject to a withholding tax rate of 30% for income earned or derived from the United States.

	2020 **RMB'000**	2019 RMB'000
Current	**3,760**	—
Deferred (note 26)	**(1,602)**	(1,602)
Total income tax expense/(credit) for the year	**2,158**	(1,602)

11. INCOME TAX *(Continued)*

A reconciliation of the tax expense/(credit) applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax credit at the effective tax rates is as follows:

2020

	Cayman		Mainland China		Others		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	28,087		(363,172)		(340,363)		(675,448)	
Tax at the statutory rate	–	–	(90,793)	25.0	(69,499)	20.4	(160,292)	23.8
Income not subject to tax	–	–	–	–	(250)	0.1	(250)	0.0
Tax incentives on eligible expenditures	–	–	(48,310)	13.3	–	–	(48,310)	7.2
Expenses not deductible for tax	–	–	800	(0.2)	1,109	(0.3)	1,909	(0.3)
Deductible temporary differences and tax losses not recognized	–	–	136,701	(37.7)	68,640	(20.2)	205,341	(30.4)
Effect of withholding tax on the IP license income of the Group's Hong Kong subsidiary	–	–	–	–	3,760	(1.1)	3,760	(0.6)
Tax credit at the Group's effective rate	–	–	(1,602)	0.4	3,760	(1.1)	2,158	(0.3)

2019

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

12. DIVIDENDS

The board of directors resolved not to declare any final dividend for the year ended December 31, 2020 (2019: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 215,909,150 (2019: 116,727,377) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended December 31, 2020 and 2019 in respect of a dilution as the impact of the options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	2020 **RMB'000**	2019 RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:	**(677,606)**	(1,480,714)

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**215,909,150**	116,727,377

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
December 31, 2020					
At January 1, 2020:					
Cost	11,423	46,513	640	60,036	118,612
Accumulated depreciation and impairment	(7,341)	(16,992)	(492)	–	(24,825)
Net carrying amount	4,082	29,521	148	60,036	93,787
At January 1, 2020, net of accumulated depreciation and impairment	4,082	29,521	148	60,036	93,787
Additions	229	4,187	274	346,524	351,214
Depreciation provided during the year	(1,741)	(8,749)	(66)	–	(10,556)
Disposals	–	(2)	–	–	(2)
Exchange realignment	(25)	(13)	–	–	(38)
At December 31, 2020, net of accumulated depreciation and impairment	2,545	24,944	356	406,560	434,405
At December 31, 2020:					
Cost	11,603	50,604	914	406,560	469,681
Accumulated depreciation and impairment	(9,058)	(25,660)	(558)	–	(35,276)
Net carrying amount	2,545	24,944	356	406,560	434,405

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

	Leasehold improvements RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
December 31, 2019					
At January 1, 2019:					
Cost	9,841	29,925	640	1,204	41,610
Accumulated depreciation and impairment	(4,671)	(9,660)	(426)	—	(14,757)
Net carrying amount	5,170	20,265	214	1,204	26,853
At January 1, 2019, net of accumulated depreciation and impairment	5,170	20,265	214	1,204	26,853
Additions	1,562	17,007	—	58,832	77,401
Disposals	—	(47)	—	—	(47)
Depreciation provided during the year	(2,667)	(7,709)	(66)	—	(10,442)
Exchange realignment	17	5	—	—	22
At December 31, 2019, net of accumulated depreciation and impairment	4,082	29,521	148	60,036	93,787
At December 31, 2019:					
Cost	11,423	46,513	640	60,036	118,612
Accumulated depreciation and impairment	(7,341)	(16,992)	(492)	—	(24,825)
Net carrying amount	4,082	29,521	148	60,036	93,787

At December 31, 2020, the construction in process with a net carrying amount of approximately RMB406,560,000 (2019: Nil) was pledged to secure general banking loans of the Group (note 22). The amount of borrowing costs capitalized at the year ended December 31, 2020 was approximately RMB5,227,000 (2019: Nil). The amount of borrowing costs eligible for capitalization is determined by the interest rate of a specific borrowing, which fell in the range from 4.8% to 5% for the year ended December 31, 2020.

15. LEASES

The Group as a lessee

The Group has lease contracts for lands and buildings. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 5 years. Other leases generally have lease terms of 12 months or less and/or have low value items. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(a) Right-of-use assets

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

	Buildings	Leasehold land	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2019	7,139	33,248	40,387
Additions	17,056	—	17,056
Depreciation charge	(7,813)	(1,130)	(8,943)
As at December 31, 2019 and January 1, 2020	16,382	32,118	48,500
Additions	3,850	—	3,850
Depreciation charge	(8,394)	(1,130)	(9,524)
Exchange realignment	(230)	—	(230)
As at December 31, 2020	11,608	30,988	42,596

(b) Lease liabilities

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

	2020	2019
	RMB'000	RMB'000
Carrying amount at January 1	**16,405**	7,044
New leases	**3,850**	17,056
Accretion of interest recognized during the year (note 8)	**639**	832
Covid-19-related rent concessions from lessors	**(536)**	—
Payments	**(8,309)**	(8,492)
Exchange realignment	**(159)**	(35)
Carrying amount at December 31	**11,890**	16,405
Analysed into:		
Current portion	**5,811**	7,194
Non-current portion	**6,079**	9,211

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

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to IFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

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

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**639**	832
Depreciation charge of right-of-use assets	**9,524**	8,943
Expense relating to short-term leases and other leases with remaining lease terms ended on or before December 31, 2019 (included in administrative expenses) (note 6)	**303**	276
Covid-19-related rent concessions from lessors	**(536)**	—
Total amount recognized in profit or loss	**9,930**	10,051

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 32(c) and 33(b), respectively, to the financial statements.

16. GOODWILL

	RMB'000
Cost and net carrying amount at December 31, 2020 and 2019	24,694
At December 31, 2020 and 2019:	
Cost	24,694
Accumulated impairment	—
Net carrying amount	24,694

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

	Healthquest Pharma RMB'000
Carrying amount of goodwill as at December 31, 2020 and 2019	24,694

Impairment testing of goodwill

The carrying amount of goodwill that relates to taxation and the deferred tax liability should be removed for impairment testing purposes in order to remove all tax effects from the CGU, which means, in effect, that as at the point of acquisition, the goodwill can be reduced by the deferred tax liability recorded on consolidation in order to test that goodwill for impairment. As a result, the Group does not have to recognise an immediate impairment loss.

16. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

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

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

Discount rate — The discount rate applied to the cash flow projections was 16.99% as at December 31, 2020 (December 31, 2019: 16.36%). The discount rate used is before tax and reflects specific risks relating to the relevant unit.

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

As at December 31, 2020, the recoverable amount of the cash-generating unit exceeds its carrying amount by RMB691,840,000 (December 31, 2019: RMB347,308,000).

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

	2020	2019
Discount rate	**68.32%**	37.4%

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

	2020 **RMB'000**	2019 RMB'000
	Recoverable amount of the cash-generating unit exceeding its carrying amount by	
Possible changes of key assumptions		
Pre-tax discount rate increase by 1%	**652,765**	316,976
Pre-tax discount rate increase by 3%	**581,556**	262,526

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

17. OTHER INTANGIBLE ASSETS

	Software RMB'000	Intellectual property RMB'000	Total RMB'000
December 31, 2020			
Cost at January 1, 2020, net of accumulated amortization	**4,368**	**67,824**	**72,192**
Additions	**1,555**	**—**	**1,555**
Amortization provided during the year	**(933)**	**(6,409)**	**(7,342)**
At December 31, 2020	**4,990**	**61,415**	**66,405**
At December 31, 2020:			
Cost	**6,896**	**87,050**	**93,946**
Accumulated amortization	**(1,906)**	**(25,635)**	**(27,541)**
Net carrying amount	**4,990**	**61,415**	**66,405**
December 31, 2019			
At January 1, 2019:			
Cost	1,381	87,050	88,431
Accumulated amortization	(333)	(12,818)	(13,151)
Net carrying amount	1,048	74,232	75,280
Cost at January 1, 2019, net of accumulated amortization	1,048	74,232	75,280
Additions	3,960	—	3,960
Amortization provided during the year	(640)	(6,408)	(7,048)
At December 31, 2019	4,368	67,824	72,192
At December 31, 2019 and at January 1, 2020:			
Cost	1,381	87,050	88,431
Additions	3,960	—	3,960
Accumulated amortization	(973)	(19,226)	(20,199)
Net carrying amount	4,368	67,824	72,192

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Listed equity investments, at fair value	**31,774**	32,191

The financial assets are the equity securities issued to the Group by a customer as a consideration for the Group's licenses of IP and Compounds Library. The equity securities became listed on NASDAQ in May 2018. The management designated the listed equity investments as financial assets measured at fair value through profit or loss.

19. OTHER NON-CURRENT ASSETS

	2020 RMB'000	2019 RMB'000
Prepayment for property, plant and equipment	**1,865**	55
Value added tax recoverable	**47,290**	24,526
Prepaid interest for loans	**2,966**	—
	52,121	24,581

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

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Prepaid expenses	**38,250**	21,523
Deposits	**3,026**	2,599
Interest receivable	**—**	2,225
Refundable value added tax	**12,888**	—
Other receivables	**480**	301
	54,644	26,648

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

The financial assets included in the above balances relate to receivables for which there was no recent history of default or past due amount. As at December 31, 2020 and 2019, the loss allowance was assessed to be minimal.

21. CASH AND BANK BALANCES

	2020 RMB'000	2019 RMB'000
Cash and cash equivalents as stated in the consolidated statement of cash flows	**1,019,979**	738,986
Restricted cash	**4,421**	3,947
Time deposits with original maturity of more than three months	**—**	139,524
Cash and bank balances as stated in the consolidated statement of financial position	**1,024,400**	882,457
Denominated in:		
RMB	**481,697**	231,115
US$	**280,515**	650,522
HK$	**261,375**	477
Other	**813**	343
	1,024,400	882,457

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB481,697,000 (2019: RMB231,115,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of less than three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

2020

	Effective interest rate per annum (%)	Maturity	RMB'000
Current			
Bank loans — unsecured	4.05–4.35	2021	30,000
Current portion of long term bank loans — unsecured	4.75	2021	3,500
Current portion of long term bank loans — unsecured	1 year LPR+0.9/0.65	2021	11,250
Lease liabilities	4.00–4.35	2021	5,811
			50,561
Non-current			
Bank loans — unsecured	1 year LPR+0.9/0.65	2023–2025	138,750
Bank loans — unsecured	4.5–4.75	2023	116,250
Bank loans — secured*	5 year LPR+0.15	2023–2030	218,055
Lease liabilities	4.00–4.35	2022–2023	6,079
			479,134
			529,695

Note: LPR represents the Loan Prime Rate.

* The bank loans amounting to RMB218,055,000 were secured by the pledge of the Group's right-of-use assets with a carrying amount of RMB30,988,000 and the construction in process with a carrying amount of RMB406,560,000 as at December 31, 2020 (2019: Nil).

2019

	Effective interest rate per annum (%)	Maturity	RMB'000
Current			
Bank loans — unsecured	4.35	2020	85,000
Lease liabilities	4.00–4.35	2020	7,194
			92,194
Non-current			
Lease liabilities	4.00–4.35	2021–2023	9,211
			101,405

22. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	2020 RMB'000	2019 RMB'000
Analysed into:		
Within one year	**50,561**	92,194
In the second year	**24,025**	4,720
In the third to fifth years, inclusive	**297,054**	4,491
Beyond five years	**158,055**	—
	529,695	101,405

23. TRADE PAYABLES

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

	2020 RMB'000	2019 RMB'000
Within 1 month	**19,104**	12,296
1 to 3 months	**700**	—
3 to 6 months	**3,557**	788
	23,361	13,084

The trade payables are non-interest-bearing and are normally settled in less than six months.

24. OTHER PAYABLES AND ACCRUALS

	Notes	2020 RMB'000	2019 RMB'000
Payables for construction cost		**119,378**	—
Other payables	(i)	**8,607**	4,981
Accrued interest		**446**	126
Other accrued expenses		**6,777**	52,280
Payroll payables		**50,930**	37,751
Tax payables other than income tax		**2,427**	1,600
		188,565	96,738

Note:

(i) Included in the Group's other payables were amounts due to Dr. Zhai, the Group's related party, of RMB1,000,000 as at December 31, 2020 (2019: RMB1,000,000). These balances were non-interest-bearing and repayable on demand.

25. OTHER CURRENT LIABILITIES

	Notes	2020 RMB'000	2019 RMB'000
Paycheck protection program ("PPP")	(i)	**10,061**	—

Note:

(i) Paycheck protection program ("PPP") is a program under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") initiated by the U.S. Small Business Administration ("SBA"). A loan has been made under the PPP by a subsidiary of the Group which is currently in the process of applying for loan forgiveness. If the SBA confirms full and complete forgiveness of the unpaid balance, the subsidiary's obligation including principal and interest will be deemed fully satisfied and paid in full. Otherwise, the subsidiary will be obligated to repay the amount with a fixed interest rate up to 1% per annum.

26. DEFERRED TAX

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

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary RMB'000
At January 1, 2019	18,559
Deferred tax credited to the consolidated statement of profit or loss during the year (note 11)	(1,602)
Deferred tax liabilities at December 31, 2019 and January 1, 2020	16,957
Deferred tax credited to the consolidated statement of profit or loss during the year (note 11)	(1,602)
Deferred tax liabilities at December 31, 2020	15,355

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

	2020 RMB'000	2019 RMB'000
Taxes losses	**2,833,223**	2,045,716
Deductible temporary differences	**372,288**	297,525
	3,205,511	2,343,241

	2020 RMB'000	2019 RMB'000
Less than five years	**1,399,393**	900,530
Without limitation	**1,433,830**	1,145,186
	2,833,223	2,045,716

The Group has tax losses arising in Mainland China of RMB1,399,393,000 that will expire in one to five years for offsetting against future taxable profits as at December 31, 2020 (December 31, 2019: RMB900,530,000). Tax losses arising in locations other than Mainland China will be available indefinitely. Deferred tax assets have not been recognized in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

27. LONG-TERM PAYABLES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Contingent cash consideration for acquisition of Healthquest Pharma, at fair value	**73,574**	51,248

Long-term payables measured at fair value through profit or loss represent the fair value of the contingent cash consideration payable to Dr. Zhai for the acquisition of Healthquest Pharma.

28. DEFERRED INCOME

	2020 RMB'000	2019 RMB'000
Government grants	**40,203**	35,047

The movements in government grants during the reporting period are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of the year	**35,047**	26,938
Received during the year	**7,683**	21,685
Recognized as income during the year	**(2,527)**	(13,576)
At end of the year	**40,203**	35,047

29. SHARE CAPITAL

Issued and fully paid

	As at December 31, 2020		
	Number of shares in issue	**Share capital US$**	**RMB equivalent RMB'000**
Ordinary shares of US$0.0001 each	**226,042,041**	**22,604**	**154**

	As at December 31, 2019		
	Number of shares in issue	Share capital US$	RMB equivalent RMB'000
Ordinary shares of US$0.0001 each	208,901,727	20,890	142

29. SHARE CAPITAL *(Continued)*

Issued and fully paid *(Continued)*

Movements in the issued share capital from January 1, 2019 to December 31, 2020 were as follows:

	Number of shares	Share capital RMB'000
At January 1, 2019	97,298,807	63
Conversion of preferred shares and series seed shares to ordinary shares (a)	97,594,920	69
Issue of shares from initial public offering (b)	12,180,900	9
Issue of shares from exercise of an over-allotment option (c)	1,827,100	1
At December 31, 2019 and January 1, 2020	208,901,727	142
Issue of ordinary shares (d)	15,000,000	11
Issue of shares under the pre-IPO share option scheme (e)	2,140,314	1
At December 31, 2020	226,042,041	154

Notes:

(a) Upon completion of the IPO, each issued Preferred Share was converted into an ordinary share by re-designation and reclassification of every Preferred Share in issue as ordinary share on a one for one basis and all the unissued and authorized Preferred Shares were re-designated and reclassified as ordinary shares. As a result, the financial liabilities for Preferred Shares were derecognized and recorded as share capital and share premium.

(b) In connection with the Company's listing on October 28, 2019, 12,180,900 new shares of the Company were issued and allotted at an offer price of HK$34.2 per share.

(c) In connection with the exercised over-allotment option, 1,827,100 new shares of the Company were issued and allotted at an offer price of HK$34.2 per share on November 25, 2019.

(d) In connection with the share placement, 15,000,000 placing shares of the Company were issued and allotted at a price of HK$46.80 per share on July 15, 2020.

(e) During the year ended December 31, 2020, the Company issued ordinary shares with respect to the share options under the pre-IPO share option scheme exercised by certain grantees of the Company before December 31, 2020 to grantees. In connection with the exercised share options, 2,140,314 new shares of the Company were issued with weighted average exercise price of HK$0.01, an amount of RMB1,401 was credited as share capital.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 69 to 70 of the financial statements.

In connection with the Company's issue of placing shares on July 15, 2020, RMB634,188,000 was credited to share premium and RMB11,289,000 was debited to share premium accordingly.

In connection with the pre-IPO share option scheme and the 2018 RSU Scheme, expenses amounting to RMB74,027,000 was recognized and contributed to capital and reserves.

Upon the exercise of the pre-IPO share option scheme and the 2018 RSU Scheme, RMB53,150,000 was credited to share premium and an RMB53,133,000 was transferred out from capital and reserves.

31. SHARE-BASED PAYMENTS

(a) Share option scheme

In July 2018, the Company adopted the pre-IPO share option scheme for the purpose of providing incentives and rewards to eligible participants who have contributed or will contribute to the Group. Eligible participants of the pre-IPO share option scheme may include any substantial shareholder, existing or incoming employees of the Group which include the directors (including executive directors, non-executive directors and independent non-executive directors) and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the board of directors consider, in its sole discretion, have contributed or will contribute to the Group.

The maximum number of shares which may be issued upon the exercise of all pre-IPO share options is 12,307,533. The exercise price for each share under the pre-IPO share options is HK$0.01.

Subject to any restriction contained in the pre-IPO share option scheme, an option may be exercised in accordance with the terms of the pre-IPO share option scheme and the terms of grant thereof, provided that part of pre-IPO share options in respect of 1,758,219 shares ("Special Options") which may be issued shall only be vested/exercised upon the earliest occurrence of the following events: (a) the listing, (b) trade sale, (c) any liquidation event, and (d) change of control of the Company.

On August 15, 2018, the Company has granted options to 282 grantees to subscribe for an aggregate of 11,438,960 shares under the pre-IPO share option scheme, including 926,797 Special Options. Subject to terms and conditions as set out in the pre-IPO share option scheme, the Special Options will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the listing date. The remaining 10,512,163 options (the "2018 Granted Options") will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the grant date of the options.

On May 15, 2019, the Company has granted options to 100 grantees to subscribe for an aggregate of 3,314,532 shares under the pre-IPO share option scheme. Subject to terms and conditions as set out in the pre-IPO share option scheme, 3,267,573 shares granted to 95 grantees (the "2019 Granted Options") will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the grant date of the options, and the remaining options granted to five grantees in respect of 46,959 shares (the "Supplemental Options") will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of August 15, 2018, i.e., the grant date of the 2018 Granted Options.

31. SHARE-BASED PAYMENTS *(Continued)*

(a) Share option scheme *(Continued)*

Pursuant to the resolution of board of directors in July 2019, the first vesting period of the 2018 Granted Options and the Supplemental Options (together, the "Relevant Options") was amended from August 15, 2019 (i.e., the first anniversary of August 15, 2018) to the first day of the third month after the listing of the Company. In addition, the proportion to be vested on the first vesting date of the Relevant Options was amended from 25% to 35%, whilst the proportion to be vested on the second vesting date of the Relevant Options, being August 15, 2020, was be amended from 25% to 15%.

On September 16, 2019, the Company has granted options to 16 grantees to subscribe for an aggregate of 542,955 shares under the pre-IPO share option scheme. Subject to terms and conditions as set out in the pre-IPO share option scheme, 522,955 shares granted to 15 grantees (the "Second 2019 Granted Options") will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the grant date of the options, and the remaining options granted to a grantee in respect of 20,000 Special Options will be vested in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the listing date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the pre-IPO share option scheme during the year:

	2020		2019	
	Exercise price HK$ per share	**Number of options '000**	Exercise price HK$ per share	Number of options '000
Outstanding as of January 1	**0.01**	**12,229**	0.01	10,043
Granted during the year	**0.01**	**—**	0.01	3,857
Forfeited during the year	**0.01**	**(493)**	0.01	(1,671)
Exercised during the year	**0.01**	**(2,140)**	—	—
Outstanding as of December 31	**0.01**	**9,596**	0.01	12,229

The number of share options exercisable was 2,879,193 as at December 31, 2020 (2019: Nil).

31. SHARE-BASED PAYMENTS *(Continued)*

(a) Share option scheme *(Continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2020

Number of options '000	Exercise price HK$ per share	Exercise period
6,687	**0.01**	**Jan 28, 2020 — Aug 15, 2028**
2,552	**0.01**	**May 15, 2020 — May 15, 2029**
357	**0.01**	**Sept 16, 2020 — Sept 16, 2029**
9,596		

2019

Number of options '000	Exercise price HK$ per share	Exercise period
8,461	0.01	Jan 28, 2020 — Aug 15, 2028
3,225	0.01	May 15, 2020 — May 15, 2029
543	0.01	Sept 16, 2020 — Sept 16, 2029
12,229		

The Group has not granted any share options during the year ended December 31, 2020 (2019: RMB84,335,000), of which the Group recognized a share option expense of RMB50,289,000 (2019: RMB70,822,000) during the year ended December 31, 2020.

The fair values of certain equity-settled share options granted during the year ended December 31, 2019 were estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used.

	2019 Granted Options
Dividend yield (%)	—
Expected volatility (%)	58.35
Risk-free interest rate (%)	2.38
Expected life of options (year)	10.00
Weighted average share price (RMB per share)	20.87

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

31. SHARE-BASED PAYMENTS *(Continued)*

(a) Share option scheme *(Continued)*

No other feature of the options granted was incorporated into the measurement of fair value.

The 2,140,314 share options exercised during the year resulted in the issue of 2,140,314 ordinary shares of the Company and new share capital of RMB1,401 (before issue expenses), as further detailed in note 29 to the financial statements.

As at December 31, 2020, the Company had 9,596,000 share options outstanding under the pre-IPO share option scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 9,596,000 additional Ordinary Shares of the Company and additional share capital and share premium of US$23,896,000, equivalent to RMB164,827,000 (before issue expenses) transferred from capital and other reserves.

At the date of approval of these financial statements, the Company had 9,596,000 share options outstanding under the Scheme, which represented approximately 4.25% of the Company's shares in issue as at that date.

(b) RSUs granted to employees

In July 6, 2018, the company approved and adopted the 2018 RSU Scheme. The purpose of the 2018 RSU scheme is to incentivize the existing and incoming directors, senior management and employees for their contribution to the Company, and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Company. Unless otherwise cancelled or amended, the 2018 RSU Scheme will remain in force for 10 years from the date of adoption.

The maximum number of RSUs that may be granted under the 2018 RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the 2018 RSU Scheme) shall be 5,274,657 ordinary shares.

On September 14, 2020, pursuant to the 2018 RSU Scheme, 2,590,592 RSUs were granted to 50 selected persons, who are employees of the Company. The RSUs granted would vest on the third month from the grant date, and in equal tranches over the remaining years of total vesting period as three years, on condition that employees remain in service without any performance requirements.

The following restricted shares were outstanding under the 2018 RSU Scheme during the year:

	Grant fair value HK$ per share	Number of RSUs '000
Outstanding as of January 1, 2020	—	—
Granted during the year	28.35	2,591
Forfeited during the year	28.35	(28)
Exercised during the year	28.35	(648)
Outstanding as of December 31, 2020	28.35	1,915

The fair value of each RSUs at the grant date was determined by reference to the fair value of the ordinary shares of the Company issued to its shareholders, using the market approach.

31. SHARE-BASED PAYMENTS *(Continued)*

(b) RSUs granted to employees *(Continued)*

The fair value of the RSUs granted during the year ended December 31, 2020 amounted to RMB64,649,000.

The Company recognized a share grant expense of RMB23,738,000 for the year ended December 31, 2020.

As at December 31, 2020, the Company had 1,915,000 RSUs outstanding. The exercise in full of the outstanding RSUs would, under the present capital structure of the Company, result in additional share capital and share premium of US$7,003,000, equivalent to RMB48,308,000, transferred from capital and other reserves.

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

i. In May 2019, the Company granted 3,314,532 shares under the pre-IPO share option scheme to 100 grantees. In September 2019, the Company granted 542,955 shares under the pre-IPO share option scheme to 16 grantees. During the year, the Company granted 2,590,592 RSUs under the 2018 RSU scheme to 50 grantees, further details are given in note 31.

ii. During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB3,850,000 and RMB3,850,000, respectively, in respect of lease arrangements for buildings (2019: RMB17,056,000 and RMB17,056,000).

(b) Changes in liabilities arising from financing activities

	Accrued interest in other payables and accruals RMB'000	Bank and other loans RMB'000	Lease liabilities RMB'000
January 1, 2020	**126**	**85,000**	**16,405**
Changes from financing cash flows	**—**	**432,805**	**(7,670)**
New leases	**—**	**—**	**3,850**
Interest expenses	**5,616**	**—**	**639**
Interest paid classified as financing cash flows	**(5,296)**	**—**	**(639)**
Effect of change in foreign exchange rates	**—**	**—**	**(159)**
Covid-19-related rent concessions from lessors	**—**	**—**	**(536)**
At December 31, 2020	**446**	**517,805**	**11,890**

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities *(Continued)*

	Accrued interest in other payables and accruals RMB'000	Convertible redeemable preferred shares RMB'000	Bank and other loans RMB'000	Lease liabilities RMB'000
January 1, 2019	120	2,075,611	35,000	7,044
Changes from financing cash flows	(3,436)	—	50,000	(7,660)
New leases	—	—	—	17,056
Interest expenses	3,442	—	—	832
Interest paid classified as financing cash flows	—	—	—	(832)
Effect of change in foreign exchange rates	—	100,868	—	(35)
Fair value changes of convertible redeemable preferred shares	—	836,738	—	—
Transfer to ordinary shares	—	(3,013,217)	—	—
At December 31, 2019	126	—	85,000	16,405

(c) Total cash outflow for leases

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

	2020 RMB'000	2019 RMB'000
Within operating activities	**303**	276
Within financing activities	**8,309**	8,492
	8,612	8,768

33. COMMITMENTS

(a) As at December 31, 2020, the Group had capital commitments of RMB179,142,000 relating to the construction of the research and development centre. (December 31, 2019: RMB117,998,000).

(b) The Group has no lease contracts that have not yet commenced as at December 31, 2020.

34. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at the end of the reporting date.

35. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in notes 14 and 22 to the financial statements.

36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in this financial statement, the Group had no transactions with related parties during the reporting period.

(b) Outstanding balances with a related party:

Details of the Group's balances with Dr. Zhai are disclosed in notes 24 and 27 to the financial statements.

(c) Compensation of key management personnel of the Group:

	2020 **RMB'000**	2019 RMB'000
Short term employee benefits	**24,661**	20,040
Equity-settled share-based payment expenses	**12,572**	7,469
Post-employment benefits	**573**	647
	37,806	28,156

Further details of directors' emoluments are included in note 9 to the financial statements.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting date are as follows:

2020

Financial assets

	Financial assets at fair value through profit or loss Mandatorily designated as such at FVTPL RMB'000	Financial assets at amortized cost RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables	–	3,506	3,506
Cash and bank balances	–	1,024,400	1,024,400
Financial assets at FVTPL	31,774	–	31,774
	31,774	1,027,906	1,059,680

Financial liabilities

	Financial liabilities at fair value through profit or loss Designated as such upon initial recognition at FVTPL RMB'000	Financial liabilities at amortized cost RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	529,695	529,695
Trade payables	–	23,361	23,361
Financial liabilities included in other payables and accruals	–	128,431	128,431
Long-term payables measured at FVTPL	73,574	–	73,574
	73,574	681,487	755,061

37. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2019

Financial assets

	Financial assets at fair value through profit or loss Mandatorily designated as such at FVTPL RMB'000	Financial assets at amortized cost RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables	—	5,125	5,125
Cash and bank balances	—	882,457	882,457
Financial assets at FVTPL	32,191	—	32,191
	32,191	887,582	919,773

Financial liabilities

	Financial liabilities at fair value through profit or loss Designated as such upon initial recognition at FVTPL RMB'000	Financial liabilities at amortized cost RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	101,405	101,405
Trade payables	—	13,084	13,084
Financial liabilities included in, other payables and accruals	—	5,107	5,107
Long-term payables measured at FVTPL	51,248	—	51,248
	51,248	119,596	170,844

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at December 31, 2020 and 2019, the fair values of the Group's financial instruments reasonably approximated to their respective fair values.

Management has assessed that the fair values of cash and bank balances, financial assets included in prepayments, other receivables and other assets, trade payables, interest-bearing bank and other borrowings, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at December 31, 2020 were assessed to be insignificant.

The fair value of listed equity investment was based on quoted market prices. The fair value of unlisted equity investment that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3.

For Level 3 financial assets, the Group adopts the valuation techniques to determine the fair value. The fair value measurement of the financial instruments may involve unobservable inputs such as discount rate and possibility of payment. The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial assets in Level 3.

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Unobservable inputs and sensitivity analysis of Level 3 assets and liabilities

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at December 31, 2020 and 2019.

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value of the input
Long-term payables measured at FVTPL	Discounted cash flow method	Discount rate	2020: 4.77% — 5.25% (2019: 4.64% — 5.18%)	2020: 1% (December 31, 2019: 1%) increase/decrease in discount rate would result in decrease/increase in fair value by 3% (2019: 4%)
		Possibility of payment	2020: 80% — 90% (2019: 60% — 65%)	2020: 1% (December 31, 2019: 1%) increase/decrease in possibility of payment would result in decrease/increase in fair value by 1% (2019: 2%)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at December 31, 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at FVTPL	**31,774**	**—**	**—**	**31,774**

As at December 31, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at FVTPL	32,191	—	—	32,191

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities measured at fair value

As at December 31, 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Long-term payables measured at FVTPL	**—**	**—**	**73,574**	**73,574**

As at December 31, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Long-term payables measured at FVTPL	—	—	51,248	51,248

The movements in the fair value measurements within Level 3 during the reporting period are as follows:

	Long-term payables measured at FVTPL	
	2020 RMB'000	2019 RMB'000
Carrying amount at January 1	**51,248**	10,034
Net loss from a fair value adjustment recognized in other expenses in profit or loss	**22,326**	41,214
	73,574	51,248

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The director reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts.

As at 31 December 2020, the total interest-bearing bank borrowings of RMB368,055,000 (31 December 2019: Nil) of the Group were with floating interest rates denominated in RMB.

The following table demonstrates the sensitivity to a reasonably possible change in RMB interest rate, with all other variables held constant, of the Group's loss before tax through the impact on floating rate borrowings. This analysis does not include the effect of interest capitalized.

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax RMB'000
2020		
RMB	**100**	**1,500**
RMB	**(100)**	**(1,500)**

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity as at the end of each reporting date to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's loss before tax and in other comprehensive income (without tax) due to changes in the fair values of monetary assets and liabilities.

	Increase/ (decrease) in foreign currency rate	Increase/ (decrease) in loss before tax	Increase/ (decrease) in other comprehensive income (without tax)
	%	RMB'000	RMB'000
December 31, 2020			
If RMB weakens against US$	**5**	**(10,676)**	**47,629**
If RMB strengthens against US$	**(5)**	**10,676**	**(47,629)**
December 31, 2019			
If RMB weakens against US$	5	(7,144)	39,075
If RMB strengthens against US$	(5)	7,144	(39,075)

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, financial assets included in prepayments, other receivables and other assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year staging classification. The amounts presented are gross carrying amounts for financial assets.

December 31, 2020	**12-month ECLs**		**Lifetime ECLs**		
	Stage 1 RMB'000	**Stage 2 RMB'000**	**Stage 3 RMB'000**	**Simplified approach RMB'000**	**Total RMB'000**
Financial assets included in prepayments, other receivables and other assets					
— Normal*	**3,506**	**—**	**—**	**—**	**3,506**
Cash and bank balances					
— Not yet past due	**1,024,400**	**—**	**—**	**—**	**1,024,400**
	1,027,906	**—**	**—**	**—**	**1,027,906**

December 31, 2019	12-month ECLs		Lifetime ECLs		
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets					
— Normal*	5,125	—	—	—	5,125
Cash and bank balances					
— Not yet past due	882,457	—	—	—	882,457
	887,582	—	—	—	887,582

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at December 31, 2020

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	—	6,359	6,239	—	12,598
Interest-bearing bank and other borrowings (excluding lease liabilities)	—	68,308	368,306	168,907	605,521
Trade payables	—	23,361	—	—	23,361
Financial liabilities included in other payables and accruals	128,431	—	—	—	128,431
Long-term payables measured at FVTPL	—	—	73,574	—	73,574
	128,431	98,028	448,119	168,907	843,485

As at December 31, 2019

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	—	8,180	9,650	—	17,830
Interest-bearing bank and other borrowings (excluding lease liabilities)	—	86,454	—	—	86,454
Trade payables	—	13,084	—	—	13,084
Financial liabilities included in other payables and accruals	5,107	—	—	—	5,107
Long-term payables measured at FVTPL	—	—	51,248	—	51,248
	5,107	107,718	60,898	—	173,723

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in a financial asset at fair value through profit or loss (note 18) as at December 31, 2020. The Group's listed investment is listed on the NASDAQ and is valued at quoted market price at the end of the reporting period.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	December 31, 2020	**High/low 2020**	December 31, 2019	High/low 2019
United States — NASDAQ index	**12,888**	**12,973/ 6,631**	7,418	9,502/ 6,457

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments RMB'000	**Decrease/ (increase) in loss before tax** RMB'000
2020		
Investments listed in:		
NASDAQ — Financial assets at fair value through profit or loss	**31,774**	**1,589**
		(1,589)
2019		
Investments listed in:		
NASDAQ — Financial assets at fair value through profit or loss	32,191	1,610
		(1,610)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the reporting year.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, financial liabilities included in other payables and accruals and long-term payables measured at FVTPL, less cash and bank balances. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of each reporting date were as follows:

	2020	2019
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**529,695**	101,405
Trade payables	**23,361**	13,084
Financial liabilities included in other payables and accruals	**128,431**	5,107
Long-term payables measured at FVTPL	**73,574**	51,248
Less: Cash and bank balances	**(1,024,400)**	(882,457)
Net debt	**(269,339)**	(711,613)
Equity attributable to owners of the parent	**846,621**	890,475
Adjusted capital	**846,621**	890,475
Capital and net debt	**577,282**	178,862
Gearing ratio	**N/A***	N/A*

* As at December 31, 2020 and 2019, the Group's cash and bank balances exceeded the financial liabilities. As such, no gearing ratio as at December 31, 2020 and 2019 was presented.

40. EVENTS AFTER THE REPORTING PERIOD

(a) The board of directors has approved the adoption of the restricted share unit scheme of the Company on February 2, 2021 ("2021 RSU Scheme"). The maximum number of RSUs that may be granted under the 2021 RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the 2021 RSU Scheme) shall be 3,133,526 Shares, representing approximately 1.39% of the total issued share capital of the Company as at the Adoption Date. The 2021 RSU Scheme will be maintained in parallel with the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the restricted share unit scheme approved by the board of directors of the Company on July 6, 2018 and such other share incentive schemes which may be adopted by the Company from time to time.

(b) The Company issued a total of 26,500,000 placing shares at a price of HK$44.20 per share on February 11, 2021. The net proceeds arising from the placing were approximately HK$1,153.6 million (RMB962.4 million).

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**145,546**	94,729
Total non-current assets	**145,546**	94,729
CURRENT ASSETS		
Prepayments, other receivables and other assets	**1,393,213**	904,912
Cash and bank balances	**605,334**	579,264
Total current assets	**1,998,547**	1,484,176
CURRENT LIABILITIES		
Other payables and accruals	**4,077**	15,120
Total current liabilities	**4,077**	15,120
NET CURRENT ASSETS	**1,994,470**	1,469,056
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,140,016**	1,563,785
Net assets	**2,140,016**	1,563,785
EQUITY		
Share capital	**154**	142
Treasury shares	**(4)**	(4)
Capital and reserves	**2,139,866**	1,563,647
Total equity	**2,140,016**	1,563,785

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital and reserves RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2019	11,546	(887,576)	(27,367)	(81,728)	(985,125)
Loss for the year	—	—	—	(846,086)	(846,086)
Other comprehensive loss for the period:					
Exchange differences on translation of foreign operations	—	—	(86,637)	—	(86,637)
Total comprehensive loss for the year	—	—	(86,637)	(846,086)	(932,723)
Conversion of convertible redeemable preferred shares to ordinary shares	—	3,013,148	—	—	3,013,148
Issue of shares from IPO	376,073	—	—	—	376,073
Issue of shares from exercise of an over-allotment option	56,196	—	—	—	56,196
Share issue expenses	(34,744)	—	—	—	(34,744)
Equity-settled share option arrangement	—	70,822	—	—	70,822
At December 31, 2019 and January 1, 2020	**409,071**	**2,196,394**	**(114,004)**	**(927,814)**	**1,563,647**
Profit for the year	**—**	**—**	**—**	**28,087**	**28,087**
Other comprehensive loss for the period:					
Exchange differences on translation of foreign operations	**—**	**—**	**(148,811)**	**—**	**(148,811)**
Total comprehensive loss for the year	**—**	**—**	**(148,811)**	**28,087**	**(120,724)**
Issue of ordinary shares	**634,188**	**—**	**—**	**—**	**634,188**
Share issue expenses	**(11,289)**	**—**	**—**	**—**	**(11,289)**
Equity-settled share-based payments					
— Pre-IPO share option expenses	**—**	**50,289**	**—**	**—**	**50,289**
— Restricted share unit expenses	**—**	**23,738**	**—**	**—**	**23,738**
— Exercise of pre-IPO share options	**36,809**	**(36,792)**	**—**	**—**	**17**
— Exercise of RSUs	**16,341**	**(16,341)**	**—**	**—**	**—**
At December 31, 2020	**1,085,120**	**2,217,288**	**(262,815)**	**(899,727)**	**2,139,866**

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on March 31, 2021.