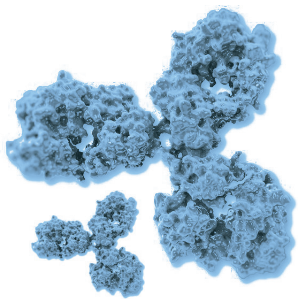
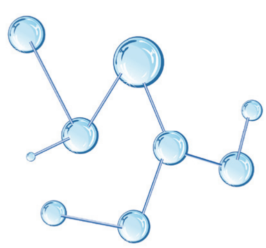
德琪醫藥有限公司
Antengene Corporation Limited



2020

ANNUAL REPORT



(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6996

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Jay Mei *(Chairman and Chief Executive Officer)*
Mr. John F. Chin *(Chief Business Officer)*
Mr. Yiteng Liu *(Chief Operating Officer)*

Non-executive Directors

Mr. Yanling Cao
Mr. Zhen Li
Dr. Kan Chen (appointed on March 26, 2021)
Mr. Xubo Hu (resigned on March 26, 2021)

Independent Non-executive Directors

Mr. Mark J. Alles
Ms. Jing Qian
Mr. Sheng Tang

AUDIT COMMITTEE

Mr. Sheng Tang *(Chairman)*
Mr. Mark J. Alles
Ms. Jing Qian

REMUNERATION COMMITTEE

Ms. Jing Qian *(Chairwoman)*
Dr. Jay Mei
Mr. Mark J. Alles

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Mark J. Alles *(Chairman)*
Dr. Jay Mei
Ms. Jing Qian

AUTHORIZED REPRESENTATIVES

Dr. Jay Mei
Mr. Yiteng Liu

JOINT COMPANY SECRETARIES

Mr. Yang Cao
Mr. Keith Shing Cheung Wong

REGISTERED OFFICE

The offices of Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

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Shanghai
PRC

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Shaoxing, Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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173 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
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Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

CORPORATE INFORMATION

HONG KONG LEGAL ADVISER

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3A Chater Road
Hong Kong

COMPLIANCE ADVISOR

Rainbow Capital (HK) Limited
Room 5B, 12/F, Tung Ning Building
No. 2 Hillier Street
Sheung Wan
Hong Kong

PRINCIPAL BANKERS

Citibank N.A., Hong Kong Branch
3 Garden Road
Central
Hong Kong

Bank of Ningbo, Shaoxing Branch
1/F, Beichen Business Building
653 Jiefang Avenue
Shaoxing, Zhejiang Province
PRC

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
3/F, Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
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Central
Hong Kong

STOCK CODE

6996

COMPANY WEBSITES

www.antengene.com
www.antengene.cn

KEY DATES

Date of Listing
November 20, 2020

Annual General Meeting
June 18, 2021

FINANCIAL HIGHLIGHTS

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

	Year ended December 31,		
	2018	2019	**2020**
	RMB'000	RMB'000	**RMB'000**
Other income and gains	9,464	52,946	**26,834**
Research and development costs	(115,768)	(115,792)	**(347,655)**
Administrative expenses	(24,275)	(39,349)	**(154,221)**
Fair value loss on convertible redeemable preferred shares*	–	(214,549)	**(2,356,271)**
Loss and total comprehensive loss for the year	(145,952)	(323,787)	**(2,928,921)**
Adjusted loss and total comprehensive loss for the year**	(145,952)	(109,236)	**(454,958)**

* This represents the loss on the fair value changes of convertible redeemable preferred shares, a non-cash and one-time adjustment recognized upon listing as required under the International Financial Reporting Standards ("**IFRS**").

** Adjusted loss and total comprehensive loss for the year is not defined under the IFRS. It represents the loss and total comprehensive loss for the year excluding the effect brought by equity-settled share option expense, share issue expenses and fair value loss on convertible redeemable preferred shares.

	As at December 31,		
	2018	2019	**2020**
	RMB'000	RMB'000	**RMB'000**
Cash and bank balances	65,257	746,795	**3,109,832**
Total current assets	77,130	755,603	**3,128,023**
Total non-current assets	3,284	4,180	**66,378**
Total current liabilities	68,744	44,941	**150,601**
Total non-current liabilities	170,272	1,272,453	**5,992**
Total (deficit)/equity	(158,602)	(557,611)	**3,037,808**

*** The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited under Chapter 18A of the Listing Rule on November 20, 2020.

IFRS MEASURES:

- Our cash and bank balances increased by RMB2,363.0 million from RMB746.8 million as at December 31, 2019 to RMB3,109.8 million as at December 31, 2020, primarily attributable to our Series C financing in July 2020 and the initial public offering of the Company ("**IPO**") in November 2020.

- Our other income and gains decreased by RMB26.1 million from RMB52.9 million for the year ended December 31, 2019 to RMB26.8 million for the year ended December 31, 2020, primarily attributable to the absence of RMB29.1 million of net foreign exchange gains that was recorded for the year ended December 31, 2019.

- Our research and development costs increased by RMB231.9 million from RMB115.8 million for the year ended December 31, 2019 to RMB347.7 million for the year ended December 31, 2020, primarily attributable to our increased payments made to our licensing partners, expansion of R&D personnel and other clinical-related fees.

- Our administrative expenses increased by RMB114.9 million from RMB39.3 million for the year ended December 31, 2019 to RMB154.2 million for the year ended December 31, 2020, primarily attributable to the increase in employee costs and share issue expenses in relation to the IPO of the Company.

- Fair value loss on convertible redeemable preferred shares increased by RMB2,141.8 million from RMB214.5 million for the year ended December 31, 2019 to RMB2,356.3 million for the year ended December 31, 2020, primarily attributable to the increase in the Company's valuation upon the completion of the IPO when re-measuring the fair value of per convertible redeemable preferred share to offer price before conversion into the ordinary share.

- The loss and total comprehensive loss for the year increased by RMB2,605.1 million from RMB323.8 million for the year ended December 31, 2019 to RMB2,928.9 million for the year ended December 31, 2020. This is the combined result of (i) the increase in loss of RMB463.3 million primarily due to the increase in research and development costs and administrative expenses; and (ii) the increase in the fair value loss on convertible redeemable preferred shares of RMB2,141.8 million, a non-cash, one-time adjustment upon listing as required under the IFRS.

NON-IFRS MEASURES:

Adjusted loss and total comprehensive loss for the year represents the loss and total comprehensive loss for the year excluding the effect brought by equity-settled share option expense, share issue expenses and non-cash items and one-time events, namely the fair value loss on convertible redeemable preferred shares.

The term adjusted loss and total comprehensive loss is not defined under the IFRS. The table below sets forth a reconciliation of the loss and total comprehensive loss to adjusted loss and total comprehensive loss during the years indicated:

	Year ended December 31,		
	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Loss and total comprehensive loss for the year	(145,952)	(323,787)	**(2,928,921)**
Added:			
Fair value loss on convertible redeemable preferred shares	–	214,549	**2,356,271**
Share issue expenses	–	–	**28,570**
Equity-settled share option expense	-	2	**89,122**
Adjusted loss and total comprehensive loss for the year	(145,952)	(109,236)	**(454,958)**

BUSINESS HIGHLIGHTS

On November 20, 2020 (the "**Listing Date**"), the Company was successfully listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Over the past year, significant advancement has been made with respect to our product pipeline and business operations:

LATE-STAGE ASSETS:

- Selinexor (ATG-010, first-in-class XPO1 inhibitor) – In 2020, we have made notable clinical development and regulatory progress to advance our lead hematological malignancy asset.

- On June 22, 2020, XPOVIO® (selinexor) received accelerated approval from the U.S. Food and Drug Administration (the "**U.S. FDA**") for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma ("**rrDLBCL**"), not otherwise specified, including diffuse large B-cell lymphoma ("**DLBCL**") arising from follicular lymphoma, after at least two lines of systemic therapy. On December 18, 2020, the U.S. FDA approved XPOVIO® (selinexor) in combination with bortezomib and dexamethasone for the treatment of adult patients with multiple myeloma who have received at least one prior therapy. In addition, we submitted new drug applications ("**NDA(s)**") for selinexor in multiple Asia Pacific ("**APAC**") markets, including mainland China. On December 3, 2020, we announced submission of NDAs to the Health Sciences Authority ("**HSA**") of Singapore and to the Australian Therapeutic Goods Administration ("**TGA**") for the treatment of adult patients with relapsed/refractory multiple myeloma ("**rrMM**") (both in combination with low-dose dexamethasone and in combination of bortezomib and low-dose dexamethasone) and rrDLBCL. Additionally, we submitted an NDA to the Hong Kong Department of Health for selinexor in combination with low-dose dexamethasone in the treatment of adult patients with rrMM. We also submitted an NDA with Orphan Drug Designation ("**ODD**") to the South Korean Ministry of Food and Drug Safety ("**MFDS**") for selinexor in combination with low dose dexamethasone for the treatment of adult patients with rrMM and as monotherapy to treat adult patients with rrDLBCL. Two registrational studies of selinexor are ongoing in mainland China in 2020 in patients with rrMM and rrDLBCL, respectively. In January 2021, we submitted an NDA to the National Medical Products Administration ("**NMPA**") in mainland China for the treatment of patients with rrMM. NMPA also granted priority review to the NDA application. On January 25, 2021, the Company received the approval of the investigational new drug ("**IND**") application by the NMPA for ATG-010 (selinexor) in combination with R-GDP (SR-GDP) for the treatment of rrDLBCL in a global Phase 2/3 study. In 2021, we will continue to enroll patients for our four registrational Phase II or Phase III studies in mainland China in rrMM, rrDLBCL and endometrial cancer, respectively.

- Onatasertib (ATG-008, mTORC1/2 inhibitor) – In 2020, we dosed the first patient in the third cohort of the Phase II study in patients with hepatocellular carcinoma ("**HCC**") who received at least one line of prior therapy. We also initiated a Phase I/II study of onatasertib in combination with toripalimab (anti-PD-1 antibody) and a Phase II study in NFE2L2 mutant non-small cell lung cancer ("**NSCLC**"), respectively, in mainland China. In addition, we received IND approval from the NMPA for a biomarker driven solid tumor basket trial.

- ATG-019 (dual PAK4/NAMPT inhibitor) – In 2020, we dosed the first patient in a Phase I solid tumor and lymphoma clinical study in Taiwan. Subsequently, we submitted an IND application to the NMPA in mainland China in January 2021.

- ATG-017 (ERK1/2 inhibitor) – In 2020, we dosed the first patient in a Phase I clinical study in Australia.

- Eltanexor (ATG-016, second generation XPO1 inhibitor) – In 2020, we obtained IND approval of a Phase I/II clinical study in patients with high-risk myelodysplastic syndrome ("**MDS**") from the NMPA in mainland China. Subsequently, we submitted IND application of a Phase I/II clinical study in patients with solid tumors to NMPA in mainland China in February 2021.

PRECLINICAL STAGE ASSETS:

- We made steady progress in our preclinical pipeline assets – ATG-101 (PD-L1/4-1BB bispecific antibody), ATG-018 (ATR inhibitor), ATG-022 (Claudin 18.2 antibody-drug conjugate), ATG-012 (KRAS inhibitor) and two other biologics that we have not yet disclosed target.

BUSINESS DEVELOPMENT AND OTHER KEY ACTIVITIES:

- We continue to strengthen and broaden our partnership with Karyopharm Therapeutics Inc. ("**Karyopharm**") and in May 2020, we entered into a territory expansion agreement (the "**Karyopharm Agreement**") to develop and commercialize selinexor, eltanexor, verdinexor and ATG-019 in selected APAC markets.

- Moving forward, we will focus on our dual-engine strategy by pursuing in-house discovery as well as strategic partnerships to accelerate value creation of the Company.

- In January 2020, we appointed Mr. John F. Chin, MBA, as Chief Business Officer (CBO). He is responsible for the Company's global business development and commercialization. Mr. John F. Chin has worked in the pharmaceutical industry for 30 years. Prior to joining the Company, he was Country General Manager at Celgene China, leading a cross-functional team to support the development and approval of assets of Celgene Corporation ("**Celgene**") as well as approved brands commercialized by its partners in China. He spent 15 years at Celgene, held senior positions at Celgene and Aventis Pharmaceutical Holdings Inc. and previously worked at Bristol-Myers Squibb and Merck.

- In April 2020, we appointed Mr. Thomas Karalis as Head of Asia Pacific Region. He is responsible for the commercialization of the Company's products in Australia, New Zealand, South Korea, Taiwan, Hong Kong and ASEAN regions. He is a seasoned industry leader with over 30 years of experience working at several multinational biopharmaceutical companies in Australia and across multiple APAC countries/regions. Equipped with exceptional commercial leadership and strategic thinking, he has effectively initiated numerous critical initiatives in geographic expansion, enterprise design and portfolio transformation. Before joining the Company, he was the General Manager for Celgene East Asia and Vice President & General Manager for Celgene Australia and New Zealand, where he made outstanding accomplishments in general management and commercial strategies.

BUSINESS HIGHLIGHTS

- In July 2020, we appointed Dr. Zhinuan Yu, Ph.D., as Corporate Vice President (CVP) of Biometrics and Regulatory Enabling Functions. She is responsible for providing statistical leadership and strategic regulatory input on the Company's pipeline projects. Dr. Zhinuan Yu has been working in the pharmaceutical industry for more than 20 years. Prior to joining the Company, she was Senior Director of Biostatistics at Bristol-Myers Squibb Company. Before that, Dr. Yu had served in Celgene for nearly 16 years, leading statistical support for multiple high priority programs including thalidomide, lenalidomide, pomalidomide, and bb2121 (CAR-T) for multiple myeloma and other therapeutic areas, and played a key role in successful NDA/sNDA/BLA submissions with global health authorities including the U.S. FDA, European Medicines Agency (EMA), Swissmedic, Health Canada, Pharmaceuticals and Medical Devices Agency (PMDA), NMPA, and other regulatory agencies.

- In July 2020, we appointed Dr. Dirk Hoenemann, M.D., as Vice President, Head of Medical Affairs for Asia Pacific Region (APAC) and Early Clinical Development. Dr. Hoenemann has over 20 years of experience in clinical research, translational medicine, academia, and the pharmaceutical industry. He has led multiple clinical programs, including first-in-human initiatives with novel antibody formats in hematological malignancies and solid tumors, and has made critical contributions to the first CAR-T study in Australia targeting Lewis-Y. Dr. Hoenemann has also held numerous leadership positions in the pharmaceutical industry. In his most recent role at Celgene, he led the development of Early Clinical Development programs for the APAC and the successful launches of lenalidomide, pomalidomide, and azacitidine in some APAC markets.

- In August 2020, we entered into an agreement with the Administrative Committee of the Binhai New Area, Shaoxing, Zhejiang Province in the PRC to obtain an approximately 16,300-square-meter manufacturing facility in the Binhai New Area, Shaoxing, Zhejiang Province, the PRC for small molecule drug commercial production. We expect the first stage of the furbishing of the facility to be completed in the second half of 2021.

- In October 2020, we officially opened the Antengene Drug Discovery Center based in Zhangjiang Hi-Tech Park, Shanghai, the PRC. The establishment of our discovery center is to build a platform for target-based screening and drive drug discovery by capitalizing on the talented scientists and technical advantages of "Chinese Pharma Valley", and focus on potential first-in-class or best-in-class innovative anti-cancer drugs based on the complete upstream and downstream industrial chains in the park.

CHAIRMAN’ S STATEMENT

“To be a leading global R&D driven innovative biopharmaceutical company in the world and to bring the most cutting-edge therapies to patients around the world”

Dear Shareholders,

Thank you for your unwavering support and trust in Antengene. I am pleased to present to you the significant progress we achieved in our business in the fiscal year ended December 31, 2020. For Antengene, 2020 was an extraordinary year during which we successfully completed the Series C financing round and our listing on the Hong Kong Stock Exchange; and submitted New Drug Applications (NDAs) in multiple Asia Pacific markets while continuing to expand our commercial organization. At the same time, we deepened our partnership with a leading biopharmaceutical company which further extended our market reach in the Asia Pacific region. During the COVID-19 pandemic, we have demonstrated effective execution and teamwork that led to multiple milestone achievements in drug discovery, clinical development, business operations and organization development.

I am proud to say that we are realizing our vision of treating patients beyond borders, through the 3 keys strategic initiatives that we have been, and will be, focused on executing:

– Firstly, through in-licensing, we built Antengene from clinical to commercial stage in the shortest period of time. This allowed us to build a full clinical, regulatory and commercial platform, starting in an area that we have deep experience in, hematology/oncology, and quickly expanding to other disease areas;

– Secondly, at founding of the Company, we decided that we need to focus on innovative drug discovery. 2021 will be the year we start to see our in-house developed assets entering the clinical stage;

– Thirdly, we grew from a Greater China company to a full-fledged Asia Pacific organization. We believe being a regional leader is just the first step for us to become a truly global company.

Developing innovative therapies by leveraging in-house discovery and in-licensing

Antengene is dedicated to developing first-in-class and/or best-in-class therapies to deliver practice-changing innovation. We have built a pipeline of highly innovative and novel targets that is synergistic with each other, targeting major signaling pathways from the nucleus to extracellular microenvironment, enabling novel combination treatment strategies, initially building upon our hematology oncology expertise and track record, but expanding into solid tumors and other disease areas with relevant targets. We do not differentiate whether the product is in-licensed, partnered, or self-discovered, but rather, we focus on the science and the synergistic potentials of these targets. We have in-licensed six clinical-stage assets, including the selective inhibitor of nuclear export (SINE) compounds ATG-010 (selinexor), ATG-016 (eltanexor) and ATG-527 (verdinexor); the dual-targeted mTORC1/2 inhibitor ATG-008 (onatasertib), the dual-targeted PAK4/NAMPT inhibitor ATG-019 (KPT-9274), and the ERK1/2 inhibitor ATG-017 (AZD-0364). These drugs or drug candidates cover three therapeutic areas of hematology/oncology, viral infections and autoimmune diseases; and are being investigated in a total of 13 clinical trials. In addition, our pipeline also consists of six preclinical assets, including the anti-PD-L1/4-1BB bispecific antibody ATG-101, the ATR inhibitor ATG-018, the Claudin 18.2 antibody-drug conjugate ATG-022, the KRAS inhibitor ATG-012, and two other biologics with undisclosed targets and we have built a talented R&D team to further strengthen our in-house discovery capabilities.

CHAIRMAN'S STATEMENT

In 2020, we submitted multiple NDAs for ATG-010 (selinexor), the world's first commercialized selective inhibitor of the nuclear export protein XPO1 with broad anti-tumor activities in four Asia Pacific markets, followed by the submission to and acceptance by the NMPA in mainland China and subsequent granting of the priority review status, in Q1 2021. Six clinical trials with ATG-010 are currently ongoing including four registration trials. In 2020, we deepened our collaboration with Karyopharm, expanding our rights to develop and commercialize the four in-licensed drugs to 17 Asia Pacific markets. At the same time, we entered into collaborations with WuXi Biologics and Applied BioMath, two companies equipped with industry-leading manufacturing and research platforms, to help rapidly advance our in-house discovery assets into clinical development.

Building fully integrated industrialization capabilities to facilitate transition towards commercialization

Antengene is building a fully integrated platform with capabilities in discovery, development, manufacturing, and commercialization, to lay a solid foundation for product commercialization and to drive our continued growth.

In 2020, we opened the Antengene Drug Discovery Center to advance the discovery of preclinical assets. To achieve launch readiness for the world's first SINE compound ATG-010, we have accelerated the construction of the Antengene Manufacturing Center and built commercial teams in multiple Asia Pacific markets including Mainland China, Australia and South Korea. Antengene's fully integrated platform is continuously shaping up as planned.

The development and commercialization of anti-tumor therapies led by a world-class team

Focusing on hematological malignancies and solid tumors, Antengene has built an experienced management team with a strong track record to lead the end-to-end execution covering clinical development, drug registration and commercialization.

In 2020, we were joined by Mr. Mark J. Alles, an independent non-executive Director; Mr. John F. Chin, Chief Business Officer; Dr. Zhinuan Yu, Corporate Vice President for Biometrics and Regulatory Enabling Functions; Mr. Thomas Karalis, Corporate Vice President and Head of Asia Pacific Region; Dr. Dirk Hoenemann, Head of Medical Affairs in Asia Pacific Region & Early Clinical Development and in March 2021, Dr. Kevin Lynch as Chief Medical Officer. They have been in the biopharmaceutical industry for decades and have held senior positions of management in top multinational pharmaceutical companies such as Celgene and BMS. This team of accomplished industry veterans have played instrumental roles in the successful development and commercialization of numerous hematological cancer therapies worldwide, and in the Asia Pacific region (including one of the world's bestselling anti-tumor drug Revlimid®, and another multiple-billion dollar anti-tumor drug Pomalyst®). Their leadership experience and expertise are great additions to and in strong synergy with Antengene's focused therapeutic areas from discovery to commercialization.

In the past year, Antengene completed the Series C financing that was participated by many well-known institutional investors. On November 20, 2020, we successfully listed on the Hong Kong Stock Exchange. In March 2021, Antengene has been selected as a constituent stock of the Hang Seng Composite Index (HSCI), the Hang Seng Stock Connect Hong Kong Index (HSHKI), the Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index (HSHKMS), the Hang Seng Stock Connect Hong Kong SmallCap Index (HSHKS), the Hang Seng SCHK Mainland China Companies Index (HSSCMLC), the Hang Seng SCHK ex-AH Companies Index (HSSCNAH), the Hang Seng Healthcare Index (HSHCI), the Hang Seng Hong Kong-Listed Biotech Index (HSHKBIO) and the Hang Seng Small Cap (Investable) Index (HSSIV), according to the quarterly review results of the Hang Seng Family of Indexes. Based on the inclusion, the Company has been selected as an eligible stock in the Shenzhen-Hong Kong Stock Connect, effective from March 15, 2021.

Taking one firm step after another, in 2021, we will live up to the expectations, continue to execute and achieve more milestones

Over the past four years, Antengene steadfastly pursued its mission of developing first-in-class, only-in-class and/or best-in-class anti-tumor therapies to address the urgent unmet medical needs of patients in China, the Asia Pacific region and around the world.

We will continue to advance the clinical development of our six clinical stage products in multiple therapeutic areas, and continue to implement our dual-engine approach of external partnerships and internal discovery to build up a pipeline focusing on the key oncogenic pathways, tumor microenvironment and tumor associated antigens globally and across the APAC region. We also intend to continue implementing our complementary approach to develop the in-licensed assets for additional indications to maximize their commercial potential.

Looking into 2021, we expect to receive approvals for selinexor (ATG-010) in the five markets that we submitted NDAs from the fourth quarter of 2021 to the first quarter of 2022, in mainland China, Australia, South Korea, Hong Kong and Singapore. We will also advance two of our in-house developed novel assets into the IND stage. With the expected NDA approvals described above and building upon our core commercial leadership team with past experience in multiple successful launches of top hematology products globally, in APAC and in China in the past, we will continue to build out our commercial team in preparation for a first-in-class launch of selinexor in Greater China and the rest of APAC markets to address unmet medical needs in our territories. We expect to build a commercial team of approximately 150 members by year end with dedicated in-house marketing, field force, pricing and market access teams along with medical affairs team with proven track record and in-depth regional expertise in hematology oncology.

CHAIRMAN'S STATEMENT

Leveraging our combinatory and complementary R&D strategy and through our strong execution capabilities and strategic approach in developing novel therapies, we continue to realize our vision of treating patients beyond borders and transforming their lives by discovering, developing and commercializing global first-in-class, only-in-class and/or best-in-class therapies.

Last but not least, on behalf of the Board, I would like to express my most heartfelt gratitude to our hardworking dedicated employees, our business partners who have been working shoulder to shoulder with us, and our investors who have always supported and believed in us as well as our patients. Honoring our commitment to patients and pursuing our mission as a member of the healthcare community, we will strive to bring hope to patients and deliver greater return to our investors.

Yours faithfully,
Dr. Jay Mei
Founder, Chairman and Chief Executive Officer
Antengene Corporation Limited

PRC
March 25, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

OUR VISION

Our vision is to treat patients beyond borders and transform their lives by discovering, developing and commercializing global first-in-class, only-in-class and/or best-in-class therapies.

OVERVIEW

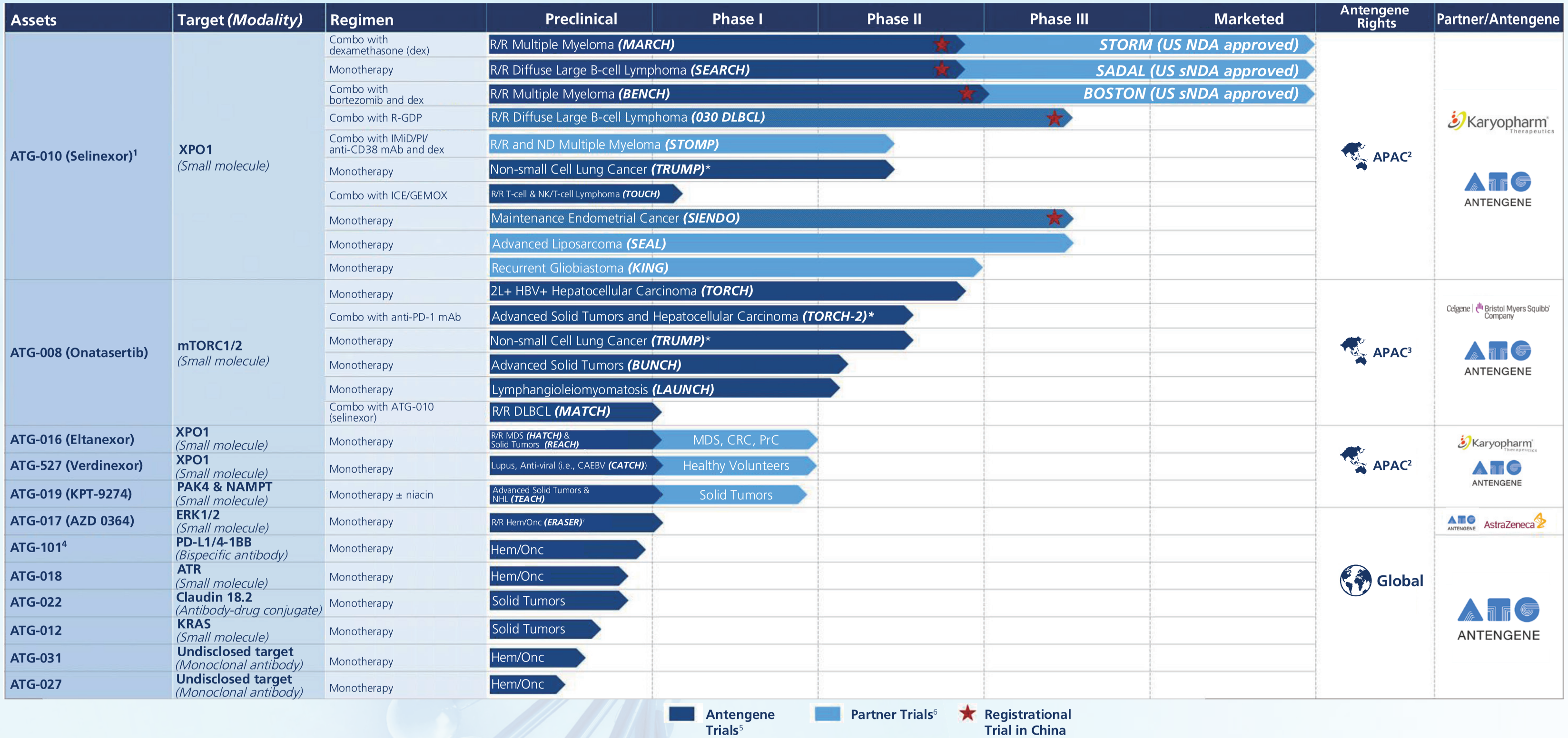
Started operations in 2017, we are a clinical-stage Asia-Pacific (APAC) biopharmaceutical company focused on innovative oncology medicines. We distinguish ourselves through our strong R&D capabilities and strategic approach to developing novel oncology therapies.

We had strategically designed and built a highly selective pipeline of 12 drug assets focused on oncology, including two late-stage clinical assets which we in-licensed from Karyopharm and Celgene respectively and are serving as our core products ("**Core Products**"), four early-stage clinical assets and six preclinical stage assets. We believe that we distinguish ourselves through our strong R&D capabilities and strategic approach to developing novel oncology therapies. We employ a combinatory and complementary R&D strategy to maximize the potential of our pipeline assets which are synergistic to each other. We submitted NDAs for selinexor to health authorities in five APAC markets including mainland China, South Korea, Australia, Singapore and Hong Kong, and filed INDs or initiated five registrational clinical trials of our lead assets, selinexor, in rrMM, rrDLBCL and endometrial cancer in mainland China.

Both of our two Core Products have a promising post-proof-of-concept clinical and commercial profile, ATG-010 (selinexor) being a first-in-class and only-in-class orally available XPO1 inhibitor and ATG-008 (onatasertib) being a potentially first-in-class mTORC1/2 inhibitor. Among our clinical stage assets, we also have two other drug candidates in the validated selective inhibitor of nuclear export ("**SINE**") class, namely ATG-016 (eltanexor) and ATG-527 (verdinexor), which feature differentiated profiles that allow us to target a wide range of indications through both mono- and combination therapies. ATG-019 is a potentially first-in-class orally available dual PAK4/NAMPT inhibitor for the treatment of non-Hodgkin lymphoma (NHL) and advanced solid tumors. ATG-017 is a potent and selective ERK1/2 inhibitor with best-in-class potential for the treatment of various hematological malignancies and solid tumors driven by the aberrant RAS/MAPK pathway.

Product Pipeline

We have a pipeline of 12 drug candidates that focus on oncology and range from preclinical stage to late-stage clinical programs. The following table summarizes our pipeline and the development status of each candidate in the regions noted in the chart below in the "Antengene Rights" column:



[1] (s)NDA approved by U.S. FDA and NDAs submitted in 5 APAC markets; [2] Antengene has rights for Greater China (mainland China, Hong Kong, Taiwan, Macau), Australia, New Zealand, South Korea, and the ASEAN Countries; [3] Antengene has rights for Greater China, South Korea, Singapore, Malaysia, Indonesia, Vietnam, Laos, Cambodia, the Philippines, Thailand and Mongolia; [4] Licensed from Origincell and Antengene has obtained exclusive global rights to develop, commercialize and manufacture ATG-101; [5] Most advanced trial status in Antengene territories and the trials are responsible by Antengene; [6] Most advanced trial status in partner territories in the rest of the world and the trials are conducted by our licensing partners; [7] The Company intends to assess the safety and efficacy in a variety of tumor types and hematological malignancies mostly harboring RAS or RAF mutations such as in pancreatic cancer, colorectal cancer and AML.

* Investigator-initiated trials; R/R=relapsed/refractory, ND=newly diagnosed; MDS=myelodysplastic syndrome; CRC=colorectal cancer, PrC=prostate cancer; CAEBV=chronic active Epstein-Barr virus; NHL=non-Hodgkin lymphoma; Hem/Onc=hematological malignancies and solid tumors

BUSINESS REVIEW

We have made steady progress with regard to our pipeline assets in 2020 and submitted NDAs for selinexor in Australia, South Korea and Singapore for treatment of rrMM and rrDLBCL and in mainland China and Hong Kong for treatment of rrMM.

Late-stage Product Candidates

ATG-010 (selinexor, XPO1 inhibitor)

- ATG-010 (selinexor), one of our Core Products, is a first-in-class, orally available SINE compound being developed for the treatment of various hematological malignancies and solid tumors. We obtained exclusive rights from Karyopharm for the development and commercialization of selinexor in mainland China, Hong Kong, Taiwan, Macau, South Korea, Australia, New Zealand and ASEAN countries. Our licensing partner, Karyopharm, obtained approval through the U.S. FDA's Accelerated Approval Program on July 3, 2019 for XPOVIO® (selinexor) in combination with low-dose dexamethasone for the treatment of adult patients with rrMM who have received at least four prior therapies and whose disease is refractory to at least two proteasome inhibitors, at least two immunomodulatory agents (IMiDs) and an anti-CD38 mAb. On June 22, 2020, XPOVIO® (selinexor) received accelerated approval from the U.S. FDA for the treatment of adult patients with rrDLBCL, not otherwise specified, including DLBCL arising from follicular lymphoma, after at least two lines of systemic therapy. On December 18, 2020, the U.S. FDA approved XPOVIO® (selinexor) in combination with bortezomib and dexamethasone for the treatment of adult patients with multiple myeloma who have received at least one prior therapy.

- Several late-stage clinical studies are underway for selinexor in mainland China:

  - A Phase II registrational clinical trial in combination with low-dose dexamethasone in rrMM (the "**MARCH**" trial). We submitted an NDA to the NMPA in mainland China in January 2021 and priority review was subsequently granted.

  - A Phase II registrational clinical trial as monotherapy in rrDLBCL (the "**SEARCH**" trial). We dosed the first patient in SEARCH trial in 2020.

  - A Phase III registrational clinical trial in combination with bortezomib and low-dose dexamethasone in rrMM (the "**BENCH**" trial). We received IND approval from the NMPA at the end of 2020.

  - A Phase II/III registrational clinical trial in combination with rituximab, gemcitabine dexamethasone cisplatin ("**R-GDP**") in rrDLBCL, which is part of the global pivotal trial (XPORT-DLBCL-030) led by Karyopharm. We received IND approval from NMPA in January 2021.

  - A Phase III registrational clinical trial as monotherapy as a maintenance therapy for patients with endometrial cancer, which is part of the global pivotal trial (the "**SIENDO**" trial) led by Karyopharm. We submitted an IND application to NMPA in December 2020.

- To further explore the clinical potential of selinexor in cancer treatment, we also initiated early signal detection studies including a Phase Ib clinical trial in combination with ifosfamide, carboplatin and etoposide ("**ICE**") or gemcitabine and oxaliplatin ("**GemOx**") in treatment of T-cell and NK/T-cell lymphoma patients, and a Phase II trial as a monotherapy in treatment of KRAS-mutant NSCLC.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ATG-010 (SELINEXOR) SUCCESSFULLY.

ATG-008 (onatasertib, mTORC1/2 inhibitor)

We obtained an exclusive license from Celgene for the development and commercialization of onatasertib in mainland China and selected APAC markets. In 2020, we continued to carry forward the clinical study in patients with HCC who received at least one line of prior therapy and dosed the first patient in cohort 3. We also initiated a Phase I/II study of onatasertib in combination with toripalimab (anti-PD-1 antibody) and a Phase II study in NFE2L2 mutant NSCLC, respectively, in mainland China. In addition, we received IND approval from the NMPA for a Phase II biomarker driven solid tumor basket trial.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ATG-008 (ONATASERTIB) SUCCESSFULLY.

Other Clinical Candidates

- ATG-019 (dual PAK4/NAMPT inhibitor) – We obtained exclusive rights from Karyopharm for the development and commercialization of ATG-019 in mainland China, Hong Kong, Taiwan, Macau, South Korea, Australia, New Zealand and ASEAN countries. In 2020, we dosed the first patient in a Phase I solid tumor and lymphoma clinical study in Taiwan. Subsequently, we submitted IND application to NMPA in mainland China in January 2021.

- ATG-017 (ERK1/2 inhibitor) – We obtained exclusive rights from AstraZeneca AB ("**AstraZeneca**") for the development and commercialization of ATG-017 worldwide. In 2020, we dosed the first patient in a Phase I clinical study in Australia.

- Eltanexor (ATG-016, second generation XPO1 inhibitor) – We obtained exclusive rights from Karyopharm for the development and commercialization of eltanexor in mainland China, Hong Kong, Taiwan, Macau, South Korea, Australia, New Zealand and ASEAN countries. In 2020, we obtained IND approval of a Phase I/II clinical study in patients with high-risk MDS from the NMPA in mainland China. Subsequently, we submitted IND application of a Phase I/II clinical study in patients with solid tumors to the NMPA in mainland China in February 2021.

- Verdinexor (ATG-527, third generation XPO1 inhibitor) – We obtained exclusive rights from Karyopharm for the development and commercialization of verdinexor in mainland China, Hong Kong, Taiwan, Macau, South Korea, Australia, New Zealand and ASEAN countries.

Selected Preclinical Candidates

- ATG-101 (PD-L1/4-1BB bispecific antibody) – We are conducting IND enabling preclinical development to support IND/CTA applications of ATG-101 and plan to submit the applications in 2021.

- ATG-018 (ATR inhibitor) – We are conducting preclinical studies to support IND/CTA applications of ATG-018 and plan to submit the applications in the beginning of 2022.

- ATG-022 (Claudin 18.2 antibody-drug conjugate) – We are conducting preclinical studies to support IND/CTA applications of ATG-022 and plan to submit the applications in 2022.

- ATG-012 (KRAS inhibitor) – We are conducting preclinical studies to support IND/CTA applications of ATG-012 and plan to submit the applications in 2022.

RESEARCH AND DEVELOPMENT

We focus on research and development of therapeutic strategies for the treatment of cancer. We seek to optimize the drug development process of each of our assets to fully unlock their therapeutic potential and maximize their clinical and commercial value. We have adopted a differentiated combinatory and complementary R&D approach to build a pipeline of first/best-in-class assets with synergistic profiles.

As of December 31, 2020, we have nine ongoing clinical studies in mainland China, South Korea, Taiwan and Australia with four of our pipeline assets, including ATG-010 (selinexor, XPO1 inhibitor), ATG-008 (onatasertib, mTORC1/2 inhibitor), ATG-019 (dual PAK4/NAMPT inhibitor) and ATG-017 (ERK1/2 inhibitor). At the end of February 2021, we submitted additional six clinical trial applications (CTA) for ATG-010, ATG-008 and ATG-016 (eltanexor, XPO1 inhibitor). We have completed patient enrollment for the registrational Phase II clinical study in patients with rrMM and are initiating and enrolling patients for four registrational Phase II or Phase III studies in mainland China in rrMM, rrDLBCL and endometrial cancer, respectively. We also submitted NDA applications for ATG-010 (selinexor) to NMPA (mainland China), TGA (Australia), MFDS (South Korea), HSA (Singapore) and Hong Kong Department of Health.

Our adjusted research and development costs (non-IFRS measure) were approximately RMB115.8 million and RMB303.7 million for the year ended December 31, 2019 and December 31, 2020 respectively. As of December 31, 2020, we had filed 8 patent applications in China under the Patent Cooperation Treaty (PCT) for material intellectual properties.

BUSINESS DEVELOPMENT

In May 2020, we entered into an amendment to the license agreement with Karyopharm and expanded our rights to develop and commercialize selinexor, eltanexor, verdinexor and ATG-019 in selected APAC markets. Subsequently, we submitted NDA application for ATG-010 (selinexor) to TGA (Australia), MFDS (South Korea), HSA (Singapore) and Hong Kong Department of Health in the fourth quarter of 2020, followed by our NDA application to NMPA (mainland China) in January 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

IMPACT OF THE COVID-19 OUTBREAK

Since the outbreak of the novel coronavirus ("**COVID-19**") in early 2020, the Company has adopted immediate measures to maintain effective and high-quality level of operation. Although we experienced some delays in the patient enrollment process and data entry for certain of our clinical trials in China at the beginning of the COVID-19 pandemic, there has not been any material disruption of our ongoing clinical trials. The COVID-19 pandemic has not caused any early termination of our clinical trials or necessitated removal of any patients enrolled in the clinical trials. In addition, our supply chain has not experienced any material disruption since the outbreak of COVID-19. We have not experienced and currently do not expect any material regulatory delays in respect of our clinical trials or any long-term impact on our operation or deviation from our overall development plans due to the COVID-19 pandemic. We have not experienced any material impact from COVID-19 on the progress, status or filing update of our ongoing research and clinical activities.

EVENTS AFTER THE REPORTING PERIOD

Pursuant to a board resolution dated January 18, 2021, the exercise periods under the 2019 and 2020 Equity Incentive Plans were extended to ten years from the grant date, including those options which have already been granted.

On January 19, 2021, a total of 4,560,000 and 1,696,000 share options were granted to certain eligible persons pursuant to the 2019 Equity Incentive Plan and the 2020 Equity Incentive Plan, respectively, to subscribe for a total of 4,560,000 and 1,696,000 Shares, respectively. For details, please refer the announcement of the Company dated January 20, 2021.

In March 2021, we appointed Dr. Kevin Lynch as our Chief Medical Officer (CMO), responsible for the Company's strategic planning and executive leadership of medical affairs and clinical development. In the past almost 30 years of experience in R&D in the pharmaceutical industry, he has filled multiple national, regional, and global clinical roles, building organizations across Clinical Development and Medical Affairs, with 10 years at Novartis and over 11 years with Celgene. At Celgene, he was Vice President leading the European Clinical Development program before his most recent role in APAC as Vice President and Head of Clinical Development and Medical Affairs. Kevin has been closely involved in early to late-stage clinical development of multiple transformational cancer therapies, including Glivec®, Tasigna®, Zometa®, Femara®, Revlimid®, Pomalyst®, and Vidaza®.

In March 2021, we also appointed Dr. Bo Shan as our Chief Scientific Officer (CSO), responsible for the Company's strategic planning and executive leadership of drug discovery, early development and chemistry, manufacturing, and controls processes (CMC). Dr. Shan has about 20 years of experience in R&D and manufacturing in the pharmaceutical industry, and led and managed discovery, early development and CMC programs resulting in multiple IND, NDA and ANDA filings. Before that, he was a Corporate Vice President of the Company.

In March 2021, the Company has been selected as a constituent stock of the Hang Seng Composite Index (HSCI), the Hang Seng Stock Connect Hong Kong Index (HSHKI), the Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index (HSHKMS), the Hang Seng Stock Connect Hong Kong SmallCap Index (HSHKS), the Hang Seng SCHK Mainland China Companies Index (HSSCMLC), the Hang Seng SCHK ex-AH Companies Index (HSSCNAH), the Hang Seng Healthcare Index (HSHCI), the Hang Seng Hong Kong-Listed Biotech Index (HSHKBIO) and the Hang Seng Small Cap (Investable) Index (HSSIV), according to the quarterly review results of the Hang Seng Family of Indexes. Based on the inclusion, the Company has been selected as an eligible stock in the Shenzhen-Hong Kong Stock Connect, effective from March 15, 2021.

FUTURE AND OUTLOOK

Leveraging our combinatory and complementary R&D strategy and through our strong R&D capabilities and strategic approach in developing novel therapies, we continue to realize our vision of treating patients beyond borders and transforming their lives in discovering, developing and commercializing global first-in-class, only-in-class and/or best-in-class therapies.

We will continue to advance the clinical development of our six clinical stage products in multiple therapeutic areas, and continue to implement our dual-engine approach of external partnerships and internal discovery to build up a pipeline focusing on the key oncogenic pathways, tumor microenvironment and tumor associated antigens globally and across the APAC region. We also intend to continue implementing our complementary approach to develop the in-licensed assets for additional indications to maximize their commercial potential.

Looking into 2021, we expect to receive approvals for selinexor (ATG-010) for the five markets that we submitted NDAs from the fourth quarter of 2021 to the first quarter of 2022, in mainland China, Australia, South Korea, Hong Kong and Singapore. We will also advance two of our in-house developed novel assets into the IND stage.

With the expected NDA approvals mentioned above and building upon our core commercial leadership team with experience in multiple successful launches of top hematology products globally, in APAC and in China in the past, we will continue to build out our commercial team in preparation for a first-in-class launch of selinexor in Greater China and the rest of APAC to address unmet medical needs in our territories. We expect to build a commercial team of approximately 150 members by year end with dedicated in-house marketing, field force, pricing and market access teams along with medical affairs team with proven track record and in-depth regional expertise in hematology oncology.

FINANCIAL REVIEW

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Other income and gains	**26,834**	52,946
Research and development costs	**(347,655)**	(115,792)
Selling and distribution expenses	**(455)**	(24)
Administrative expenses	**(154,221)**	(39,349)
Other expenses	**(2,452,392)**	(220,732)
Finance costs	**(1,032)**	(836)
LOSS BEFORE TAX	**(2,928,921)**	(323,787)
Income tax expense	**–**	–
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(2,928,921)**	(323,787)
Non-IFRS measures:		
Adjusted loss and total comprehensive loss for the year	**(454,958)**	(109,236)

Other Income and Gains. Our other income and gains decreased by RMB26.1 million from RMB52.9 million for the year ended December 31, 2019 to RMB26.8 million for the year ended December 31, 2020, primarily attributable to the absence of RMB29.1 million of net foreign exchange gains that were recorded for the year ended December 31, 2019.

Other Expenses. Our other expenses increased significantly by RMB2,231.7 million from a loss of RMB220.7 million for the year ended December 31, 2019 to a loss of RMB2,452.4 million for the year ended December 31, 2020. The increase was mainly attributable to (i) the increase in fair value loss on convertible redeemable preferred shares of RMB2,141.8 million due to the significant increase in our Company's valuation, a non-cash and one-time adjustment upon listing as required under the IFRS, and (ii) the net foreign exchange loss of RMB80.6 million for the year ended December 31, 2020, as compared to the net foreign exchange gain of RMB29.1 million for the year ended December 31, 2019 due to the decline in the exchange rate of USD against RMB.

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

Research and Development Costs. Our research and development costs increased by RMB231.9 million from RMB115.8 million for the year ended December 31, 2019 to RMB347.7 million for the year ended December 31, 2020. This increase was primarily attributable to the combined impact of (i) an increase in licensing fees from RMB49.0 million for the year ended December 31, 2019 to RMB163.3 million for the year ended December 31, 2020 as we made payments for an amendment fee of RMB82.9 million and milestone payment of RMB63.7 million in relation to the Karyopharm Agreement, an upfront fee of RMB3.5 million and milestone payment of RMB13.2 million in relation to ATG-101's in-licensing in 2020; (ii) an increase in employee costs of R&D personnel of RMB72.3 million from RMB16.9 million for the year ended December 31, 2019 to RMB89.2 million for the year ended December 31, 2020, mainly as a result of an increase in equity-settled share option expense of R&D personnel from RMB1.4 thousand for the year ended December 31, 2019 to RMB43.9 million for the year ended December 31, 2020 and an increase in wages and salaries of R&D personnel of RMB27.3 million from RMB15.8 million for the year ended December 31, 2019 to RMB43.1 million for the year ended December 31, 2020 mainly due to our R&D headcount expansion; and (iii) a RMB39.6 million increase of other clinical-related fees paid to contract research organizations ("**CRO(s)**"), contract development and manufacturing organizations ("**CDMO(s)**") and site management organizations ("**SMOs**") in line with our increased R&D activities.

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Employee costs		
Wages and salaries	**43,064**	15,781
Pension scheme contributions	**2,197**	1,102
Staff welfare expenses	**7**	–
Equity-settled share option expense	**43,925**	1
Depreciation and amortization	**712**	65
Licensing fees	**163,266**	48,961
Other clinical-related fees	**84,783**	45,172
Others	**9,701**	4,710
Total	**347,655**	115,792

Administrative Expenses. Our administrative expenses increased by RMB114.9 million from RMB39.3 million for the year ended December 31, 2019 to RMB154.2 million for the year ended December 31, 2020. This increase was primarily attributable to (i) an increase in employee costs of administrative personnel of RMB63.9 million from RMB19.7 million for the year ended December 31, 2019 to RMB83.6 million for the year ended December 31, 2020, mainly as a result of an increase in equity-settled share option expense of non-R&D personnel from RMB0.7 thousand for the year ended December 31, 2019 to RMB45.2 million for the year ended December 31, 2020 and an increase in wages and salaries of non-R&D personnel of RMB15.6 million from RMB16.5 million for the year ended December 31, 2019 to RMB32.1 million for the year ended December 31, 2020 mainly due to headcount expansion of our non-R&D personnel; (ii) the RMB28.6 million share issue expenses for the year ended December 31, 2020 were mainly attributable to legal and other professional fees in relation to the IPO; and (iii) a RMB7.2 million increase in professional fees for legal, consulting, recruiting, translation and other services in relation to recruitment and other operating and administrative activities from RMB9.1 million for the year ended December 31, 2019 to RMB16.3 million for the year ended December 31, 2020.

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Employee costs		
Wages and salaries	**32,124**	16,531
Pension scheme contributions	**3,074**	1,460
Staff welfare expenses	**3,179**	1,671
Equity-settled share option expense	**45,197**	1
Share issue expenses	**28,570**	–
Professional fees	**16,308**	9,115
Depreciation and amortisation	**3,377**	1,441
Others	**22,392**	9,130
Total	**154,221**	39,349

Finance Costs. Our finance costs increased slightly by RMB0.2 million from RMB0.8 million for the year ended December 31, 2019 to RMB1.0 million for the year ended December 31, 2020. This increase was primarily attributable to increase in the interest expenses on lease liabilities.

NON-IFRS MEASURES

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

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

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

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Loss and total comprehensive loss for the year	**(2,928,921)**	(323,787)
Added:		
Fair value loss on convertible redeemable preferred shares	**2,356,271**	214,549
Share issue expenses	**28,570**	–
Equity-settled share option expense	**89,122**	2
Adjusted loss and total comprehensive loss for the year	**(454,958)**	(109,236)

EMPLOYEES AND REMUNERATION POLICIES

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

Function	Number of employees	% of total number of employees
Research and development	55	48.3
Sales, general and administrative	52	45.6
Manufacturing	7	6.1
Total	114	100.0

As of December 31, 2020, we had 91 employees in Shanghai, Beijing and Shaoxing, Zhejiang Province and 23 employees in other regions of China and overseas. Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security contributions and other welfare payments. In accordance with applicable PRC laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

On November 20, 2020, 154,153,500 shares with a par value of USD0.0001 each were issued at a price of HKD18.08 per share in connection with the Company's IPO. The proceeds of HKD119,519.88 representing the par value of such shares, were credited to the Company's share capital. The remaining proceeds of HKD2,786,975,760.12, (before deduction of the legal and other professional fees in relation to the Listing) were credited to the share premium account.

On December 12, 2020, the international underwriters of the global offering partially exercised the over-allotment option, pursuant to which the Company was required to allot and issue an addition of 2,982,500 shares, representing approximately 1.93% of the total number of the offer shares initially available under the global offering before any exercise of the over-allotment option. The net proceeds from the partial exercise of the over-allotment option were approximately HKD52.30 million (after deducting the commissions and other offering expenses payable by the Company in relation to the exercise of the over-allotment option). The over-allotment shares were listed on the Stock Exchange on December 18, 2020.

As of December 31, 2020, our cash and bank balances were RMB3,109.8 million, as compared to RMB746.8 million as of December 31, 2019. The increase was mainly due to our Series C financing in July 2020 and the proceeds we received from the IPO. Our primary uses of cash are to fund research and development efforts, milestone payments and working capital and other general corporate purposes.

Current ratio

Current ratio is calculated using current assets divided by current liabilities and multiplied by 100%. As at December 31, 2020, our current ratio was 2,077.0% (as at December 31, 2019: 1,681.3%).

Gearing Ratio

Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. As at December 31, 2020, our gearing ratio was 4.9% (as at December 31, 2019: 173.4%).

OTHER FINANCIAL INFORMATION

Significant Investments, Material Acquisitions and Disposals

As of and during the year ended December 31, 2020, we did not hold any significant investments. For the year ended December 31, 2020, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

Future Plans for Material Investments or Capital Assets

Save as disclosed in this report, we do not have any future plans for material investments or capital assets as at the date of this report.

Foreign Exchange Risk

We have foreign currency exposures. The majority of our bank balances and interest receivables are denominated in foreign currencies and are exposed to foreign exchange 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.

Contingent Liabilities

As of December 31, 2020, we did not have any material contingent liabilities.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Jay Mei (梅建明), M.D., Ph.D., aged 55, was appointed as a Director on August 28, 2018. He was re-designated as an executive Director and appointed as the Chairman of the Board and the chief executive officer of our Company (the "**CEO**") on August 18, 2020. Dr. Mei has been one of the key management members of our Group and has been actively involved in the business, strategy and operational management of our Group since its establishment.

Dr. Mei has over 25 years of experience in clinical research and development of oncology therapeutics globally and has successfully led the development of multiple oncology products. He has published over 70 publications and holds multiple patents jointly with other inventors. In the 1990s, Dr. Mei dedicated himself to extensive cancer research at the National Cancer Institute in the United States as a staff fellow. In February 2001, Dr. Mei joined as a principal scientist in the oncology team in the drug discovery division and an associate director at Johnson & Johnson Pharmaceutical Research & Development, L.L.C.. From April 2006 to October 2008, Dr. Mei worked as a senior director at Novartis Oncology, part of the Innovative Medicines division of Novartis AG (a company listed on the SIX Swiss Exchange and the New York Stock Exchange with stock codes NOVN.SIX and NVS.NYSE, respectively). From October 2008 to March 2017, he served as an executive director of the clinical development department at Celgene (now part of Bristol-Myers Squibb (a company listed on the New York Stock Exchange with stock code BMY.NYSE)). Dr. Mei was a director of Jiangsu Asieris Pharmaceuticals Co., Ltd. (江蘇亞虹醫藥科技有限公司) from November 2014 to December 2020. Dr. Mei was involved in the management of Antengene Corporation Co., Ltd.(德琪(浙江)醫藥科技有限公司)("**Antengene Zhejiang**") since April 2017. In addition, Dr. Mei currently holds an adjunct professorship at the Baruch S. Blumberg Institute.

Dr. Mei received his Doctor of Medicine degree in medicine from Hunan Medical University (湖南醫科大學) (now XiangYa School of Medicine of Central South University (中南大學湘雅醫學院)) in July 1989. Dr. Mei obtained his Doctor of Philosophy degree in pharmacology and toxicology from the University of Maryland in January 1994. Dr. Mei was a member of the American Society of Clinical Oncology and has also been a member of the American Society of Hematology since 2006.

Mr. John F. Chin, MBA, aged 55, was appointed as the CBO on January 2, 2020 and as an executive Director on August 18, 2020. Mr. Chin has been in charge of the overall business development and commercial strategies and planning of our Group since he joined us.

From January 1992 to July 1998, Mr. Chin held a number of positions at Bristol-Myers Squibb (a company listed on the New York Stock Exchange with stock code BMY.NYSE), including oncology sales representative, oncology territory manager, associate manager for sales training and field training manager. Since October 1998, he served in a number of positions at Aventis Pharmaceutical Holdings Inc. ("**Aventis**") (before the merger in 1999, Rhône-Poulenc Rorer), including associate product manager, product manager, senior product manager for oncology and regional director for oncology. From January 2005 to January 2020, Mr. Chin served in a number of positions at Celgene (now part of Bristol-Myers Squibb (a company listed on the New York Stock Exchange with stock code BMY.NYSE)), including senior director for corporate account management, executive director for oncology marketing, regional general manager for Latin America and general manager for China.

Mr. Chin received his Bachelor's degree in science from the University of Arizona in December 1989. He obtained his Master's degree in business administration from Pepperdine University in April 1998.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yiteng Liu (劉翼騰), aged 37, was appointed as a Director on November 22, 2018. He was re-designated as an executive Director and appointed as the Chief Operating Officer ("**COO**") on August 18, 2020. Mr. Liu has been one of the key management members of our Group and has been actively involved in our business, strategy and operational management since our establishment.

From February 2008 to May 2009, Mr. Liu served as an engineer at Agilent Technologies Co. Ltd. From October 2010 to May 2011, he served as a research consultant at Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. and worked on the global offering and listing on the Stock Exchange of Samsonite International S.A. From October 2011 to May 2012, Mr. Liu was appointed as a manager at CBRE and was responsible for headquarter site selection and investment consulting for multinational corporations and institutional investors such as Lego, Unilever, BlackStone, etc. From March 2013 to May 2017, he worked at CITIC Industrial Investment Group Corp., Ltd. while serving as the general manager of the strategic development department at CITIC Senior Living Ltd. Mr. Liu was also one of the founding team members of CITIC Senior Living Ltd.

Mr. Liu was appointed as a vice president of Shanghai Antengene Corporation Limited (上海德琪醫藥科技有限公司) focusing on business operation and corporate finance on June 1, 2017. Mr. Liu was also involved in the management of Antengene Zhejiang since June 2017. Mr. Liu received his Bachelor's degree in electronic science and technology from Harbin Institute of Technology (哈爾濱工業大學) in July 2007 and obtained his Master's degree in electronic engineering from The Hong Kong University of Science and Technology in November 2010.

NON-EXECUTIVE DIRECTORS

Mr. Yanling Cao (曹彥凌), aged 37, was appointed as a Director on February 4, 2019 and re-designated as a non-executive Director on August 18, 2020. Mr. Cao is primarily responsible for participating in formulating our Company's corporate and business strategies.

Mr. Cao has over ten years of experience in private equity investment and management. From December 2007 to January 2011, he served as an investment associate at General Atlantic Asia Limited, a company primarily engaged in private equity and venture capital investment, and was responsible for development, execution and management of equity investment. Mr. Cao has been the managing director of Boyu Capital Advisory Company Limited since March 2011 and currently serves as a partner, mainly responsible for investments in the healthcare industry. Mr. Cao served as a director of CStone Pharmaceuticals (基石藥業) (a company listed on the Stock Exchange with stock code 2616.HK) from April 2016 to March 2017 and has been a non-executive director since May 2019. He has been a director of Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司) (a company listed on the Stock Exchange with stock code 6078.HK) since June 2019 and has been a non-executive director since September 2019. He has also been a non-executive director of WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司) (a company listed on the Stock Exchange with stock code 2269.HK) since May 2016, Viela Bio, Inc. (a company listed on NASDAQ with stock code VIE.NASDAQ) since February 2018 and Ocumension Therapeutics (歐康維視生物) (a company listed on the Stock Exchange with stock code 1477.HK) since June 2019 and an independent non-executive director of JW (Cayman) Therapeutics Co. Ltd (藥明巨諾(開曼)有限公司) (a company listed on the Stock Exchange with stock code 2126.HK) since May 2020. Mr. Cao has also been a director of Antengene Zhejiang since January 2019.

Mr. Cao obtained his Bachelor's degree in economics and mathematics from Middlebury College in the United States in May 2006.

Mr. Zhen Li (李甄), aged 42, was appointed as a Director on February 4, 2019 and re-designated as a non-executive Director on August 18, 2020. Mr. Li is primarily responsible for participating in formulating our Company's corporate and business strategies.

Since January 2008, he has been the managing director at FountainVest Partners. He served as a non-executive director of Ningbo Peacebird Fashion Co., Ltd. (寧波太平鳥時尚服飾股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 603877.SH) from November 2015 to November 2018 and FangDD Network Group Ltd. (a company listed on NASDAQ with stock code DUO.NASDAQ) from June 2015 to September 2019. Mr. Li has also been a director of Antengene Zhejiang since January 2019.

Mr. Li obtained his Bachelor's degree in laws and Master's degree in economics from Fudan University (復旦大學) in July 2000 and June 2005, respectively. He graduated with an Executive Master's degree in business administration from China Europe International Business School (中歐國際工商學院) in September 2012.

Kan Chen (陳侃), Ph.D., aged 39, was appointed as a non-executive Director on March 26, 2021. Mr. Chen is primarily responsible for participating in formulating our Company's corporate and business strategies.

Dr. Chen is currently serving as a Principal at Qiming Venture Partners ("**Qiming**"), focusing on healthcare investment. Dr. Chen joined Qiming in February 2016, had served as associate and vice president and was deeply involved in Qiming's investment of the Company's Series A Financing. Dr. Chen has been a director of Connect Biopharma Holdings Limited (a company listed on NASDAQ with stock code CNTB) since December 2020. From November 2012 to September 2014, Dr. Chen has been the group leader of Jiangsu Hengrui Medicine Co., Ltd. From October 2014 to January 2016, he has been the senior scientist of Janssen, Pharmaceutical Companies of Johnson & Johnson.

Dr. Chen obtained his Bachelor's degree in biological science from Fudan University in June 2004. He obtained his Doctor of Philosophy degree in cell biology from Case Western Reserve University in January 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mark J. Alles, aged 61, has been serving in the capacity of an independent Director since January 2, 2020 and was re-designated as an independent non-executive Director effective as of August 18, 2020.

Mr. Alles began his 30-year career in the pharmaceutical industry at Bayer Pharmaceuticals Corporation and worked at Centocor Biotechnology, Inc. before its acquisition by Johnson and Johnson. Mr. Alles was a vice president of the U.S. oncology business unit at Aventis and served in other senior commercial roles at Aventis from 1993 to 2004. From April 2004 to November 2019, Mr. Alles held a number of positions, including chief commercial officer and global head of hematology/oncology, executive vice president, president, chief executive officer, executive director and the chairman at Celgene (now part of Bristol-Myers Squibb (a company listed on the New York Stock Exchange with stock code BMY.NYSE)).

Mr. Alles has also served as a director at Syros Pharmaceuticals, Inc. (a company listed on NASDAQ with stock code SYRS.NASDAQ) since December 2019. Mr. Alles received his Bachelor's degree in science from Lock Haven University in the United States in May 1981.

Ms. Jing Qian (錢晶), MBA, aged 45, is appointed as an independent non-executive Director effective as of November 9, 2020.

From July 1999 to July 2002, Ms. Qian served as an associate at The Boston Consulting Group. From March 2005 to December 2008, she served as a project manager at McKinsey & Company. From January 2009 to March 2010, Ms. Qian was appointed as a director responsible for business development and strategic planning for the Asia-Pacific region at Baxter (China) Investment Co., Ltd. From April 2010 to January 2012, she was appointed as a vice president in charge of business development at Boehringer Ingelheim Pharmaceutical Co., Ltd. Ms. Qian served as the principal at Fidelity Growth Partners Asia from January 2012 to December 2013. From February 2014 to October 2018, she was appointed as an executive director at Fountain Growth Capital China Limited. Since October 2018, Ms. Qian has been a partner at Pivotal BioVenture Partners China, a venture capital firm specializing in venture building in the life science industry.

Ms. Qian obtained her Bachelor's degree in international economics and Master's degree in economics from East China Normal University (華東師範大學) in July 1996 and July 1999, respectively. She received her Master's degree in business administration from The Wharton School, University of Pennsylvania in May 2004.

Mr. Sheng Tang (唐晟), CPA, MBA, aged 37, is appointed as an independent non-executive Director effective as of November 9, 2020.

From July 2005 to July 2007, Mr. Tang performed audit and business consulting work at PricewaterhouseCoopers Zhong Tian LLP. He served as a senior accountant from July 2007 to September 2011 and as a manager from October 2011 to May 2012 at Ernst & Young Hua Ming LLP Shanghai Branch. From January 2013 to January 2016, he served as a financial manager at CITIC Industrial Investment Group Corp., Ltd. Mr. Tang has been appointed as a senior lecturer at Shanghai Gaodun Financial Education Group since 2008 and was seconded to Sun Yat-Sen University and Shanghai University from March 2016 to June 2017. From September 2017 to July 2019, he served as the chief financial officer at Canada Tenkey Holdings. In February 2018, Mr. Tang founded Sheng Qian Plus Corp to provide accounting and tax consulting and education services.

Mr. Tang received his Bachelor's degree in economics from Shanghai Institute of International Business and Economics (上海對外貿易學院) (now Shanghai University of International Business and Economics (上海對外經貿大學)) in July 2005 and obtained his Master's degree in business administration from Fudan University (復旦大學) in January 2015. Mr. Tang became a member of the Chinese Institute of Certified Public Accountants in June 2012. In September 2014, he was admitted as a fellow of the Association of Chartered Certified Accountants. Mr. Tang became a member of the Chartered Professional Accountants Ontario in June 2018 and a member of the Hong Kong Institute of Certified Public Accountants in July 2018.

SENIOR MANAGEMENT

Jay Mei (梅建明), M.D., Ph.D., aged 55, was appointed as a Director on August 28, 2018. He was re-designated as an executive Director and appointed as the Chairman of the Board and the CEO on August 18, 2020. For further details of his biography, please see the sub-section headed "Executive Directors" in this section.

Mr. John F. Chin, MBA, aged 55, was appointed as the CBO on January 2, 2020 and as an executive Director on August 18, 2020. For further details of his biography, please see the sub-section headed "Executive Directors" in this section.

Mr. Yiteng Liu (劉翼騰), aged 37, was appointed as a Director on November 22, 2018. He was re-designated as an executive Director and appointed as the COO on August 18, 2020. For further details of his biography, please see the sub-section headed "Executive Directors" in this section.

Dr. Kevin Lynch, M.D., aged 56, was appointed as the Chief Medical Officer (CMO) of the Company in March 2021.

Dr. Lynch has almost 30 years of experience in R&D in the pharmaceutical industry and a strong track record in clinical development and medical affairs. He was vice President at Celgene where he led the clinical development and medical affairs in multiple countries and regions. Before that, he was the Medical Director of Oncology at Novartis Pharmaceuticals Australia. Dr. Lynch has closely involved in early to late clinical development of multiple transformational cancer therapies, including Glivec®, Tasigna®, Zometa®, Femara®, Revlimid®, Pomalyst®, and Vidaza®.

Bo Shan (單波), Ph.D., aged 44, was appointed as the Chief Scientific Officer (CSO) of the Company in March 2021.

Dr. Shan has about 20 years of experience in R&D and manufacturing in the pharmaceutical industry, and led and managed discovery, early development and CMC programs resulting in multiple IND, NDA and ANDA filings. Before that, he was a Corporate Vice President of the Company. During his tenure, Dr. Shan assembled highly effective discovery, CMC and manufacturing teams, and built a preclinical pipeline of 6 assets for the Company. Prior to joining the Company, Dr. Shan led the construction and validation of drug manufacturing facility which successfully passed GMP inspection.

Mr. Donald Andrew Lung (龍振國), J.D., MBA, aged 39, was appointed as the Chief Financial Officer (CFO) of the Company on June 8, 2020.

Mr. Lung has over 16 years of experience in investment banking and public equities. From June 2004 to November 2008, Mr. Lung worked at Goldman Sachs (Asia) L.L.C. He was then engaged in the asset management business at Pine River Capital Management from August 2012 to June 2017 and at Myriad Asset Management Limited from August 2017 to August 2019. From October 2019 to June 2020, Mr. Lung worked as a portfolio manager at BFAM Partners (Hong Kong) Limited.

Mr. Lung received his Bachelor of Arts degree in economics and political science from Yale University in May 2004. He also obtained a Master's degree in business administration and a Juris Doctor degree from The Chinese University of Hong Kong, both in November 2015.

REPORT OF DIRECTORS

PRINCIPAL ACTIVITIES

We are a clinical-stage Asia-Pacific (APAC) biopharmaceutical company focused on innovative oncology medicines. We distinguish ourselves through our strong R&D capabilities and strategic approach to developing novel oncology therapies. Our vision is to treat patients beyond borders and transform their lives by discovering, developing and commercializing global first-in-class, only-in-class and/or best-in-class therapies.

There were no significant changes in the nature of the Group's principal activities from the period of the Listing Date to December 31, 2020. Please refer to note 1 to the Consolidated Financial Statements on pages 77 to 78 of this report for details of the principal activities of the principal subsidiaries of the Group.

RESULTS

The results of the Group for the year ended December 31, 2020 are set out in the Consolidated Financial Statements of the Group on page 72 to 76 of this report.

FINAL DIVIDEND

No dividend has been declared and paid by the Group for the year ended December 31, 2020.

SHARE CAPITAL

Details of the issued shares of the Company for the year ended December 31, 2020 are set out in note 19 to the Consolidated Financial Statements.

RESERVES

Details of the movements in reserves of the Group for the year ended December 31, 2020 are set out in the Consolidated Statement of Changes in Equity on page 74 of this report.

DISTRIBUTABLE RESERVES

As at December 31, 2020, the Company's reserves available for distribution from share premium less accumulated losses, calculated in accordance with the provisions of Companies Law of the Cayman Islands, amounted to approximately RMB3,450.1 million (2019: nil).

FINANCIAL SUMMARY

The Company's Shares were listed on the Stock Exchange on November 20, 2020. A summary of the published results and of the assets, liabilities and equity of the Group for the last three financial years, as extracted from the published audited financial information and financial statements, is set out on pages 4 to 5 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year ended December 31, 2020 are set out in note 13 to the Consolidated Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information available to the Company and to the knowledge of the Directors, the Company's public float complies with the requirements of Rule 8.08 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

PRE-EMPTIVE RIGHTS

There is no provision 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 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.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on June 18, 2021. The notice of the annual general meeting will be published and dispatched in due course in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' eligibility to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, June 15, 2021 to Friday, June 18, 2021, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all duly completed share transfer forms accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, June 11, 2021.

REPORT OF DIRECTORS

BUSINESS REVIEW

Overview and Performance of the Year

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this report. These discussions form part of this report. Events affecting the Company that have occurred since the end of the year ended December 31, 2020 is set out in the section headed "Events After the End of the Reporting Period" in this report.

Key Relationship with Stakeholders

The Group recognizes that various stakeholders including employees, medical experts, patients, suppliers and other business associates are key to the Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationships with them.

The Group believes that it is vital to attract, recruit and retain quality employees. Based on the strategy of our China-inclusive global development and commercial capabilities, we established our development team for innovative medicines globally and commercialization team in China and the Asia-Pacific region. To maintain the quality, knowledge and skill levels of the Group's workforce, the Group conducts new staff training regularly to guide new employees and help them adapt to the new working environment. In addition, the Group provides online and in-person formal and comprehensive Company-level and department-level training to the employees in addition to on-the-job training. The Group also encourages our employees to attend external seminars and workshops to enrich their technical knowledge and develop competencies and skills. Training and development programs are provided to the employees to improve their technical skills and ensure their awareness and compliance with various policies and procedures. The Group believes that it maintains a good relationship with its employees and the Group did not experience any significant labor disputes or any difficulty in recruiting staff for its operations.

The Group conducts academic marketing activities to establish and maintain relationships with key opinion leaders in the national medical system. The Group provides these experts with detailed information on its products and helps them make independent comparison among competing products in the market. The Group also maintains long-term cooperative relationships with medical experts to help raise the Group's profile, enhance awareness of the Group's products in the medical community and among patients, and provide it with valuable clinical data to improve the Group's products.

The details of an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company are set out in the "Environmental, Social and Governance Report" of the Company which will be available on our website within three months from the publication of this report.

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.

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

Compliance with Relevant Laws and Regulations

The Group has complied with the requirements under the Companies Ordinance, the Listing Rules, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") and the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules for, among other things, the disclosure of information and corporate governance. The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Model Code. For further details, please refer to the section headed "Compliance with the Corporate Governance Code" in this section. The Group has also complied with other relevant laws and regulations that have a significant impact on the operations of the Group. Please refer to the section headed "Regulatory Environment" in the Prospectus for details.

Key Risks and Uncertainties

There are certain risks involved in our operations, many of which are beyond our control. Some of the major risks we face include:

- We have incurred significant net losses since our inception, and expect to continue to incur net losses for the foreseeable future and may not be able to generate sufficient revenue to achieve or maintain profitability. Potential investors are at risk of losing substantially all of their investments in our Shares;

- We had net operating cash outflow in the past three financial years;

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

- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

- We may need 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.

- We face substantial competition and our competitors may discover, develop or commercialize competing drugs earlier or more successfully than we do.

- Our business and financial prospects depend substantially on the success of our clinical stage and preclinical stage drug candidates. If we are unable to successfully complete their clinical development, obtain relevant regulatory approvals or achieve their commercialization, or if we experience significant delays in any of the foregoing, our business and profitability may be adversely affected.

- We may not be able to identify, discover or in-license new drug candidates, and may allocate our limited resources to pursue a particular candidate or indication and fail to capitalize drug candidates or indications that may later prove to be more profitable, or for which there is a greater likelihood of success.

- 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 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.

- Our drug development progress may be affected by the clinical development progress of our collaboration partners, including but not limited to Celgene and Karyopharm. If the collaboration partners are unable to successfully complete clinical development, obtain relevant regulatory approvals or achieve commercialization, or if they experience significant delays in any of the foregoing, our business and profitability may be adversely affected.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares. Although our management has proven track record of drug manufacturing and commercialization, we have limited experience in manufacturing pharmaceutical products, which is a highly exacting and complex process, and limited experience in commercialization as we have not yet commercialized any of our drug candidates. Our business could be materially and adversely affected if we encounter problems in the manufacturing process of our future drug products.

PROSPECTS

A description of the future development in the Company's future business is provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this report.

USE OF PROCEEDS FROM THE LISTING OF SHARES OF THE COMPANY

The shares of the Company was listed on November 20, 2020 and the over-allotment option was partially exercised on December 12, 2020. The Company has received a net proceeds of approximately RMB2,274.70 million. According to the plan on use of proceeds as set out in the Prospectus, the Company intends to use the net proceeds for the following purposes:

- Approximately 41% of the net proceeds (equivalent to approximately RMB932.63 million) will be allocated to ATG-010 (selinexor) and ATG-008 (onatasertib), our core products.
  - o approximately 28% of the net proceeds (equivalent to approximately RMB636.92 million) is expected to be for ATG-010 (selinexor):
    - ■ approximately 20% of the net proceeds (equivalent to approximately RMB454.94 million) is expected to fund its R&D activities, including the ongoing and planned clinical trials;
    - ■ approximately 8% of the net proceeds (equivalent to approximately RMB181.98 million) is expected to fund the commercialization of ATG-010 (selinexor).
  - o approximately 13% of the net proceeds (equivalent to approximately RMB295.71 million) is expected to be for ATG-008 (onatasertib) to fund its R&D activities, including the ongoing and planned clinical trials.
- Approximately 25% of the net proceeds (equivalent to approximately RMB568.67 million) will be allocated to fund our four other clinical stage drug candidates.
  - o approximately 11% of the net proceeds (equivalent to approximately RMB250.22 million) is expected to be used to fund the R&D activities of ATG-016 (eltanexor), including ongoing and planned clinical trials and milestone payments;
  - o approximately 2% of the net proceeds (equivalent to approximately RMB45.49 million) is expected to be used to fund the R&D activities of ATG-527 (verdinexor), including ongoing and planned clinical trials and milestone payments;
  - o approximately 3% of the net proceeds (equivalent to approximately RMB68.24 million) is expected to be used to fund the R&D activities of ATG-019, including ongoing and planned clinical trials and milestone payments;
  - o approximately 9% of the net proceeds (equivalent to approximately RMB204.72 million) is expected to be used to fund the R&D activities of ATG-017, including ongoing and planned clinical trials and milestone payments;

- Approximately 9% of the net proceeds (equivalent to approximately RMB204.72 million) is expected to be allocated to ongoing preclinical studies and planned clinical trials for other preclinical drug candidates in our pipeline.

- Approximately 14% of the net proceeds (equivalent to approximately RMB318.46 million) is expected to be allocated to expansion of our pipeline, including discovery of new drug candidates and business development activities.

- Approximately 1% of the net proceeds (equivalent to approximately RMB22.75 million) is expected to be allocated to capital expenditure.

- Approximately 10% of the net proceeds (equivalent to approximately RMB227.47 million) is expected to be used for general corporate purposes.

The table below sets forth a detailed breakdown and description of the use of net proceeds from the listing of the Company to the date of this report:

Function	% of use of proceeds (Approximately)	Net proceeds from the HK IPO RMB million	Actual usage up to December 31, 2020 RMB million	Unutilized net proceeds as of December 31, 2020 RMB million
Fund ongoing and planned clinical trials and milestone payments of our two Core Products and commercial launches of ATG-010	41%	932.63	72.72	859.91
Fund ongoing and planned clinical trials and milestone payments of four other clinical-stage drug candidates in our pipeline	25%	568.67	3.69	564.98
Fund ongoing preclinical studies and planned clinical trials for other preclinical drug candidates in our pipeline	9%	204.72	12.02	192.70
For expansion of our pipeline, including discovery of new drug candidates and business development activities	14%	318.46	–	318.46
For capital expenditure	1%	22.75	1.04	21.71
For general corporate purposes	10%	227.47	25.95	201.52
Total	100%	2,274.70	115.42	2,159.28

Notes:

(1) Net proceeds from the IPO were received in HKD and translated into RMB for the allocation and the utilization calculation, and have been adjusted slightly due to the fluctuation of the foreign exchange rates since the listing.

(2) The unutilized net proceeds of RMB2,159.28 million as of December 31, 2020 are expected to be partially used by December 31, 2021.

EVENTS AFTER THE END OF THE REPORTING PERIOD

For details of the events after the end of the Reporting Period, please refer to the section headed "Management Discussion and Analysis – Events After the Reporting Period" of this report.

DIRECTORS

The Directors from the period of the Listing Date to December 31, 2020 and up to the date of this report are:

Executive Directors

Dr. Jay Mei (梅建明)
Mr. John F. Chin
Mr. Yiteng Liu (劉翼騰)

Non-executive Directors

Mr. Yanling Cao (曹彥凌)
Mr. Zhen Li (李甄)
Dr. Kan Chen (陳侃) (appointed on March 26, 2021)
Mr. Xubo Hu (胡旭波) (resigned on March 26, 2021)

Independent Non-executive Directors

Mr. Mark J. Alles
Ms. Jing Qian (錢晶)
Mr. Sheng Tang (唐晟)

In accordance with Article 16.19 of the Articles of Association, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to, but not less than one-third) shall retire from office by rotation at every annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a causal vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

In accordance with Article 16.3 of the Articles of Association, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors.

Details of the Directors to be re-elected at the forthcoming annual general meeting are set out in the circular to Shareholders to be dispatched in due course in the manner as required by the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 25 to 29 of this report. Save as disclosed in this report and as at the date of this report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with us under which the initial term of their service contracts shall be three years commencing from the date of their appointment until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than two months' prior notice. Pursuant to the service contracts entered into with us, none of our executive Directors will receive any remuneration as Director's fee.

Each of our non-executive Directors has entered into a service contract with us under which the initial term of their service contract shall be three years commencing from the date of their appointment until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than one month's prior notice. Pursuant to the service contracts entered into with us, the non-executive Directors will receive no remuneration as Director's fee.

Each of our independent non-executive Directors has entered into an appointment letter with us effective from the Listing Date. The initial term of their appointment letters shall commence from the date of their appointment for a period of three years or until the third annual general meeting of our Company after the Listing Date, whichever is earlier (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing. Under these appointment letters, each of our independent non-executive Directors will receive an annual director's fee ranging from US$50,000 to US$100,000 commencing on the effective date of their appointment.

None of the Directors proposed for re-election at the annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the Independent Non-executive Directors, namely Mr. Mark J. Alles, Ms. Jing Qian and Mr. Sheng Tang, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our Independent Non-executive Directors have been independent from the date of their appointments to December 31, 2020 and remain so as of the date of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As far as the Company is aware, as at December 31, 2020, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Name of Director or CEO	Nature of Interest	Total number of shares/ underlying shares	Approximate Percentage of Shareholding Interest[2]
Dr. Jay Mei[3]	Interest in controlled corporation and beneficial interest	179,927,994(L)[1]	26.81%
Mr. John F. Chin[4]	Beneficial interest	1,135,496(L)[1]	0.17%
Mr. Liu[5]	Interest in controlled corporation and beneficial interest	13,395,500(L)[1]	2.00%
Mr. Mark J. Alles[6]	Beneficial interest	735,496(L)[1]	0.11%
Mr. Jing Qian[7]	Beneficial interest	20,000(L)[1]	0.00%
Mr. Sheng Tang[8]	Beneficial interest	20,000(L)[1]	0.00%

Notes:

(1) "L" means holding a long position in Shares.

(2) Refers to the percentage of the number of relevant Shares involved divided by the number of Shares in issue of the Company as at December 31, 2020.

(3) Meiland holds 175,927,994 Shares following completion of the Capitalization Issue and is wholly-owned by Horsham Angel. Horsham Angel is owned by Dr. Jay Mei as to 16.48%, AM & Beyond Trust, a trust created by Dr. Jay Mei for the benefit of his children, as to 8.52%, and the JAY MEI 2020 GRAT, a trust created by Dr. Jay Mei for the benefit of himself and his immediate family members, as to 75%. Dr. Jay Mei is the grantor of the AM & Beyond Trust and the trustee, the grantor and one of the beneficiaries of the JAY MEI 2020 GRAT. Accordingly, Dr. Jay Mei is deemed to be interested in the total number of Shares held by Meiland. In addition, Dr. Jay Mei is entitled to acquire up to 4,000,000 Shares following completion of the Capitalization Issue pursuant to the share options granted to him, subject to the relevant conditions (including the vesting conditions) thereunder.

(4) Mr. John F. Chin directly holds 135,496 Shares following completion of the Capitalization Issue. In addition, Mr. John F. Chin is entitled to acquire up to 1,000,000 Shares following completion of the Capitalization Issue pursuant to the share options granted to him, subject to the relevant conditions (including the vesting conditions) thereunder.

(5) Black Halo holds 10,995,500 Shares following completion of the Capitalization Issue and is wholly-owned by Mr. Liu. Accordingly, Mr. Liu is deemed to be interested in the total number of Shares held by Black Halo. In addition, Mr. Liu is entitled to acquire up to 2,400,000 Shares following completion of the Capitalization Issue pursuant to the share options granted to him, subject to the relevant conditions (including the vesting conditions) thereunder.

(6) Mr. Mark J. Alles directly holds 135,496 Shares following completion of the Capitalization Issue. In addition, Mr. Mark J. Alles is entitled to acquire up to 600,000 Shares following completion of the Capitalization Issue pursuant to the share options granted to him, subject to the relevant conditions (including the vesting conditions) thereunder.

(7) Ms. Jing Qian is entitled to acquire up to 20,000 Shares following completion of the Capitalization Issue pursuant to the share options granted to her, subject to the relevant conditions (including the vesting conditions) thereunder.

(8) Mr. Sheng Tang is entitled to acquire up to 20,000 Shares following completion of the Capitalization Issue pursuant to the share options granted to him, subject to the relevant conditions (including the vesting conditions) thereunder.

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 interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO; or which were required, pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2020, to the best of the knowledge of the Company and the Directors, the following are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

Interests in the Shares and Underlying Shares of the Company

Name of Shareholder	Nature of Interest	Total number of shares/ underlying shares	Approximate Percentage of Shareholding Interest[2]
JAY MEI 2020 GRAT[3]	Interest in controlled corporation	175,927,994(L)[1]	26.21%
Horsham Angel[3]	Interest in controlled corporation	175,927,994(L)[1]	26.21%
Meiland[3]	Beneficial interest	175,927,994(L)[1]	26.21%
Boyu Capital Group Holdings Ltd.[4]	Interest in controlled corporation	73,789,650(L)[1]	10.9%
Boyu Capital General Partner III, Ltd.[4]	Interest in controlled corporation	62,711,436(L)[1]	9.34%
Boyu Capital General Partner III, L.P.[4]	Interest in controlled corporation	62,711,436(L)[1]	9.34%
Boyu Capital Fund III, L.P.[4]	Interest in controlled corporation	62,711,436(L)[1]	9.34%
Active Ambience Limited[4]	Beneficial interest	62,711,436(L)[1]	9.34%
FMR LLC[5]	Interest in controlled corporation	61,251,664(L)[1]	9.13%
FountainVest China Capital Partners GP3 Ltd.[6]	Interest in controlled corporation	57,010,396(L)[1]	8.49%
FountainVest China Capital Partners Fund III, L.P.[6]	Interest in controlled corporation	57,010,396(L)[1]	8.49%
Begonia Investment Ltd.[6]	Beneficial interest	57,010,396(L)[1]	8.49%
TCT (BVI) Limited[7]	Interest in controlled corporation	45,702,232(L)[1]	6.81%
THE CORE TRUST COMPANY LIMITED[7]	Trustee	45,702,232(L)[1]	6.81%
FIDELITY INVESTMENT TRUST	Beneficial interest	41,866,229(L)[1]	6.24%
Qiming Corporate GP V, Ltd[8]	Interest in controlled corporation	40,170,422(L)[1]	5.99%
Qiming GP V, L.P.[8]	Interest in controlled corporation	38,961,648(L)[1]	5.80%
Qiming Venture Partners V, L.P.[8]	Beneficial interest	38,961,648(L)[1]	5.80%

Notes:

(1) "L" means holding a long position in Shares.

(2) Refers to the percentage of the number of relevant Shares involved divided by the number of Shares in issue of the Company as at December 31, 2020.

(3) Meiland is wholly-owned by Horsham Angel. Horsham Angel is owned by Dr. Jay Mei as to 16.48%, AM & Beyond Trust, a trust created by Dr. Jay Mei for the benefit of his children, as to 8.52%, and the JAY MEI 2020 GRAT, a trust created by Dr. Jay Mei for the benefit of himself and his immediate family members, as to 75%. Dr. Jay Mei is the grantor of the AM & Beyond Trust and the trustee, the grantor and one of the beneficiaries of the JAY MEI 2020 GRAT. Accordingly, each of Horsham Angel and JAY MEI 2020 GRAT is deemed to be interested in the total number of Shares held by Meiland.

(4) Active Ambience Limited ("**Active Ambience**") is wholly-owned by Boyu Capital Fund III, L.P. ("**BCF III**"). Boyu Capital General Partner III, L.P. ("**BCGP III LP**") is the general partner of BCF III. Boyu Capital General Partner III, Ltd. ("**BCGP III Ltd**") is the general partner of BCGP III LP. Boyu Capital Group Holdings Ltd. ("**BCGH**") wholly-owns BCGP III Ltd. Accordingly, each of BCF III, BCGP III LP, BCGP III Ltd and BCGH is deemed to be interested in the total number of Shares held by Active Ambience. In addition, Supercluster Universe Limited ("**Supercluster Universe**") holds 3,538,714 Shares immediately following completion of the Capitalization Issue and the Global Offering. Supercluster Universe is wholly-owned by Boyu Capital Opportunities Master Fund ("**BCOMF**"), which is in turn wholly-owned by Boyu Capital Investment Management Limited ("**BCIM**"). BCIM is wholly-owned by BCGH. Accordingly, BCGH is also deemed to be interested in the total number of Shares held by Supercluster Universe and 7,539,500 Shares directly held by BCOMF.

(5) 12,026,412 Shares, 29,293,968 Shares, 12,914,312 Shares and 544,300 Shares are directly held by FMR Investment Management (UK) Limited ("**FIML**"), FIDELITY MANAGEMENT & RESEARCH (HONG KONG) LIMITED ("**FMRL**"), Fidelity Management & Research Company LLC ("**FMRCL**") and Fidelity Institutional Asset Management Trust Company ("**FIAMTC**"), respectively. Each of FIML and FMRL is wholly-owned by FMRCL, which is in turn wholly-owned by FMR LLC. FIAMTC is wholly-owned by FIAM Holdings LLC, which is in turn wholly-owned by FMR LLC. Accordingly, FMR LLC is deemed to be interested in the Shares held by FIML, FMRL, FMRCL and FIAMTC.

(6) Begonia Investment Ltd. ("**Begonia**") is owned as to 76.25% by FountainVest China Capital Partners Fund III, L.P., which is controlled by its sole shareholder, FountainVest China Capital Partners GP3 Ltd. Accordingly, each of FountainVest China Capital Partners Fund III, L.P. and FountainVest China Capital Partners GP3 Ltd. is deemed to be interested in the total number of Shares held by Begonia.

(7) THE CORE TRUST COMPANY LIMITED, as a trustee, holds 20,000,000 Shares and 25,702,232 Shares on trust under certain equity incentive plans through ATG Incentives Holding Limited and ATG Incentives Holding Plus Limited (each a "**Nominee**" and collectively "**Nominees**"), respectively. Each of the Nominees is wholly-owned by TCT (BVI) Limited, which is in turn wholly-owned by THE CORE TRUST COMPANY LIMITED.

(8) Qiming GP V, L.P. is the general partner of Qiming Venture Partners V, L.P., and Qiming Corporate GP V, Ltd is the general partner of Qiming GP V, L.P. Accordingly, each of Qiming GP V, L.P. and Qiming Corporate GP V, Ltd is deemed to be interested in the total number of Shares held by Qiming Venture Partners V, L.P. In addition, Qiming Managing Directors Fund V, L.P. holds 1,208,794 Shares immediately following completion of the Capitalization Issue and the Global Offering. Qiming Corporate GP V, Ltd is the general partner of Qiming Managing Directors Fund V, L.P. and is deemed to be interested in the total number of Shares held by the latter.

Save as disclosed above, as at December 31, 2020, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time from the period of the Listing Date to December 31, 2020 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouse or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this report, each of the Directors confirms that since the Listing Date and up to the date of this report, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules. From time to time our Non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these Non-executive Directors are not members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which these Directors may hold directorships from time to time.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

For the year ended December 31, 2020, none of the related parties transactions as disclosed in Note 24 to the Consolidated Financial Statements constitute any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. For the year ended December 31, 2020, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Save as disclosed in this report, no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting from the period of the Listing Date to December 31, 2020 and up to the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed from the period of the Listing Date to December 31, 2020 and up to the date of this report between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Company shall indemnify out of the assets of the Company, any Director against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceeding, whether civil or criminal, in which judgment is given in his/her favour, or in which he is acquitted. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group since the Listing Date.

STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at December 31, 2020, we had 114 employees (as at December 31, 2019: 50 employees). Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security contributions and other welfare payments. In accordance with applicable PRC laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees in the PRC.

Our Directors receive compensation in the form of fees, salaries, bonuses, other allowances, benefits in kind, contribution to the pension scheme and other share-based compensation. We determine the compensation of our Directors based on each Director's responsibilities, qualification, position and seniority. Details of the Directors' remuneration during the year are set out in note 8 to the Consolidated Financial Statements. No amount was paid to any Director or any of the five highest paid individual disclosed in note 9 to the Consolidated Financial Statements as an inducement to join or upon joining the Company or as a compensation for loss of office. In addition, there was no arrangement under which a Director waived or agreed to waive any remuneration.

EQUITY INCENTIVE PLANS

The 2019 Equity Incentive Plan was adopted and approved by resolutions in writing by the Board on December 30, 2019 and amended by resolutions in writing by the Board on August 18, 2020. The 2020 Equity Incentive Plan was adopted and approved by resolutions in writing by the Board on August 18, 2020. The terms of the 2019 Equity Incentive Plan and the 2020 Equity Incentive Plan (collectively, the "**Equity Incentive Plans**") are substantially similar and are compliant with the provisions of Chapter 17 of the Listing Rules.

The following is a summary of the principal terms of the 2019 Equity Incentive Plan and the 2020 Equity Incentive Plan.

(a) Summary of terms

Purpose. The purpose of the Equity Incentive Plans is to enhance the long-term Shareholder value of our Company by offering opportunities to employees, Directors and officers of our Group to participate in and benefit from our Company's growth and success, and to secure and retain the services of eligible participants.

Eligible Participants. Any of the following persons shall be eligible to participate in the Equity Incentive Plans subject to the Board's approval:

(1) any officer (whether or not a director) or employee of our Company or any of its subsidiaries;

(2) any director of our Company or any of its subsidiaries; or

(3) any individual consultant or advisor who renders or has rendered bona fide services to our Company or any of its subsidiaries, each subject to the approval of the Board.

Maximum Number of Shares. The maximum number of Shares underlying the share options shall not exceed 45,702,232 Shares, being no more than 10% of the total issued share capital of the Company Shares as at the Listing Date. As of December 31, 2020, 20,000,000 Shares have been allotted and issued and are currently held by The Core Trust Company Limited (the "**Trustee**") on trust through ATG Incentives Holding Limited ("**ATG Incentives**") and 25,702,232 Shares have been allotted and issued and are currently held by the Trustee on trust through ATG Incentives Holding Plus Limited ("**ATG Incentives Plus**"), respectively, for further grant of share options under the Equity Incentive Plans. Each of ATG Incentives and ATG Incentives Plus is a special purpose vehicle managed by the Trustee established for the purpose of holding Shares for grant of share options pursuant to the Equity Incentive Plans.

Maximum Entitlement of a Participant. No share option shall be granted to any one person such that the total number of Shares subject to the share options and any other option over the Shares (including exercised, cancelled and outstanding options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time, except with the approval of the Shareholders of the Company with such person and his close associates abstaining from voting.

Performance Target. The share options will be allocated and granted subject to the performance criteria as set forth at the sole discretion of the Board.

Exercise Price. The exercise price under each share option shall be set forth in the notice of grant. The Board may determine any further discount to the exercise price upon or after the grant of the option, provided that the exercise price in respect of any share option granted shall be not less than the highest of: (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the grant date of such share option (the "**Grant Date**"), which must be a business day; and (iii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Grant Date. The participant has the discretion to pay the exercise price by any combination of payment methods set forth in the Equity Incentive Plans. The tax withholding to be paid for the Shares shall be determined according to the provisions in the Equity Incentive Plans and applicable law.

Duration. Unless terminated sooner by the Administrator (as defined below), the Equity Incentive Plans will automatically terminate on the tenth anniversary of their respective effective date, after which no share option may be granted. The remaining life of each of the 2019 Equity Incentive Plan and the 2020 Equity Incentive Plan is approximately 8.5 years and approximately 9.5 years, respectively.

Administration. The Equity Incentive Plans shall be subject to the administration of the Trustee (the "**Administrator**") in accordance with the decisions and directions of the Board. Subject to any applicable laws, regulations and rules, the powers and obligations of the Administrator will be limited as set forth in a trust deed entered into between our Company and the Trustee.

Option Agreement and Notice of Grant. Each share option granted under the Equity Incentive Plans shall be evidenced by an option agreement and a notice of grant in the specified form between our Company and a participant. Subject to the terms of the Equity Incentive Plans and the terms of the form option agreement attached thereto, each share option may contain additional terms and conditions as the Board deems appropriate.

Options. The Equity Incentive Plans provide for award of options only. The CEO is entitled to make proposals ("**Management Proposals**") to the Board with respect to any and all matters as our Company deems necessary or desirable in connection with the Equity Incentive Plans or the option agreements, which shall be subject to the Board's further review and approval. Share options may be granted only to those persons whom the Board determined to be eligible recipients based on the Management Proposals at the exercise price determined by the Board and subject to the performance criteria as set forth at the sole discretion of the Board. Each vested share option shall not be exercisable until the later of (i) the date such share option has vested in accordance with the terms of the Equity Incentive Plans or (ii) 30 days after the Listing, but shall be exercised no later than 10 years from the date of grant (the "**Exercise Period**"). The participant must send a written notice of exercise in the specified form to our Company within the Exercise Period, setting forth the number of Shares with respect to which the share option is being exercised and accompanied by full payment for the Shares.

Vesting. Subject to other conditions set forth in the Equity Incentive Plans and the applicable option agreement, a participant's share option shall be vested according to the following schedule: (i) 30% of the share option shall be vested on the second anniversary of the Grant Date, (ii) 30% of the share option shall be vested on the third anniversary of the Grant Date, and (iii) the remaining 40% of the share option shall be vested on the fourth anniversary of the Grant Date. The Board may decide to accelerate the vesting schedule of share options at its sole discretion.

(b) Outstanding share options granted under the Equity Incentive Plans

As at December 31, 2020, share options to acquire an aggregate of 10,674,460 Shares, representing approximately 1.59% of the total issued share capital of the Company, are outstanding under the 2019 Equity Incentive Plan, and share options to acquire an aggregate of 16,399,720 Shares, representing approximately 2.44% of the total issued share capital of the Company, are outstanding under the 2020 Equity Incentive Plan. As at December 31, 2020, none of the share options granted under the Equity Incentive Plans has been exercised.

The share options have been granted based on the performance, length of service and significance of the grantees who have made important contributions to and are important to the long-term growth and success of our Group. As at December 31, 2020, the grantees under the Equity Incentive Plans include six Directors, one member of the senior management and 106 other employees of our Group. Details of the share options granted under the Equity Incentive Plans as at December 31, 2020 are set out below:

Name of grantee	Position held with the Group	Exercise Price (US$)	Date of Grant	Vesting Period	Numbers of Shares subject to the share options granted	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of December 31, 2020
Dr. Jay Mei	Executive Director, Chairman of the Board and CEO	0.92	August 23, 2020	Six months after the Listing of the Company	4,000,000	0	0	0	4,000,000
Mr. John F. Chin	Executive Director and CBO	0.92	August 23, 2020	(i) 30% to be vested two years from the date of grant; (ii) 30% to be vested three years from the date of grant; and (iii) 40% to be vested four years from the date of grant	1,000,000	0	0	0	1,000,000
Mr. Yiting Liu	Executive Director and COO	0.92	August 23, 2020, October 20, 2020	Six months after the Listing of the Company	2,400,000	0	0	0	2,400,000

Name of grantee	Position held with the Group	Exercise Price (US$)	Date of Grant	Vesting Period	Numbers of Shares subject to the share options granted	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of December 31, 2020
Mr. Mark J. Alles	Independent Non-executive Director	0.92	August 23, 2020	(i) 30% to be vested two years from the date of grant;	600,000	0	0	0	600,000
				(ii) 30% to be vested three years from the date of grant; and					
				(iii) 40% to be vested four years from the date of grant					
Ms. Jing Qian	Independent Non-executive Director	0.92	August 23, 2020	(i) 30% to be vested two years from the date of grant;	20,000	0	0	0	20,000
				(ii) 30% to be vested three years from the date of grant; and					
				(iii) 40% to be vested four years from the date of grant					
Mr. Sheng Tang	Independent Non-executive Director	0.92	August 23, 2020	(i) 30% to be vested two years from the date of grant;	20,000	0	0	0	20,000
				(ii) 30% to be vested three years from the date of grant; and					
				(iii) 40% to be vested four years from the date of grant					
Subtotal:					8,040,000	0	0	0	8,040,000

Name of grantee	Position held with the Group	Exercise Price (US$)	Date of Grant	Vesting Period	Numbers of Shares subject to the share options granted	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of December 31, 2020
107 other employees of the Company	–	0.877	November 1, 2019 to October 30, 2020	(i) 30% to be vested two years from the date of grant; (ii) 30% to be vested three years from the date of grant; and (iii) 40% to be vested four years from the date of grant	881,154	0	0	0	881,154
		0.877		(i) 15% to be vested upon the Listing of the Company; (ii) 15% to be vested two years from the date of grant; (iii) 30% to be vested three years from the date of grant; and (iv) 40% to be vested four years from the date of grant	8,757,024	0	0	0	8,757,024
		0.92		(i) 30% to be vested two years from the date of grant; (ii) 30% to be vested three years from the date of grant; and (iii) 40% to be vested four years from the date of grant	1,562,000	0	0	0	1,562,000

Name of grantee	Position held with the Group	Exercise Price (US$)	Date of Grant	Vesting Period	Numbers of Shares subject to the share options granted	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of December 31, 2020
		1.06		(i) 30% to be vested two years from the date of grant; (ii) 30% to be vested three years from the date of grant; and (iii) 40% to be vested four years from the date of grant	1,920,000	0	0	0	1,920,000
		1.205		(i) 30% to be vested two years from the date of grant; (ii) 30% to be vested three years from the date of grant; and (iii) 40% to be vested four years from the date of grant	962,000	0	40,000	0	922,000
		1.415		(i) 30% to be vested two years from the date of grant; (ii) 30% to be vested three years from the date of grant; and (iii) 40% to be vested four years from the date of grant	5,010,000	0	18,000	0	4,992,000
Subtotal:					19,092,178	0	58,000	0	19,034,178
Total:					27,132,178	0	58,000	0	27,074,178

For further details, please refer to the section headed “Appendix IV – Statutory and General Information – Equity Incentive Plans” of the Prospectus, and note 21 to the Consolidated Financial Statements of this report.

EQUITY-LINKED AGREEMENT

Save as disclosed in this report, there was no equity-linked agreement entered into by the Company from the period of the Listing Date to December 31, 2020.

MAJOR CUSTOMERS AND SUPPLIERS

As at December 31, 2020, the Company has not commercialized its products and there was no major customer.

During the year ended December 31, 2020, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 53.0% and 74.7%, respectively.

None of our Directors or any of their close associates or any Shareholder (which to the best knowledge of our Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest suppliers.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities from the period of the Listing Date to December 31, 2020.

CHARITABLE CONTRIBUTIONS

During the year ended December 31, 2020 (the "**Reporting Period**"), the Group made a charitable contribution of RMB400,000.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and complied with the principles and code provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules from the Listing Date to the date of this report, save for the deviation from code provision A.2.1 as disclosed below.

We do not have separate Chairman of the Board and CEO and Dr. Jay Mei, the founder of our Company, Chairman of our Board and CEO, currently performs these two roles. Our Board believes that, in view of his experience, personal profile and his roles in our Company as mentioned above, Dr. Jay Mei is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our CEO. Our Board also believes that the combined role of Chairman of the Board and CEO can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Our Board will continue to review and consider splitting the roles of Chairman of the Board and the CEO at a time when it is appropriate by taking into account the circumstances of our Group as a whole. We aim to implement a high standard of corporate governance, which is crucial to safeguard the interests of our Shareholders.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2020 have been audited by Ernst & Young.

Ernst & Young shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the forthcoming annual general meeting.

By order of the Board of Directors

Antengene Corporation Limited
Dr. Jay Mei
Chairman

Hong Kong, March 25, 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate our business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the CG Code contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

In the opinion of the Directors, throughout the period from the Listing Date to the date of this report, the Company has complied with all the code provisions as set out in the CG Code, except for code provision A.2.1 of the CG Code which provides that the roles of Chairman of the Board (the "**Chairman**") and Chief Executive Officer (the "**CEO**") should be separated and should not be performed by the same individual, details of which are set out on pages 53 to 54 under the section headed "Board of Directors – Chairman and CEO" of this Corporate Governance Report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**").

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date and/or their respective appointment date up to the date of this report.

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

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and makes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing such responsibilities.

Board Composition

The Board currently comprises nine Directors, consisting of three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors.

Executive Directors

Dr. Jay Mei *(Chairman and Chief Executive Officer)*
Mr. John F. Chin
Mr. Yiteng Liu

Non-executive Directors

Mr. Yanling Cao
Mr. Zhen Li
Dr. Kan Chen

Independent Non-executive Directors

Mr. Mark J. Alles
Ms. Jing Qian
Mr. Sheng Tang

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" on pages 25 to 29 of this report.

Save as disclosed in the Prospectus and in this report, to the best knowledge of the Company, there has been no other financial, business, family, or other material/relevant relationships among members of the Board.

Board Meetings and Directors' Attendance Records

Code provision A.1.1 of the CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals involving active participation, either in person or through electronic means of communication, of a majority of directors.

Code provision A.2.7 of the CG Code requires that the chairman should at least annually hold meetings with independent non-executive directors without the presence of other directors.

The Company expects to convene at least four regular board meetings in each financial year at approximately quarterly intervals and to hold a meeting between the Chairman and the Independent Non-executive Directors without the presence of other Directors in accordance with code provisions A.1.1. and A.2.7 of the CG Code respectively.

Chairman and CEO

The roles of the Chairman and CEO of the Company are held by Dr. Jay Mei who is the founder of the Company.

The Board believes that, in view of his experience, personal profile and his roles in the Company, Dr, Mei is the director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as the CEO. The Board also believes that the combined role of Chairman and CEO can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board.

Further, the decisions to be made by the Board require approval by at least a majority of our Directors and that the Board comprises three Non-executive Directors and three Independent Non-executive Directors, which the Company believes that there are sufficient checks and balances in the Board. Dr. Jay Mei and other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they shall act for the benefit and in the best interest of the Company and will make decisions for the Group accordingly.

The Board will continue to review and consider splitting the roles of the Chairman and the CEO at the time when it is appropriate by taking into account the circumstances of the Group as a whole.

Independent Non-executive Directors

From the Listing Date to the date of this report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the Executive Directors has entered into a service contract with the Company under which the initial term of their service contract shall be three years commencing from the date of their appointment until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than two months' prior notice.

Each of the Non-executive Directors has entered into a service contract with the Company under which the initial term of their service contract shall be three years commencing from the date of their appointment until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than one month's prior notice.

Each of the Independent Non-executive Directors has entered into an appointment letter with the Company effective from the Listing Date. The initial term of their appointment letters shall commence from the date of their appointment for a period of three years or until the third annual general meeting of the Company after the Listing Date, whichever is earlier (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

The appointments of Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Under Article 16.19 of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to, but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Article 16.2 of the Articles of Association also provides that any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decisions on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal action taken against them arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of a Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by regular meetings with senior management of the Company to understand the Group's businesses, governance policies and regulatory environment.

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 materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended December 31, 2020, all of the Directors participated in a training session conducted by the legal advisers of the Company. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, continuing connected transaction, disclosure of interests and regulatory updates. In addition, relevant reading materials including compliance manual, legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors during the year ended December 31, 2020 and up to the date of this report are summarized as follows:

Directors	Participated in continuous professional development[Note]
Executive Directors	
Dr. Jay Mei *(Chairman and CEO)*	√
Mr. John F. Chin *(Chief Business Officer)*	√
Mr. Yiteng Liu *(Chief Operating Officer)*	√
Non-executive Directors	
Mr. Yanling Cao	√
Mr. Zhen Li	√
Dr. Kan Chen (appointed on March 26, 2021)	√
Mr. Xubo Hu (resigned on March 26, 2021)	√
Independent Non-executive Directors	
Mr. Mark J. Alles	√
Ms. Jing Qian	√
Mr. Sheng Tang	√

Note: Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" on page 2 of this report.

Audit Committee

The Audit Committee consists of three members, including three Independent Non-executive Directors, namely Mr. Sheng Tang, Mr. Mark J. Alles and Ms. Jing Qian. Mr. Sheng Tang, being the Chairman of the Audit Committee, holds the appropriate professional qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

The Audit Committee has reviewed the financial results and report for the Reporting Period and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors, engagement of non-audit services and relevant scope of works and arrangements for employees to raise concerns about possible improprieties. The risk management and internal control systems are reviewed on an annual basis by the Audit Committee.

From the period of the Listing Date to December 31, 2020, the chairman of the Audit Committee held 2 meetings with the external auditors, once without the presence of the Executive Directors.

Remuneration Committee

The Remuneration Committee consists of three members, including one executive Director, namely, Dr. Jay Mei, and two independent non-executive Directors, namely, Ms. Jing Qian and Mr. Mark J. Alles. Ms. Jing Qian is the Chairwoman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include, without limitation, (i) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The remuneration policy and the remuneration packages of the Executive Directors, namely Dr. Jay Mei, Mr. John F. Chin, Mr. Yiteng Liu, the Independent Non-executive Directors, namely Mr. Mark J. Alles, Ms. Jing Qian and Mr. Sheng Tang and senior management have been reviewed and approved by the Board and the Shareholders in the 2021 Q1 board meeting. The Company believes that such remuneration policy and the remuneration packages of the Directors and senior management are appropriate for 2020.

The remuneration payable to the senior management of the Company (who are not the Directors) is shown in the following table by band:

	2020 Number of Individual(s)	2019 Number of Individual(s)
HKD1,000,001 to HKD1,500,000	**–**	2
HKD1,500,001 to HKD2,000,000	**–**	–
HKD2,000,001 to HKD2,500,000	**–**	1
HKD2,500,001 to HKD3,000,000	**–**	–
HKD3,000,001 to HKD3,500,000	**–**	–
HKD3,500,001 to HKD4,000,000	**–**	–
HKD4,000,001 to HKD4,500,000	**2**	–
	2	3

Further details of the remuneration payable to the Directors and the five highest paid individuals for the year ended December 31, 2020 are set out in note 8 and note 9, respectively, to the Consolidated Financial Statements in this report.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee consists of three members, including one Executive Director namely Dr. Jay Mei, and two Independent Non-executive Directors, namely Mr. Mark J. Alles and Ms. Jing Qian. Mr. Mark J. Alles is the Chairman of the Nomination and Corporate Governance Committee.

The terms of reference of the Nomination and Corporate Governance Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination and Corporate Governance Committee include, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of Independent Non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors, developing, reviewing and assessing the adequacy of the Company's policies and practices on corporate governance and reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report.

In assessing the Board composition, the Nomination and Corporate Governance Committee would take into account various aspects as well as factors concerning board diversity as set out in the Company's board diversity policy (the "**Board Diversity Policy**"). The Nomination and Corporate Governance Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination and Corporate Governance Committee would consider the candidate's relevant criteria as set out in the Company's director nomination policy (the "**Director Nomination Policy**") that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

The structure, size and composition of the Board and the independence of the Independent Non-executive Directors have been reviewed by the Board and the Board considered that an appropriate balance of diversity perspectives of the Board was maintained for 2020.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of biotechnology, clinical research, life science, business management, finance, investment, and accounting. They obtained degrees in various areas including medicine, pharmacology, toxicology, science, organic chemistry, electronic engineering, business administration, economics, mathematics and laws. The Board Diversity Policy is well implemented as evidenced by the fact that there are both female and male Directors ranging from 37 years old to 61 years old with experience from different industries and sectors.

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

The Nomination and Corporate Governance Committee is delegated by the Board to be responsible for compliance with relevant codes governing board diversity under the Code. The Nomination and Corporate Governance Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

At present, the Nomination and Corporate Governance Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objective.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination and Corporate Governance Committee.

The Company has a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Reputation for integrity
- Commitment in respect of available time and relevant interest
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination and Corporate Governance Committee will recommend to the Board for the appointment of a Director including an independent non-executive Director in accordance with the following selection criteria and nomination procedures:

(a) identify individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, having due regard to the Company's Board diversity policy, the requirements in the Company's constitution, the Listing Rules and applicable laws and regulations, and the relevant candidates' contributions to the Board in terms of qualifications, skills, experiences, independence and gender diversity;

(b) assess the independence of independent non-executive Directors to determine their eligibility with reference to the factors set out in Rule 3.13 of the Listing Rules and any other factors deemed appropriate by the Nomination and Corporate Governance Committee or the Board. If a proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, to assess his/her ability to devote sufficient time to the Board matters; and

(c) develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to evaluating the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepared a description of the role and capabilities required for a particular appointment.

The Nomination and Corporate Governance Committee will review the Director Nomination Policy, from time to time and as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

From the Listing Date to the date of this report, the Board together with the Nomination and Corporate Governance Committee had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and the disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

During the period from the Listing Date to the date of this report, the Board has held 3 meetings. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code. The Company will also arrange for the Chairman to have meetings with the Independent Non-executive Directors so as to comply with the requirement of code provision A.2.7 of the CG Code.

The attendance record of each Director at the Board and Board committee meetings of the Company held during the period from the Listing Date to the date of this report is set out in the table below:

	Attendance/Number of Meetings			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination and Corporate Governance Committee**
Executive Directors				
Dr. Jay Mei *(Chairman and Chief Executive Officer)*	3/3	N/A	1/1	1/1
Mr. John F. Chin *(Chief Business Officer)*	3/3	N/A	N/A	N/A
Mr. Yiteng Liu *(Chief Operating Officer)*	3/3	N/A	N/A	N/A
Non-executive Directors				
Mr. Yanling Cao	3/3	N/A	N/A	N/A
Mr. Zhen Li	3/3	N/A	N/A	N/A
Dr. Kan Chen (appointed on March 26, 2021)	N/A	N/A	N/A	N/A
Mr. Xubo Hu (resigned on March 26, 2021)	3/3	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Mark J. Alles	3/3	1/1	1/1	1/1
Ms. Jing Qian	3/3	1/1	1/1	1/1
Mr. Sheng Tang	3/3	1/1	N/A	N/A

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness on an annual basis. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

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

The following key principles outline the Company's approach to risk management:

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

- The relevant departments, including but not limited to the business operations department, finance department and general administration department, are responsible for developing and implementing our risk management policy and carrying out our day-to-day risk management practice, such as assessing risks on key business operations, advising risk responses and optimizing risk management policies. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) continuously monitor the key risks relating to their operation or function; (iv) implement appropriate risk responses where necessary; and (v) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

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

Internal Control

The Board is responsible for establishing and ensuring effective internal controls to safeguard the Shareholder's investment at all times. The Company's internal control policies set out a framework to identify, assess, evaluate and monitor key risks associated with its strategic objectives on an ongoing basis.

The Company has adopted various measures and procedures regarding each aspect of its business operation. The Company provides training about these measures and procedures to new employees. The Company also constantly monitors the implementation of those measures and procedures.

The Company maintains strict anti-corruption policies on personnel with external communication functions. The Company will also ensure that its commercialization team complies with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities.

The Directors (who are responsible for monitoring the corporate governance of the Group), with help from the Company's legal advisors, will also periodically review its compliance status with all relevant laws and regulations. The Audit Committee will (i) make recommendations to the Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of the Group.

The Company has engaged Rainbow Capital (HK) Limited as its compliance advisor to provide advice to the Directors and management team until the end of the first full financial year commencing after the Listing Date regarding matters relating to the Listing Rules. The Company's compliance advisor is expected to ensure the Company's use of funding complies with the sections titled "Use of Proceeds" in the Prospectus, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

During the Reporting Period, the Company has regularly reviewed and enhanced its risk management and internal control systems. We believe that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control. The Board has conducted a review of the effectiveness of the risk management and internal control systems and considers these systems effective and adequate.

The Company has established internal audit function and risk management and internal control systems with relevant policies and procedures that we believe are appropriate for our business operations.

The Company has established procedures for identifying, handling and disseminating inside information in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), including the issue of an inside information disclosure policy, the annual review and update (if necessary) of such inside information disclosure policy, preclearance on dealing in Company's securities by Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees have been implemented by the Company to guard against possible mishandling of inside information within the Group.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2020.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 67 to 71 of this report .

AUDITOR'S REMUNERATION

The remuneration paid to the external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended December 31, 2020 is set out below:

Service Category	**Fees Paid/Payable RMB'000**
Audit services	2,000
Services in connection with the Listing	3,150
Non-audit services	300
– Internal control review for the Listing	300
Total	5,450

JOINT COMPANY SECRETARIES

Mr. Yang Cao, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board's policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engaged Mr. Keith Shing Cheung Wong as the other joint company secretary of the Company to assist Mr. Cao to discharge his duties as company secretary of the Company. Mr. Wong currently serves as a senior manager of SWCS Corporate Services Group (Hong Kong) Limited. He is mainly responsible for managing the company secretarial and compliance work for companies listed on the Stock Exchange. Mr. Cao, the Board Secretary of the Company, is the primary contact person at the Company.

For the year ended December 31, 2020, each of Mr. Cao and Mr. Wong has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with the Shareholders through various communication channels.

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members to the Board or the secretary of the Company, specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionist(s) held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves may convene the general meeting 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 them by the Company.

Putting Forward Proposals at General Meetings

There are no provisions under the Articles of Association or the Companies Law of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as a Director.

Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

For proposal of a person for election as Director, pursuant to Article 16.4 of the Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the company secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

Putting Forward Enquiries to the Board

For putting forward any enquiry to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Suites 1206-1209, Block B
Zhongshan SOHO Plaza
1065 West Zhongshan Road
Changning District
Shanghai
PRC

Email: ir@antengene.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meetings, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

Since the Listing Date and up to the date of this report, the Company has not held any general meeting.

The forthcoming annual general meeting will be held on Friday, June 18, 2021. The notice of the annual general meeting will be published and dispatched in due course in the manner as required by the Listing Rules.

The Company's existing Articles of Association were adopted on November 5, 2020 and were effective on the Listing Date. The Articles of Association is available on the Company's website and the Stock Exchange's website. From the Listing Date to the date of this report, the said Articles of Association did not have any change.

Policies relating to Shareholders

The Company has adopted a dividend policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors, among others, financial results, cash flow situation, business conditions and strategies and future operations and earnings, as set out in the dividend policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to Shareholders' approval.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Antengene Corporation Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Antengene Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 72 to 140, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other 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 31 December 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 ("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
Cut-off of research and development costs	
The Group incurred significant research and development ("R&D") costs of RMB347,655,000 as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020. A large portion of the Group's R&D costs represent service fees paid to contract research organisations ("CROs"), contract development manufacture organisations ("CDMO") and clinical site management operators ("SMOs") (collectively referred to as the "Outsourced Service Providers"). The R&D activities with these Outsourced Service Providers are documented in detailed agreements and are typically performed over an extended period. These expenses are charged to the consolidated statement of profit or loss and other comprehensive income based on the milestone of the R&D projects. We identified the cut-off of R&D costs as a key audit matter due to the significant amount and risk of not accruing R&D costs incurred in the appropriate reporting period.	We obtained an understanding, evaluated the design, and tested the implementation effectiveness of management's controls in relation to the process of R&D costs. We, on a sampling basis, reviewed the key terms set out in the agreements with the Outsourced Service Providers and evaluated the completion status of R&D projects based on inquiry with project managers, inspection of supporting documents and by obtaining external confirmations from the Outsourced Service Providers. We evaluated the adequacy of the accrued R&D costs by comparing the subsequent milestone billings and payments with the accrued R&D costs to determine whether these costs were recorded in the appropriate reporting period.

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.

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

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.

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

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

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

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

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

We communicate with 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
25 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Other income and gains	5	**26,834**	52,946
Research and development costs		**(347,655)**	(115,792)
Selling and distribution expenses		**(455)**	(24)
Administrative expenses		**(154,221)**	(39,349)
Other expenses	5	**(2,452,392)**	(220,732)
Finance costs	7	**(1,032)**	(836)
LOSS BEFORE TAX	6	**(2,928,921)**	(323,787)
Income tax expense	10	**–**	–
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(2,928,921)**	(323,787)
Attributable to:			
Owners of the parent		**(2,928,921)**	(323,787)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For loss for the year		**RMB(11.66)**	RMB(1.56)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**56,233**	328
Right-of-use assets	14	**9,868**	3,765
Other intangible assets		**277**	87
Total non-current assets		**66,378**	4,180
CURRENT ASSETS			
Prepayments and other receivables	15	**18,191**	8,808
Cash and bank balances	16	**3,109,832**	746,795
Total current assets		**3,128,023**	755,603
CURRENT LIABILITIES			
Other payables and accruals	17	**145,672**	43,746
Lease liabilities	14	**4,929**	1,195
Total current liabilities		**150,601**	44,941
NET CURRENT ASSETS		**2,977,422**	710,662
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,043,800**	714,842
NON-CURRENT LIABILITIES			
Convertible redeemable preferred shares	18	**–**	1,269,484
Lease liabilities	14	**5,992**	2,969
Total non-current liabilities		**5,992**	1,272,453
Net assets/(liabilities)		**3,037,808**	(557,611)
EQUITY/(DEFICIT)			
Equity attributable to owners of the parent			
Share capital	19	**448**	72
Treasury shares	19	**(30)**	–
Reserves	20	**3,037,390**	(557,683)
Total equity/(deficit)		**3,037,808**	(557,611)

DIRECTOR

DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2020

	Attributable to owners of the parent				
	Share capital RMB'000	Share option reserve* RMB'000	Share premium* RMB'000	Accumulated losses* RMB'000	Total RMB'000
At 1 January 2019	–	–	23,734	(182,336)	(158,602)
Loss and total comprehensive loss for the year	–	–	–	(323,787)	(323,787)
Issue of shares	72	–	(72)	–	–
Equity-settled share option arrangements	–	2	–	–	2
Transfer to convertible redeemable preferred shares	–	–	(75,224)	–	(75,224)
At 31 December 2019	72	2	(51,562)	(506,123)	(557,611)

		Attributable to owners of the parent					
	Notes	**Share capital RMB'000**	**Treasury shares RMB'000**	**Share option reserve* RMB'000**	**Share premium* RMB'000**	**Accumulated losses* RMB'000**	**Total RMB'000**
At 1 January 2020		**72**	**–**	**2**	**(51,562)**	**(506,123)**	**(557,611)**
Loss and total comprehensive loss for the year		**–**	**–**	**–**	**–**	**(2,928,921)**	**(2,928,921)**
Shares repurchased (i)	19	**(5)**	**–**	**–**	**(139,640)**	**–**	**(139,645)**
Issue of shares	19	**14**	**(15)**	**(6)**	**7**	**–**	**–**
Conversion of convertible redeemable preferred shares to ordinary shares	18	**95**	**–**	**–**	**4,271,497**	**–**	**4,271,592**
Capitalisation Issue	19	**169**	**(15)**	**–**	**(154)**	**–**	**–**
Issue of shares from initial public offering ("IPO")	19	**101**	**–**	**–**	**2,364,721**	**–**	**2,364,822**
Issue of shares from exercise of an over-allotment option	19	**2**	**–**	**–**	**45,431**	**–**	**45,433**
Share issue expenses		**–**	**–**	**–**	**(106,984)**	**–**	**(106,984)**
Equity-settled share option arrangements	21	**–**	**–**	**89,122**	**–**	**–**	**89,122**
Transfer of share option reserve upon the forfeiture of share options		**–**	**–**	**(6)**	**–**	**6**	**–**
At 31 December 2020		**448**	**(30)**	**89,112**	**6,383,316**	**(3,435,038)**	**3,037,808**

* These reserve accounts comprise the consolidated reserves of RMB3,037,390,000 (2019: RMB(557,683,000)) in the consolidated statement of financial position.

(i) The Company repurchased and cancelled 5,000,000 ordinary shares from Orcapurs Investment Limited, 2,074,861 ordinary shares from Grand Path Holdings Limited and 2,615,160 Series A Preferred Shares from Shanghai Taiyi Venture Capital Partnership (Limited Partnership) at a price of USD2.83 per share on 11 July 2020. Then the Company closed its Series C financing on 20 July 2020. The financing raised a total of USD97,382,896 by issuing 24,770,992 Series C-1 Preferred Shares and 9,690,022 Series C-2 Preferred Shares. These shares issued at a price of USD2.83 with a par value of USD0.0001 each. The difference between the carrying amount of share capital of RMB5,000 and the repurchase cost of ordinary shares of RMB139,645,000 was recognised in equity amounted to RMB139,640,000. For detailed information, please refer to note 18 and note 19.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS USED IN OPERATING ACTIVITIES			
Loss before tax		**(2,928,921)**	(323,787)
Adjustments for:			
Finance costs	7	**1,032**	836
Interest income	5	**(12,202)**	(12,776)
Share issue expenses		**28,570**	–
Depreciation of property, plant and equipment	13	**390**	215
Depreciation of right-of-use assets	14	**3,648**	1,288
Amortisation of other intangible assets		**51**	3
Equity-settled share option arrangements	21	**89,122**	2
Difference between the carrying amount of other non-current liabilities and the liability portion of the fair value of convertible redeemable preferred shares		**–**	5,290
Fair value loss on convertible redeemable preferred shares	18	**2,356,271**	214,549
Gain on disposal of right-of-use assets for early terminated leases	5	**(44)**	–
Loss on repurchase of convertible redeemable preferred shares	5	**15,150**	–
Foreign exchange differences, net		**80,551**	(29,145)
		(366,382)	(143,525)
Increase in prepayments and other receivables		**(8,144)**	(2,704)
Increase in other payables and accruals		**67,407**	24,779
Net cash flows used in operating activities		**(307,119)**	(121,450)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(51,747)**	(11)
Purchases of other intangible assets		**(241)**	(90)
Increase in time deposits with original maturity of more than three months	16	**(557,911)**	(453,383)
Interest received		**10,963**	9,807
(Increase)/decrease in pledged deposits	16	**(1,631)**	13,310
Net cash flows used in investing activities		**(600,567)**	(430,367)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from IPO		**2,410,255**	–
Share issue expenses		**(105,546)**	–
Proceeds from issue of convertible redeemable preferred shares		**680,961**	805,964
Repurchase of ordinary shares		**(139,645)**	–
Repurchase of convertible redeemable preferred shares		**(50,274)**	–
Repayment of bank loans		**–**	(13,726)
Principal portion of lease payments	14	**(3,982)**	(1,501)
Decrease in amounts due from shareholders in the Reorganisation		**–**	8,738
Decrease in amounts due to shareholders		**–**	(27,530)
Interest paid		**–**	(125)
Net cash flows from financing activities	22	**2,791,769**	771,820
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,884,083**	220,003
Cash and cash equivalents at beginning of year		**290,787**	49,322
Effect of foreign exchange rate changes, net		**(80,588)**	21,462
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	**2,094,282**	290,787
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	16	**3,109,832**	746,795
Pledged deposits	16	**(4,256)**	(2,625)
Bank deposits with original maturity of more than three months when acquired	16	**(1,011,294)**	(453,383)
Cash and cash equivalents as stated in the statement of cash flows		**2,094,282**	290,787

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 28 August 2018. The registered office of the Company is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investing holding company. During the year, the Group was involved in the research and development of pharmaceutical products.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") effective from 20 November 2020.

In the opinion of the Company's directors (the "Directors"), the holding company and the ultimate holding company of the Company is Meiland Pharma Tech Limited, which is incorporated under the laws of the Cayman Islands on 5 January 2016. Meiland Pharma Tech Limited is ultimately controlled by Dr. Jay Mei, the chairman and the chief executive officer of the Company.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Antengene (BVI) Limited	British Virgin Islands 14 September 2018	USD50,000	100%	–	Investment holding
Keith Valley Investment Limited	British Virgin Islands 19 December 2018	USD50,000	100%	–	Investment holding
Brighton Circle Limited	British Virgin Islands 26 February 2019	USD50,000	100%	–	Investment holding
Sea Quest Limited	British Virgin Islands 23 October 2019	USD2	100%	–	Investment holding
Antengene (Singapore) Pte. Ltd. (used name: Boysenberry PTE.LTD)	Singapore 20 November 2019	SGD50,000	100%	–	Research and development
Avalon Court Limited[2] (澳郎科泰一人有限公司)	Macau 12 November 2020	MOP25,000	100%	–	Investment holding
Antengene Investment Limited	Hong Kong 20 September 2018	HKD1	–	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Antengene Corporation (Hong Kong) Limited (德琪控股有限公司)	Hong Kong 21 January 2016	HKD10,000	–	100%	Investment holding
Antengene Therapeutics Limited	Hong Kong 19 September 2017	USD13,000,000	–	100%	Investment holding
Antengene Corporation Co., Ltd.[1,3] (德琪(浙江)醫藥科技有限公司)	Mainland China 15 June 2016	RMB120,000,000	–	100%	Research and development
Shanghai Antengene Corporation Limited[1] (上海德琪醫藥科技有限公司)	Mainland China 19 August 2016	RMB36,000,000	–	100%	Research and development
Zhejiang Defu Biopharmaceutical Co., Ltd.[1] (浙江德復生物醫藥科技有限公司)	Mainland China 22 December 2017	RMB10,000,000	–	100%	Research and development
Antengene (Shanghai) Pharmaceutical Co., Ltd[1,3] (德琪醫藥(上海)有限公司)	Mainland China 3 December 2019	RMB1,000,000	–	100%	Research and development
ANTENGENE (AUS) PTY.LTD	Australia 13 December 2019	AUD1,000	–	100%	Research and development
Antengene Biotech LLC	State of Delaware, United States of America ("USA") 20 March 2019	USD1,500	–	100%	Research and development
Zhejiang Antengene Pharmaceuticals Co., Ltd.[1] (浙江德琪制藥有限公司)	Mainland China 6 August 2019	RMB40,000,000	–	100%	Manufacturing and trading
Hainan Antengene Pharmaceuticals Co., Ltd.[1,2] (海南德琪醫藥有限公司)	Mainland China 31 December 2020	RMB10,000,000	–	100%	Manufacturing and trading

1 The English names of these companies represent the best effort made by the Directors to translate the Chinese names as these companies have not been registered with any official English names.

2 These subsidiaries were established by the Group in 2020.

3 These subsidiaries were registered as wholly-foreign-owned enterprises under PRC law.

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 ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

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 31 December 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.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Pursuant to the Accountants' Report of the Group in connection with the listing of the shares of the Company on the Stock Exchange, all IFRS in issue as at 30 June 2020 and effective for annual periods beginning 1 January 2020, together with the relevant transitional provisions, had been early adopted by the Group in the preparation of the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2018 and 2019 and 30 June 2020. Thus, the adoption of the below amendments had no impact on the Group's financial statements for the year ended 31 December 2020.

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these 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 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[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]
Annual Improvements to IFRSs 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 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 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 1 January 2023

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

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 1 January 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.

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 recognise 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 1 January 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.

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

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 recognised 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. The amendments are not expected to have any significant impact on the Group's financial statements.

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 1 January 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 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 recognises 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 1 January 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.

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

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 labour 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 1 January 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 recognised 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.

Annual Improvements to IFRSs 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 1 January 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. The amendment is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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 recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised 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 recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised 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, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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 31 December. 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 recognised. An impairment loss recognised 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 certain financial instruments 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.

2.4 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 recognised 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 period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than 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 recognised 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 recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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/amortisation) had no impairment loss been recognised 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.

2.4 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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:

Office equipment	19% to 33%
Electronic equipment	19% to 33%
Motor vehicles	24% to 25%
Machinery	19%

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 recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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

Software	3 years

Research and development costs

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

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

Leases

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

Group as a lessee

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

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

Property, office premises and plant	2 to 4 years

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

(b) Lease liabilities

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

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.

(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 and laptop computers that are considered to be of low value.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

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 fair value through profit or loss, transaction costs.

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

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

All regular way purchases and sales of financial assets are recognised 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 amortised cost (debt instruments)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (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 recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

The Group recognises 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 recognised 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

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 amortised 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 recognises 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.

2.4 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 recognised 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 financial liabilities at fair value through profit or loss, trade and other payables and interest-bearing bank and other borrowings.

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 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 recognised 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 recognised 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, interest-bearing loans and borrowings are subsequently measured at amortised 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 recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised 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 amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

A financial liability is derecognised 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 recognised 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 recognised amounts and there is an intention to settle on a net basis, or to realise 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 recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Cash and cash equivalents

For the purpose of the consolidated statement 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 statement 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised 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 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 the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- 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

- 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 recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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:

- 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

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to 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 recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

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 recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss when related costs are subsequently incurred and the Group received the government's acknowledgement 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 recognised in profit or loss in the period in which they become receivable.

Revenue recognition

Other income

Interest income is recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Group operates the 2019 and 2020 Equity Incentive Plans for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Group also operated a share grant scheme for the purpose of providing rewards to eligible participants in 2020. 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. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 21 to the financial statements.

The cost of equity-settled transactions is recognised 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 recognised for equity-settled transactions at the end of each reporting period 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 recognised 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 recognised. 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 recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised 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 recognised for the award is recognised 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 earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. These subsidiaries 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 and forfeited contributions (on behalf of employees who leave the scheme prior to vesting fully in such contributions) may not be used to reduce the existing level of contributions.

Borrowing costs

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

Dividends

Final dividends are recognised 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 uses RMB as its 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 recognised in the statement of 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.

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 recognises 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Research and development costs

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

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Determining the amounts of development costs to be capitalised requires the use of judgements and estimation. The Company currently expense all the milestone and upfront payments under the drug license agreements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the 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.

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Further details are included in note 10 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Fair value of convertible redeemable preferred shares measured at FVTPL

The fair value of the convertible redeemable preferred shares measured at FVTPL is determined using the valuation techniques, including the discounted cash flow method, the back-solve method and equity allocation model. Such valuation is based on key parameters about discounts for lack of marketability and volatility, which is subject to uncertainty and might materially differ from the actual results. The balance of the convertible redeemable preferred shares was nil at 31 December 2020 (31 December 2019: RMB1,269,484,000). Further details are included in note 18 to the financial statements.

Share-based payments

The Group has set up the 2019 and 2020 Equity Incentive Plans and a share grant scheme for the Company's directors and the Group's employees. The fair value of the options is determined by the binomial model at the grant dates.

Estimating the fair value for share-based payment transactions requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires the 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.

For the measurement of the fair value of equity-settled transactions with employees at the grant dates, the Group uses a binomial model. The assumptions and models used for estimating the fair value for share-based payment transactions are disclosed in note 21.

Impairment of non-financial assets

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. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Leases – Estimating the incremental borrowing rate

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

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

4. OPERATING SEGMENT INFORMATION

Operating segment information

For management purposes, the Group has only one reportable operating segment, which is the development of innovative oncology medicines. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Since nearly all of the Group's non-current assets were located in Mainland China, no geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

Information about a major customer

There was no single external customer of the Group that individually accounted for 10% or more of the Group's total revenue during the year (2019: Nil).

5. OTHER INCOME AND GAINS AND OTHER EXPENSES

An analysis of other income and gains is as follows:

	2020 RMB'000	2019 RMB'000
Other income		
Government grants related to income*	**13,841**	10,980
Bank interest income	**12,202**	12,776
Others	**747**	45
	26,790	23,801
Other gains		
Gain on disposal of right-of-use assets for early terminated leases	**44**	–
Foreign exchange gains, net	**–**	29,145
	44	29,145
	26,834	52,946

* The government grants mainly represent subsidies received from the local governments for the purpose of compensation on the expenses spent on research and clinical trial activities and as allowance for new drug development and funds for talents.

An analysis of other expenses is as follows:

	2020 RMB'000	2019 RMB'000
Other expenses		
Fair value loss on convertible redeemable preferred shares	**2,356,271**	214,549
Foreign exchange loss, net	**80,551**	–
Loss on repurchase of convertible redeemable preferred shares	**15,150**	–
Difference between the carrying amount of other non-current liabilities and the liability portion of the fair value of convertible redeemable preferred shares	**–**	5,290
Others	**420**	893
	2,452,392	220,732

6. LOSS BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000
Depreciation of property, plant and equipment	13	**390**	215
Depreciation of right-of-use assets	14	**3,648**	1,288
Amortisation of other intangible assets		**51**	3
Lease payments not included in the measurement of lease liabilities		**612**	253
Auditor's remuneration		**2,000**	33
Share issue expenses		**28,570**	–
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):			
Wages and salaries		**60,832**	27,953
Pension scheme contributions (defined contribution scheme)		**4,302**	2,180
Staff welfare expenses		**3,186**	1,671
Equity-settled share option expense		**2,259**	2
		70,579	31,806
Foreign exchange differences, net	5	**80,551**	(29,145)
Difference between the carrying amount of other non-current liabilities and the liability portion of the fair value of convertible redeemable preferred shares*		**–**	5,290
Loss on repurchase of convertible redeemable preferred shares*	5	**15,150**	–
Gain on disposal of right-of-use assets for early terminated leases**	5	**(44)**	–
Fair value loss on convertible redeemable preferred shares*	18	**2,356,271**	214,549

* Included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

** Included in "Other income and gains" in the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**1,032**	461
Interest on other non-current liabilities	**–**	335
Interest on bank loans	**–**	40
	1,032	836

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2020 RMB'000	2019 RMB'000
Fees	**690**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**6,749**	1,967
Performance related bonuses	**7,607**	2,392
Equity-settled share option expense	**86,863**	–
Pension scheme contributions	**969**	382
	102,878	4,741

During the year, certain directors were granted shares and share options, in respect of their services to the Group, under the 2019 and 2020 Equity Incentive Plans and the share grant scheme of the Company, further details of which are set out in note 21 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors

	Fees RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2020			
Mr. Mark J. Alles*	690	105	795
Ms. Qian Jing**	–	4	4
Mr. Tang Sheng**	–	4	4
	690	113	803
2019			
Mr. Mark J. Alles*	–	–	–
Ms. Qian Jing**	–	–	–
Mr. Tang Sheng**	–	–	–
	–	–	–

* Mr. Mark J. Alles was appointed as an independent director of the Company on 2 January 2020 and was re-designated to an independent non-executive Director of the Company on 18 August 2020.

** Ms. Qian Jing and Mr. Tang Sheng were appointed as independent non-executive directors of the Company on 9 November 2020.

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2020					
Executive directors:					
Mr. Liu Yiteng**	**1,136**	**2,630**	**55**	**7,134**	**10,955**
Dr. Jay Mei*	**3,335**	**4,078**	**587**	**79,441**	**87,441**
Mr. John F. Chin***	**2,253**	**899**	**327**	**175**	**3,654**
	6,724	**7,607**	**969**	**86,750**	**102,050**
Non-executive directors:					
Mr. Hu Xubo*****	**–**	**–**	**–**	**–**	**–**
Mr. Li Ming****	**–**	**–**	**–**	**–**	**–**
Mr. Cao Yanling******	**–**	**–**	**–**	**–**	**–**
Mr. Li Teng****	**25**	**–**	**–**	**–**	**25**
Mr. Li Zhen******	**–**	**–**	**–**	**–**	**–**
	25	**–**	**–**	**–**	**25**

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2019					
Executive directors:					
Mr. Liu Yiteng**	735	299	99	–	1,133
Dr. Jay Mei*	1,197	2,093	283	–	3,573
	1,932	2,392	382	–	4,706
Non-executive directors:					
Mr. Hu Xubo*****	–	–	–	–	–
Mr. Li Ming****	–	–	–	–	–
Mr. Cao Yanling******	–	–	–	–	–
Mr. Li Teng****	35	–	–	–	35
Mr. Li Zhen******	–	–	–	–	–
	35	–	–	–	35

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors (continued)

* Dr. Jay Mei was appointed as a director of the Company on 28 August 2018 and was re-designated to an executive director of the Company on 18 August 2020. His remuneration disclosed above included the services rendered by him as the chief executive.

** Mr. Liu Yiteng was appointed as a director of the Company on 22 November 2018 and was re-designated to an executive director of the Company on 18 August 2020.

*** Mr. John F. Chin was appointed as an executive director of the Company on 18 August 2020.

**** Mr. Li Teng and Mr. Li Ming were appointed as directors of the Company on 22 November 2018. Mr. Li Teng and Mr. Li Ming resigned as directors of the Company with effect from 18 August 2020.

***** Mr. Hu Xubo was appointed as a director of the Company on 22 November 2018 and was re-designated to a non-executive director of the Company on 18 August 2020.

****** Mr. Cao Yanling and Mr. Li Zhen were appointed as directors of the Company on 4 February 2019 and was re-designated to non-executive directors of the Company on 18 August 2020.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2019: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries, allowances, and benefits in kind	**3,260**	4,931
Performance related bonuses	**3,155**	1,158
Equity-settled share option expense	**688**	1
Pension scheme contributions	**331**	361
	7,434	6,451

9. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

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

	Number of employees	
	2020	2019
HKD1,000,001 to HKD1,500,000	**–**	2
HKD1,500,001 to HKD2,000,000	**–**	–
HKD2,000,001 to HKD2,500,000	**–**	1
HKD2,500,001 to HKD3,000,000	**–**	–
HKD3,000,001 to HKD3,500,000	**–**	–
HKD3,500,001 to HKD4,000,000	**–**	–
HKD4,000,001 to HKD4,500,000	**2**	–
	2	3

During the year and in prior years, share options were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 21 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

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).

10. 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

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

British Virgin Islands

Under the current laws of the British Virgin Islands ("BVI"), the subsidiaries incorporated in the BVI are not subject to tax on income or capital gains. In addition, upon payments of dividends by these subsidiaries to their shareholders, no BVI withholding tax is imposed.

Hong Kong

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Macau

The subsidiary incorporated in Macau are subject to income tax at the rate of 12% on the estimated assessable profits arising in Macau during the year.

Mainland China

Pursuant to the Corporate Income Tax Law of the People's Republic of China and the respective regulations (the "CIT Law"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% (2019: 25%) on the taxable income.

Australia

No provision for Australia profits tax has been made as the Group had no assessable profits derived from or earned in Australia during the year (2019: Nil). The subsidiary incorporated in Australia is subject to income tax at the rate of 30% (2019: 30%) on the estimated assessable profits arising in Australia during the year.

Singapore

No provision for Singapore profits tax has been made as the Group had no operating activities in Singapore during the year (2019: Nil). The subsidiary incorporated in Singapore is subject to income tax at the rate of 17% (2019: 17%) on the estimated assessable profits arising in Singapore during the year.

10. INCOME TAX (CONTINUED)

United States of America

The subsidiary incorporated in Delaware, the United States is subject to statutory federal corporate income tax of the United States at a rate of 21% (2019: 21%). It is also subject to the state income tax in Delaware at a rate of 8.7% (2019: 8.7%) during the year.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2020 **RMB'000**	2019 RMB'000
Loss before tax	**(2,928,921)**	(323,787)
Tax at the statutory tax rate (25%)	**(732,230)**	(80,947)
Different tax rates for specific jurisdictions or enacted by local authorities	**48,764**	6,255
Additional deductible allowance for qualified research and development costs	**(17,951)**	(11,446)
Expenses not deductible for tax	**639,500**	45,353
Tax losses not recognised	**61,917**	40,785
Tax charge at the Group's effective rate	**–**	–

The Group has accumulated tax losses in Mainland China of RMB346,330,000 and RMB144,753,000 as at 31 December 2020 and 2019, respectively, that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has accumulated tax losses in overseas subsidiaries of RMB45,172,000 and RMB6,604,000 in aggregate as at 31 December 2020 and 2019, respectively, that will be carried forward indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits in the foreseeable future will be available against which the tax losses can be utilised.

11. DIVIDENDS

No dividend was paid or declared by the Company during the years ended 31 December 2020 and 2019.

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 251,098,557 (2019: 207,120,320) (after adjusted for the effect of the Capitalisation Issue) 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 31 December 2020 and 2019 in respect of a dilution as the impact of the share options and redeemable convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

	2020	2019
	RMB'000	RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**(2,928,921)**	(323,787)

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**251,098,557**	207,120,320

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020						
At 1 January 2020:						
Cost	**288**	**270**	**184**	**–**	**11**	**753**
Accumulated depreciation	**(172)**	**(184)**	**(69)**	**–**	**–**	**(425)**
Net carrying amount	**116**	**86**	**115**	**–**	**11**	**328**
At 1 January 2020, net of accumulated depreciation	**116**	**86**	**115**	**–**	**11**	**328**
Additions	**613**	**865**	**238**	**3,882**	**50,697**	**56,295**
Depreciation provided during the year	**(133)**	**(130)**	**(44)**	**(83)**	**–**	**(390)**
At 31 December 2020, net of accumulated depreciation	**596**	**821**	**309**	**3,799**	**50,708**	**56,233**
At 31 December 2020:						
Cost	**901**	**1,135**	**422**	**3,882**	**50,708**	**57,048**
Accumulated depreciation	**(305)**	**(314)**	**(113)**	**(83)**	**–**	**(815)**
Net carrying amount	**596**	**821**	**309**	**3,799**	**50,708**	**56,233**
31 December 2019						
At 1 January 2019:						
Cost	288	270	184	–	–	742
Accumulated depreciation	(91)	(94)	(25)	–	–	(210)
Net carrying amount	197	176	159	–	–	532
At 1 January 2019, net of accumulated depreciation	197	176	159	–	–	532
Additions	–	–	–	–	11	11
Depreciation provided during the year	(81)	(90)	(44)	–	–	(215)
At 31 December 2019, net of accumulated depreciation	116	86	115	–	11	328
At 31 December 2019:						
Cost	288	270	184	–	11	753
Accumulated depreciation	(172)	(184)	(69)	–	–	(425)
Net carrying amount	116	86	115	–	11	328

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

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties used in its operations. Leases of properties generally have lease terms between 2 and 4 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(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:

	Property, office premises and plant *RMB'000*
As at 1 January 2019	2,752
Additions	2,301
Depreciation charge	(1,288)
As at 31 December 2019 and 1 January 2020	3,765
Additions	10,214
Disposals	(463)
Depreciation charge	(3,648)
As at 31 December 2020	9,868

(b) *Lease liabilities*

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2020 **RMB'000**	2019 RMB'000
Carrying amount at 1 January	**4,164**	2,903
New leases	**10,214**	2,301
Accretion of interest recognised during the year	**1,032**	461
Payments	**(3,982)**	(1,501)
Disposals	**(507)**	–
Carrying amount at 31 December	**10,921**	4,164
Analysed into:		
Current portion	**4,929**	1,195
Non-current portion	**5,992**	2,969

The maturity analysis of lease liabilities is disclosed in Note 27 to the financial statements.

14. LEASES (CONTINUED)

The Group as a lessee (continued)

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

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**1,032**	461
Depreciation charge of right-of-use assets	**3,648**	1,288
Total amount recognised in profit or loss	**4,680**	1,749

(d) The total cash outflow for leases are disclosed in notes 22 to the financial statements.

15. PREPAYMENTS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Value-added tax recoverable	**11,478**	3,809
Interest receivables	**4,245**	3,006
Amounts due from shareholders	**37**	755
Amounts due from related parties	**17**	35
Prepayments	**718**	458
Other receivables	**1,696**	745
	18,191	8,808

Other receivables had no historical default. The financial assets included in the above balances relate to receivables were categorised in stage 1 at the end of each reporting period. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the year, the Group estimated that the expected credit loss rate for other receivables and deposits is minimal.

The balances are interest-free and are not secured with collateral.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. In view of the fact that the Group's deposits and other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its deposits and other receivable balances.

16. CASH AND BANK BALANCES

	2020 RMB'000	2019 RMB'000
Cash and bank balances	**3,109,832**	746,795
Less:		
Pledged deposits (i)	**4,256**	2,625
Bank deposits with original maturity of more than three months when acquired (ii)	**1,011,294**	453,383
Cash and cash equivalents	**2,094,282**	290,787
Denominated in:		
RMB	**68,751**	15,394
USD	**2,987,952**	731,266
HKD	**52,357**	135
AUD	**765**	–
EUR	**7**	–
Cash and bank balances	**3,109,832**	746,795

(i) They represent pledged deposits in commercial banks for bank loans and bank overdraft. None of these deposits are either past due or impaired.

(ii) They represent time deposits with initial terms of over three months when acquired in commercial banks with annual return rates ranging from 0.96% to 3.35% (2019: 2.70% to 3.25%). None of these deposits are either past due or impaired. None of these deposits are pledged.

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 between one day and 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.

17. OTHER PAYABLES AND ACCRUALS

	2020 RMB'000	2019 RMB'000
Amounts due to related parties *(note 24(b))*	**16,545**	19,269
Amounts due to shareholders *(note 24(b))*	**73**	44
Deferred income*	**36,381**	6,240
Payroll payable	**28,584**	8,472
Other tax payables	**3,113**	3,416
Accrued share issue expenses	**30,008**	–
Payables for purchase of property, plant and equipment	**4,548**	–
Other payables**	**26,420**	6,305
	145,672	43,746

* During the year ended 31 December 2020, it includes the government grants related to an asset of RMB26,781,000 (2019: Nil) that will be recognised in profit or loss over the expected useful life of the relevant asset and the government grants related to income of RMB9,600,000 (2019: 6,240,000) that will be recognised in profit or loss upon the Group complies with the conditions attached to the grants and the government acknowledges acceptance.

** Other payables primarily consist of accrued or invoiced but unpaid fees for CRO, CDMO and SMO services received.

Other payables and accruals are unsecured, non-interest-bearing and repayable on demand. The carrying amounts of financial liabilities included in other payables and accruals as at the end of each reporting period approximate to their fair values due to their short-term maturities.

18. CONVERTIBLE REDEEMABLE PREFERRED SHARES

Pursuant to the reorganisation ("Reorganisation"), from December 2018 to February 2019, the Company issued 38,965,830 Series A Preferred Shares ("Series A Preferred Shares") with a par value of USD0.0001 per share to the Series A Preferred Investors. Upon completion of the Reorganisation, the interests of Antengene Corporation Co., Ltd. ("Antengene Zhejiang") previously held by the Series A Preferred Investors will be replaced with the interests of the Company.

In December 2018, the Group and series B investors ("Series B Investors") entered into a share subscription agreement whereby Series B Investors made a total investment of USD120,000,000 (equivalent to RMB805,964,000) ("Series B Financing") for 68,412,476 series B preferred shares ("Series B Preferred Shares").

The Company repurchased and cancelled 2,615,160 Series A Preferred Shares from Shanghai Taiyi Venture Capital Partnership (Limited Partnership) at a price of USD2.83 per share on 11 July 2020 and the total cash consideration of RMB50,274,000 has been fully paid in September 2020. The difference between the book value of convertible redeemable preferred shares of RMB35,124,000 and the repurchase cost of convertible redeemable preferred shares of RMB50,274,000 recognised in other expenses amounted to RMB15,150,000 in 2020.

18. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Then the Company closed its Series C financing on 20 July 2020.The financing raised a total of USD97,382,896 (equivalent to RMB680,961,000) by issuing 24,770,992 Series C-1 Preferred Shares and 9,690,022 Series C-2 Preferred Shares. The shares were issued at a price of USD2.83 with a par value of USD0.0001 each.

For illustration purposes, the Series C-1 Investors, Series C-2 Investors, Series B Investors and Series A Preferred Investors are referred to as the holders of Preferred Shares ("Holders of Preferred Shares").

Upon completion of Series C Financing and according to the memorandum and articles of association of the Company passed on 13 July 2020, the key terms of Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares ("Preferred Shares") are as follows:

Conversion rights

Each holder of Preferred Shares shall have the right to convert Preferred Shares into ordinary shares after the issuance date into such number of ordinary shares as determined by dividing the relevant issue price by the then-effective conversion price ("Conversion Price"). The conversion price is initially the Series A Original Price for Series A Preferred Investors, the Series B Issue Price for Series B Investors, the Series C-1 Issue Price for Series C-1 Investors and the Series C-2 Issue Price for Series C-2 Investors accordingly, resulting in an initial conversion ratio of 1:1, and shall be subject to adjustment from time to time, including but not limited to share splits and combinations, share dividends and distributions, reorganisation, consolidations or reclassifications, and adjustment upon issuance of new securities for a consideration per share less than the Conversion Price.

All outstanding Preferred Shares shall automatically be converted into ordinary shares upon the closing of a Qualified IPO.

Qualified IPO means an IPO on the Stock Exchange (i) with a pre-money valuation of not less than USD850,000,000 or HKD6,589,029,109; (ii) with gross proceeds to the Company of not less than USD100,000,000 (before the deduction of underwriters' discounts, commissions and expenses); and (iii) at an offer price per share of not less than the then highest Conversion Price of the Preferred Shares.

Redemption features

In the event that (i) the Company fails to consummate a Qualified IPO on or before 31 December 2023, provided that such failure shall not be caused by the failure of the Holders of Preferred Shares to give their consent; or (ii) the Founder ceases to be the chief executive officer ("CEO") of the Company or Antengene Zhejiang, each Series A Preferred Investor shall be entitled to require the Company to redeem all or any of such holder's Preferred Shares at a per share price equal to 150% of the Series A original price, plus any declared but unpaid dividends thereupon.

18. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Redemption features (continued)

In the event that (i) The Group fails to consummate a Qualified IPO on or before December 31, 2023; or (ii) the Company fails to obtain the approval from National Medical Products Administration for Selinexor's use in relapsed or refractory Multiple Myeloma on or before 31 December 2022; or (iii) the Founder (Dr. Mei, the "Founder") ceases to be the CEO of the Group or Antengene Zhejiang; or (iv) the Group or any of the Founder parties or the other group companies materially breaches its or his representations, warranties, covenants or obligations under any Transaction Document or the Series B Preferred Share Purchase Agreement; or (v) any US Governmental Authority enacts, issues, promulgates, enforces or enters into any law that enjoins, makes illegal or unlawful, or otherwise prohibits any In-Licensing, each Series B Investor shall be entitled to require the Company to redeem all or any of such holder's Preferred Shares at a per share price equal to the higher of (i) the sum of an amount that would give an internal rate of return that equals to eight percent per annum in respect of the Series B Issue Price, calculated for a period of time commencing from the Series B Issue Date and ending on the date that redemption price is paid in full by the Company, and any declared but unpaid dividends thereupon; or (ii) 150% of the Series B Issue Price, plus any declared but unpaid dividends thereupon.

In the event that (i) the Group fails to consummate a Qualified IPO on or before 31 December 2023; or (ii) the Company fails to obtain the approval from National Medical Products Administration for Selinexor's use in relapsed or refractory Multiple Myeloma on or before 31 December 2022; or (iii) the Founder ceases to be the CEO of the Group or Antengene Zhejiang; or (iv) the Company or any of the Founder parties or the other group companies materially breaches its or his representations, warranties, covenants or obligations under any Transaction Document or the Series B Preferred Share Purchase Agreement; or (v) any US Governmental Authority enacts, issues, promulgates, enforces or enters into any law that enjoins, makes illegal or unlawful, or otherwise prohibits any In-Licensing, each Series C-1 Investor shall be entitled to require the Company to redeem all or any of such holder's Preferred Shares at a per share price equal to the higher of (i) the sum of an amount that would give an internal rate of return that equals to eight percent per annum in respect of the Series C Issue Price, calculated for a period of time commencing from the Series C Issue Date and ending on the date that redemption price is paid in full by the Company, and any declared but unpaid dividends thereupon; or (ii) 150% of the Series C Issue Price, plus any declared but unpaid dividends thereupon.

In the event that (i) the Group fails to consummate a Qualified IPO on or before 31 December 2023; or (ii) the Company fails to obtain the approval from National Medical Products Administration for Selinexor's use in relapsed or refractory Multiple Myeloma on or before 31 December 2022; or (iii) the Founder ceases to be the CEO of the Group or Antengene Zhejiang; or (iv) the Company or any of the Founder parties or the other Group Companies materially breaches its or his representations, warranties, covenants or obligations under any Transaction Document or the Series B Preferred Share Purchase Agreement; or (v) any US Governmental Authority enacts, issues, promulgates, enforces or enters into any law that enjoins, makes illegal or unlawful, or otherwise prohibits any In-Licensing, each Series C-2 Investor shall be entitled to require the Company to redeem all or any of such holder's Preferred Shares at a per share price equal to the higher of (i) the sum of an amount that would give an internal rate of return that equals to eight percent per annum in respect of the Series C Issue Price, calculated for a period of time commencing from the Series C Issue Date and ending on the date that redemption price is paid in full by the Company, and any declared but unpaid dividends thereupon; or (ii) 150% of the Series C Issue Price, plus any declared but unpaid dividends thereupon.

18. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Redemption features (continued)

If the Company's assets and funds which are legally available are insufficient to pay the full redemption price, such assets and funds shall be used to redeem the Preferred Shares, following the order, firstly to holders of Series C-1 Preferred Shares, secondly to holders of Series C-2 Preferred Shares, thirdly to holders of Series B Preferred Shares and lastly to holders of Series A Preferred Shares.

Liquidation preferences

In the event of any liquidation, dissolution, winding up or termination event, or unless waived in writing by the Preferred Shareholders, any deemed liquidation event, all assets and funds of the Company Legally available for distribution, after the satisfaction of all taxes, compensation, creditors' claims and claims that may be preferred by law, shall be distributed to holders of Preferred Shares with an amount equal to: the greater of 100% Series C Issue Price plus any declared but unpaid dividends for Series C-1 Investors or amounts converted into Ordinary Shares immediately before the liquidation; the greater of 100% Series C Issue Price plus any declared but unpaid dividends for Series C-2 Investors or amounts converted into Ordinary Shares immediately before the liquidation; or 150% of the Series B Issue Price plus any declared but unpaid dividends thereupon for Series B Investors; or 150% of the Series A original price plus any declared but unpaid dividends for Series A Investors ("Preference Amount") thereupon in the sequence below:

(1) Series C-1 Preferred Shares
(2) Series C-2 Preferred Shares
(3) Series B Preferred Shares
(4) Series A Preferred Shares

If there are any assets or funds remaining after the aggregate Series A Preference Amount, Series B Preference Amount, Series C-2 Preference Amount and Series C-1 Preference Amount have been distributed or paid in full, the remaining assets and funds of the Company available for distribution shall be distributed ratably among all shareholders.

If any Series C-1 Investors, Series C-2 Investors and Series B Investors receives no or less than the full amount of the Preference Amount, the Founder Parties (Founder, together with Horsham Angel Investment Limited and Meiland Pharma Tech Limited, the "Founder Parties") shall jointly and severally pay to such Series B Investor, Series C-2 Investor or Series C-1 Investor, a sum in cash equal to the full amount of the Series B Preference Amount, Series C-2 Preference Amount, Series C-1 Preference Amount or any shortfall, provided that the total liabilities of the Founder Parties shall not exceed seventy five percent of the aggregate value of the Equity Securities directly or indirectly held by the Founder Parties and their respective affiliates in the group companies.

Deemed Liquidation Event generally refers to (i) a merger, consolidation, amalgamation or scheme of arrangement of any group company with or into any other person, or sale of shares of the Company, or other reorganisation, or (ii) a sale, transfer, lease, exclusive license or other disposal of all or substantially all of the assets or intellectual property of the Company or of all of its subsidiaries as a whole. A drag-along sale or a no redemption sale shall constitute a Deemed Liquidation Event.

18. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Voting rights

The holder of each Preferred Share shall be entitled to votes equal to the number of votes attaching to the number of ordinary shares to which such Preferred Shares hold by such holder could be converted. The Holders of Preferred Shares shall vote with the holders of ordinary shares, and not as a separate class.

Dividends

The Directors of the Company may from time to time declare dividends (including interim dividends) and distributions on shares of the Company issued and outstanding and authorise payment of the same out of the funds of the Company lawfully available therefor.

Presentation and classification

The Group designated host debt and conversion derivative of Preferred Shares as financial liabilities measured at fair value through profit or loss, presented as convertible redeemable preferred shares in the consolidated statement of financial position. Management considered that the fair value change in the Preferred Shares attributable to changes of own credit risk is not significant.

The movements of the convertible redeemable preferred shares are set out as follows:

	RMB'000
At 31 December 2018 and 1 January 2019	138,141
Issuance of Series B Preferred Shares	805,964
Fair value loss on convertible redeemable preferred shares	214,549
Recognition of Series A Preferred Financing as convertible redeemable preferred shares*	110,830
At 31 December 2019 and 1 January 2020	1,269,484
Issuance of Series C Preferred Shares	680,961
Repurchase of Series A Preferred Shares	(35,124)
Fair value loss on convertible redeemable preferred shares upon listing	2,356,271
Transfer to ordinary shares	(4,271,592)
At 31 December 2020	–

* During the Reorganisation, the Group repurchased its Series A Preferred Financing and such repurchase consideration was then re-invested into the Company for the Company's Series A Preferred Shares, which were issued from December 2018 to February 2019. The Group designated the Series A Preferred Shares as financial liabilities measured at fair value through profit or loss, presented as convertible redeemable preferred shares in the consolidated statement of financial position. The difference between the carrying amount of the other non-current liabilities of RMB30,316,000 and the fair value of convertible redeemable preferred shares of RMB110,830,000 was recognised in equity amounted to RMB75,224,000 and in other expenses amounted to RMB5,290,000 in 2019.

18. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Presentation and classification (continued)

The Group has used the back-solve method to determine the underlying equity value of the Company and adopted the equity allocation model to determine the fair value of the Preferred Shares as at the date of issuance, and used the equity allocation model and the discounted cash flow method as at 31 December 2019.

Key valuation assumptions used to determine the fair value of Preferred Shares as at 31 December 2019 are as follows:

	31 December 2019
Risk-free interest rate	1.70%
Discounts for lack of marketability ("DLOM")	7.50%
Volatility	41.77%
Possibilities under liquidation scenario	40%
Possibilities under redemption scenario	40%
Possibilities under IPO scenario	20%

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

On 20 November 2020, the Company was successfully listed on the Main Board of the Stock Exchange and made an offering of 154,153,500 shares at a price HKD18.08 per share. All Preferred Shares were converted into ordinary shares upon completion of the IPO on 20 November 2020. The fair value of each Preferred Share on the conversion date is the offer price in the global offering.

The completion of the successful IPO has triggered the automatic termination of all the special rights granted to the Preferred Investors.

19. SHARE CAPITAL AND TREASURY SHARES

The Company was incorporated on 28 August 2018 with authorised share capital of USD50,000 divided into 500,000,000 ordinary shares ("Ordinary Shares") with a par value of USD0.0001 each. On 22 November 2018, the authorised share capital of the Company was changed to USD50,000, divided into 500,000,000 shares, consisting of (i) 392,621,694 Ordinary Shares of par value of USD0.0001 each; (ii) 38,965,830 Series A Preferred Shares of par value of USD0.0001 each; and (iii) 68,412,476 Series B Preferred Shares of par value of USD0.0001 each.

After several changes, on 13 July 2020, the authorised share capital of the Company was USD50,000, divided into 500,000,000 shares, consisting of (i) 360,775,840 Ordinary Shares of par value of USD0.0001 each; (ii) 36,350,670 Series A Preferred Shares of par value of USD0.0001 each; (iii) 68,412,476 Series B Preferred Shares of par value of USD0.0001 each; (iv) 24,770,992 Series C-1 Preferred Shares of par value of USD0.0001 each; and (v) 9,690,022 Series C-2 Preferred Shares of par value of USD0.0001 each.

Pursuant to the ordinary resolution passed by the then shareholders of the Company on 5 November 2020, the authorised share capital of the Company has been increased from USD50,000 divided into 500,000,000 shares to USD200,000 divided into 2,000,000,000 shares with a par value of USD0.0001 each.

Issued and fully paid:

	As at 31 December 2020		
	Number of shares in issue	**Share capital USD'000**	**RMB equivalent RMB'000**
Ordinary shares of USD0.0001 each	**671,180,644**	**67**	**448**

	As at 31 December 2019		
	Number of shares in issue	Share capital USD'000	RMB equivalent RMB'000
Ordinary shares of USD0.0001 each	103,560,160	10	72

19. SHARE CAPITAL AND TREASURY SHARES (CONTINUED)

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Total RMB'000
At 31 December 2018 and 1 January 2019		–	–	–	–	–
Issue of ordinary shares		103,560,160	72	–	(51,562)	(51,490)
At 31 December 2019 and 1 January 2020		103,560,160	72	–	(51,562)	(51,490)
Issue of ordinary shares	(a)	8,461,747	6	–	–	6
Issue of ordinary shares	(b)	12,851,116	8	(8)	–	–
Treasury shares held in the trust	(c)	–	–	(7)	7	–
Repurchase of ordinary shares	(d)	(7,074,861)	(5)	–	(139,640)	(139,645)
Conversion of convertible redeemable preferred shares to ordinary shares	(e)	139,224,160	95	–	4,271,497	4,271,592
Capitalisation Issue	(f)	257,022,322	169	(15)	(154)	–
Issue of shares from IPO	(g)	154,153,500	101	–	2,364,721	2,364,822
Issue of shares from exercise of an over-allotment option	(h)	2,982,500	2	–	45,431	45,433
At 31 December 2020		671,180,644	448	(30)	6,490,300	6,490,718

Notes:

(a) Pursuant to a board resolution dated 19 June 2020, the Company resolved to grant 8,461,747 ordinary shares (equivalent to 16,923,494 shares after adjusted for the effect of the Capitalisation Issue) in total to Dr. Jay Mei and Mr. Liu Yiteng as an anti-dilution adjustment. Further details are included in note 21 to the financial statements.

(b) Pursuant to a board resolution dated 18 August 2020, 12,851,116 ordinary shares (equivalent to 25,702,232 shares after adjusted for the effect of the Capitalisation Issue) were allotted and issued and held by the Trustee on trust through ATG Incentives Holding Plus Limited as reserve for grant of Share Options under the 2020 Equity Incentive Plan. The shares held in the trust are accounted for as treasury shares of the Company. Further details are included in note 21 to the financial statements.

(c) It referred to 10,000,000 ordinary shares (equivalent to 20,000,000 shares after adjusted for the effect of the Capitalisation Issue) held by the Trustee on trust through ATG Incentives Holding Limited. The shares held in the trust are accounted for as treasury shares of the Company. Further details are included in note 21 to the financial statements.

(d) The Company repurchased and cancelled 5,000,000 ordinary shares from Orcapurs Investment Limited and 2,074,861 ordinary shares from Grand Path Holdings Limited respectively at a price of USD2.83 per share on 11 July 2020 and the total cash consideration of RMB139,645,000 has been fully paid in July 2020. The difference between the carrying amount of share capital RMB5,000 and the repurchase cost of ordinary shares of RMB139,645,000 recognised in equity amounted to RMB139,640,000.

(e) All convertible redeemable preferred shares were automatically converted into ordinary shares on a one for one basis upon the successful IPO of the Company on 20 November 2020. As a result, the financial liabilities for convertible redeemable preferred shares were derecognised and recorded as share capital and share premium.

(f) Pursuant to the written resolution of the shareholders of the Company passed on 5 November 2020, and subject to the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the Global Offering, a total of 257,022,322 shares credited as fully paid at par were allotted and issued on the Listing Date ("20 November 2020") to the holders of shares whose names appear on the register of members of the Company on the day preceding the Listing Date in proportion to their then existing shareholdings in the Company (on the basis that each Preferred Share was converted into one share) by capitalising the relevant sum from the share premium account of the Company. The shares allotted and issued pursuant to the above Capitalisation Issue will rank pari passu in all respects with the existing issued shares.

(g) In connection with the Company's IPO on 20 November 2020, 154,153,500 ordinary shares were issued and allotted at an offer price of HKD18.08 per share for a total gross cash consideration of HKD2,787,095,280 (equivalent to RMB2,364,822,000).

(h) In connection with the exercised over-allotment option, 2,982,500 ordinary shares were issued and allotted at an offer price of HKD18.08 per share on 12 December 2020.

20. 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 page 74 of the financial statements.

(i) Share premium

The share premium account represents the amount paid by shareholders for capital injection in excess of its nominal value.

(ii) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised or be transferred to retained profits should the related options expire or be forfeited.

21. SHARE-BASED PAYMENTS

(a) Share grants

In June 2020, as approved by the board of directors, the Group granted 8,461,747 ordinary shares of the Company (without taking into account the effect of Capitalisation Issue), of which 7,963,997 shares were granted to Dr. Jay Mei and 497,750 shares were granted to Mr. Liu Yiteng as anti-dilution adjustment. There was no vesting condition associated with such share grants, therefore the fair value of shares amounting to RMB81,841,000 was charged to profit or loss incurred in 2020.

(b) Equity Incentive Plans

The Company adopted the 2019 and 2020 Equity Incentive Plans on 30 December 2019 and 18 August 2020 respectively for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Eligible participants of the Equity Incentive Plans may include any officers, directors, employees of the Company, and any individual consultants or advisors who render or have rendered bona fide services to the Company.

The maximum aggregate number of shares that may be issued was 20,000,000 and 25,702,232 (considering the Capitalisation Issue) respectively under the 2019 and 2020 Equity Incentive Plans. Subject to any restriction contained in the equity share option plan, each vested option shall not be exercisable until the later of the following: (i) the date such option has vested and (ii) 30 days after the IPO, but shall be exercised no later than 90 days after such vested options become exercisable. The exercise price (considering the Capitalisation Issue) for each share ranges from USD0.88 to USD1.42 under the 2019 and 2020 Equity Incentive Plans.

21. SHARE-BASED PAYMENTS (CONTINUED)

(b) Equity Incentive Plans (continued)

On 30 December 2019, the Company granted options to 35 grantees to subscribe for an aggregate of 4,398,852 shares (without taking into account the effect of the Capitalisation Issue) under the 2019 Equity Incentive Plan. Subject to the terms and conditions as set out under the 2019 Equity Incentive Plan, these options will be vested in the portions of 30%, 30% and 40% on the second, third and fourth anniversaries of the grant date of the options accordingly. In June 2020, the Company decided to adjust the vesting schedule of 3,635,935 options. These options will be vested in the portions of 15%, 15%, 30% and 40% on the first, second, third and fourth anniversaries of the grant date.

On 23 August 2020, the Company granted options to 60 grantees to subscribe for an aggregate of 1,001,700 shares (without taking into account the effect of the Capitalisation Issue) under the 2019 Equity Incentive Plan and 94 grantees to subscribe for an aggregate of 8,074,860 shares under the 2020 Equity Incentive Plan. Subject to the terms and conditions as set out under the Equity Incentive Plan, 2,000,000 and 1,000,000 options granted to Dr. Jay Mei and Mr. Liu Yiteng respectively will be vested six months after the successful IPO of the Company and 742,560 options granted to Dr. Yang Yijun will be vested in the portions of 15%, 15%, 30% and 40% on the first, second, third and fourth anniversaries of the grant date. The remaining options will be vested in the portions of 30%, 30% and 40% on the second, third and fourth anniversaries of the grant date of the options accordingly.

On 19 October 2020 and 30 October 2020, the Company granted options to 24 grantees to subscribe for an aggregate of 267,700 shares and 145,300 shares (without taking into account the effect of the Capitalisation Issue) under the 2019 and 2020 Equity Incentive Plans respectively. Subject to the terms and conditions as set out under the 2019 and 2020 Equity Incentive Plans, 200,000 options granted to Mr. Liu Yiteng will be vested six months after the successful IPO of the Company. The remaining will be vested in the portions of 30%, 30% and 40% on the second, third and fourth anniversaries of the grant date of the options accordingly.

The following share options were outstanding under the 2019 and 2020 Equity Incentive Plans during the years ended 31 December 2019 and 2020:

	2020		2019	
	Weighted average exercise price* **USD**	**Number of options**	Weighted average exercise price* *USD*	Number of options
At 1 January	**0.88**	**4,398,852**	–	–
Granted during the year	**1.08**	**9,489,560**	0.88	4,398,852
Forfeited during the year	**0.91**	**(351,323)**	–	–
Capitalisation Issue	**1.02**	**15,537,089**	–	–
At 31 December 2020	**1.02**	**27,074,178**	0.88	4,398,852

* adjusted for the effect of the Capitalisation Issue

21. SHARE-BASED PAYMENTS (CONTINUED)

(b) Equity Incentive Plans (continued)

No share options were exercised during the years ended 31 December 2020 and 2019.

The exercise prices (considering the Capitalisation Issue) 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 USD per share**	**Exercise period***
1,314	**0.88**	**20 Dec 2020 – 20 Mar 2021**
6,400	**0.92**	**20 May 2021 – 18 Aug 2021**
1,578	**0.88**	**1 Nov 2021 – 30 Jan 2022**
3,184	**0.92 – 1.42**	**23 Aug 2022 – 21 Nov 2022**
46	**1.42**	**19 Oct 2022 – 17 Jan 2023**
80	**1.06 – 1.42**	**30 Oct 2022 – 28 Jan 2023**
2,891	**0.88**	**1 Nov 2022 – 30 Jan 2023**
3,184	**0.92 – 1.42**	**23 Aug 2023 – 21 Nov 2023**
46	**1.42**	**19 Oct 2023 – 17 Jan 2024**
80	**1.06 – 1.42**	**30 Oct 2023 – 28 Jan 2024**
3,855	**0.88**	**1 Nov 2023 – 30 Jan 2024**
4,246	**0.92 – 1.42**	**23 Aug 2024 – 21 Nov 2024**
62	**1.42**	**19 Oct 2024 – 17 Jan 2025**
108	**1.06 – 1.42**	**30 Oct 2024 – 28 Jan 2025**
27,074		

* Pursuant to a board resolution dated 18 January 2021, the exercise periods under the 2019 and 2020 Equity Incentive Plans were extended to ten years from the grant date, including those options which have already been granted.

2019

Number of options '000	Exercise price *USD per share*	Exercise period
1,320	0.88	1 Nov 2021 – 30 Jan 2022
1,320	0.88	1 Nov 2022 – 30 Jan 2023
1,759	0.88	1 Nov 2023 – 30 Jan 2024
4,399		

The fair value of the share options granted during the year was RMB27,413,000 (2019: RMB2,456,000), of which the group recognised a share option expense of RMB7,281,000 (2019: RMB2,000) during the year ended 31 December 2020.

21. SHARE-BASED PAYMENTS (CONTINUED)

(b) Equity Incentive Plans (continued)

The fair value of the equity-settled share options granted during the year was 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:

	2020	2019
Dividend yield	**0.00%**	0.00%
Expected volatility	**43.84% – 52.40%**	40.91% – 42.93%
Historical volatility	**43.84% – 52.40%**	40.91% – 42.93%
Risk-free interest rate (%)	**0.04 – 0.41**	1.60 – 1.70
Expected life of options (year)	**0.83 – 4.25**	1.25 – 4.08
Exercise Multiple	**2.2 – 2.8**	2.2 – 2.8
Weighted average share price (USD per share)	**1.66**	0.85

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

On 19 January 2021, the Company granted options to certain eligible persons to subscribe for an aggregate of 4,56,000 shares and 1,690,000 shares under the 2019 and 2020 Equity Incentive Plans respectively.

As at 31 December 2020, the Company had 27,074,000 share options outstanding under the 2019 and 2020 Equity Incentive Plans. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the additional share premium of RMB179,394,000.

22. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to equity of RMB4,271,592,000 due to the conversion of convertible redeemable preferred shares to ordinary shares as described in note 18.

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB10,214,000 (2019: RMB2,301,000) and RMB10,214,000 (2019: RMB2,301,000), respectively, in respect of lease arrangements for property, office premises and plant.

During the year, the Group had no non-cash deductions (2019: RMB29,981,000) in respect of other non-current liabilities.

(b) Changes in liabilities arising from financing activities

	Lease liabilities RMB'000	Other payables and accruals RMB'000	Convertible redeemable preferred shares RMB'000
At 1 January 2020	4,164	–	1,269,484
Changes from financing cash flows	(3,982)	–	630,687
New leases	10,214	–	–
Disposals	(507)	–	–
Accrued share issue expenses	–	30,008	–
Accretion of interest recognised during the year	1,032	–	–
Loss on repurchase of convertible redeemable preferred shares	–	–	15,150
Fair value change of convertible redeemable preferred shares	–	–	2,356,271
Transfer to ordinary shares	–	–	(4,271,592)
At 31 December 2020	10,921	30,008	–

22. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

	Lease liabilities RMB'000	Other payables and accruals RMB'000	Bank and other loans RMB'000	Other non-current liabilities RMB'000	Convertible redeemable preferred shares RMB'000
At 1 January 2019	2,903	27,615	13,726	29,981	138,141
Changes from financing cash flows	(1,501)	(27,655)	(13,726)	–	805,964
New leases	2,301	–	–	–	–
Accretion of interest recognised during the year	461	–	–	–	–
Interest on interest-bearing bank and other borrowings	–	40	–	–	–
Fair value changes of convertible redeemable preferred shares	–	–	–	–	214,549
Interest expense	–	–	–	335	–
Transfer to convertible redeemable preferred shares	–	–	–	(30,316)	–
Recognition of Series A Preferred Financing as convertible redeemable preferred shares	–	–	–	–	110,830
At 31 December 2019	4,164	–	–	–	1,269,484

(c) Total cash outflow for leases

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

	2020 RMB'000	2019 RMB'000
Within operating activities	**612**	253
Within financing activities	**3,982**	1,501
	4,594	1,754

23. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for plant and machinery	**11,178**	–

24. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2020 RMB'000	2019 RMB'000
Purchases of services:			
Hangzhou Tigermed Consulting Co., Ltd.	(i)	**18,923**	21,544
Frontage Laboratories (Suzhou) Co., Ltd.	(i)	**121**	207
DreamCIS Inc.	(i)	**372**	–
Mosim Co., Ltd.	(i)	**274**	34
Shanghai Lide Biotech Co., Ltd.	(i)	**81**	343
Teddy Clinical Research Laboratory (Shanghai) Limited	(i)	**116**	304
Shanghai Yinuosi Bio-Technology Co., Ltd.	(i)	**3,407**	–
Celgene Corporation	(ii)	**–**	1,197
Shanghai STA Pharmaceutical R&D Co., Ltd.	(iii)	**623**	1,250
WuXi Clinical Development Services (Shanghai) Co., Ltd.	(iii)	**4,235**	4,928
WuXi Biologics (Hong Kong) Limited	(iii)	**136**	–
Shanghai STA Pharmaceutical Product Co., Ltd.	(iii)	**2**	2,062
STA Pharmaceutical Hong Kong Limited	(iii)	**148**	–
Shanghai MedKey Med-Tech Development Co., Ltd.	(iii)	**3**	679
Wuxi AppTec (Shanghai) Co., Ltd.	(iii)	**109**	95
Shanghai Origincell Medical Technology Co., Ltd.	(iv)	**16,695**	–
		45,245	32,643

Notes:

(i) Frontage Laboratories (Suzhou) Co., Ltd., DreamCIS Inc., Mosim Co., Ltd., Shanghai Lide Biotech Co., Ltd., Teddy Clinical Research Laboratory (Shanghai) Limited and Shanghai Yinuosi Bio-Technology Co., Ltd. were ultimately controlled by Hangzhou Tigermed Consulting Co., Ltd., whose subsidiary, Hongkong Tigermed Co., Limited, was the shareholder of the Company.

(ii) Celgene Corporation was the parent of Celgene China Holdings LLC, which was the shareholder of the Company.

(iii) Shanghai STA Pharmaceutical R&D Co., Ltd., WuXi Clinical Development Services (Shanghai) Co., Ltd., WuXi Biologics (Hong Kong) Limited, Shanghai STA Pharmaceutical Product Co., Ltd., STA Pharmaceutical Hong Kong Limited, Shanghai MedKey Med-Tech Development Co., Ltd. and Wuxi AppTec (Shanghai) Co., Ltd. were ultimately controlled by Wuxi AppTec Co., Ltd., whose subsidiary, Wuxi PharmaTech Healthcare Fund IL.P, was the shareholder of the Company.

(iv) Shanghai Origincell Medical Technology Co., Ltd. was invested by Qiming Venture Partners, which was the shareholder of the Company.

The pricing of the services was determined according to the published prices and conditions similar to those offered to the major customers of the suppliers.

24. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

	Notes	2020 RMB'000	2019 RMB'000
Other receivables:			
Due from shareholders:			
Orcapurs Investment Limited*		–	16
Black Halo Investment Limited*		–	522
Others*		37	217
		37	755
Due from related parties:			
Others*		17	35
Other payables:			
Due to shareholders:			
Others*		73	44
Due to related parties:			
Hangzhou Tigermed Consulting Co., Ltd.**	(i)	15,022	15,437
WuXi Clinical Development Services (Shanghai) Co., Ltd.**	(i)	1,164	3,674
STA Pharmaceutical Hong Kong Limited**	(i)	148	–
Mosim Co., Ltd.**	(i)	146	–
Shanghai STA Pharmaceutical R&D Co., Ltd.	(i)	21	–
Wuxi AppTec (Shanghai) Co., Ltd.**	(i)	10	–
Shanghai MedKey Med-Tech Development Co., Ltd.**	(i)	3	–
Shanghai Lide Biotech Co., Ltd.**	(i)	–	127
Others*		31	31
		16,545	19,269

Notes:

* These outstanding balances are non-trade balances.

** These outstanding balances are trade balances.

(i) The outstanding balances with Hangzhou Tigermed Consulting Co., Ltd., WuXi Clinical Development Services (Shanghai) Co., Ltd., STA Pharmaceutical Hong Kong Limited, Mosim Co., Ltd., Shanghai STA Pharmaceutical R&D Co., Ltd., Wuxi AppTec (Shanghai) Co., Ltd., Shanghai MedKey Med-Tech Development Co., Ltd. and Shanghai Lide Biotech Co., Ltd. were fees for the services received.

The outstanding balances are unsecured, interest-free and have no fixed terms of repayment.

24. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel of the Group:

	2020 RMB'000	2019 RMB'000
Short term employee benefits	**29,973**	15,534
Post-employment benefits	**3,007**	857
Equity-settled share option expense	**87,884**	2
Total compensation paid to key management personnel	**120,864**	16,393

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

25. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

Financial assets

	Financial assets at amortised cost RMB'000
Financial assets included in prepayments and other receivables	**5,995**
Cash and bank balances	**3,109,832**
	3,115,827

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	**77,594**
Lease liabilities	**10,921**
	88,515

25. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2019

Financial assets

	Financial assets at amortised cost RMB'000
Financial assets included in prepayments and other receivables	4,541
Cash and bank balances	746,795
	751,336

Financial liabilities

	Financial liabilities at fair value RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	–	25,618	25,618
Convertible redeemable preferred shares	1,269,484	–	1,269,484
Lease liabilities	–	4,164	4,164
	1,269,484	29,782	1,299,266

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, financial assets included in prepayments and other receivables 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:

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of the convertible redeemable preferred shares measured at FVTPL are determined using the valuation techniques, including the back-solve method and equity allocation model, and were within Level 3 fair value measurement.

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 31 December 2019:

As at 31 December 2019

	Increase/(decrease) in the inputs	(Decrease)/increase in fair value RMB'000
Risk-free interest rate	1%/(1%)	(273)/273
DLOM	1%/(1%)	(1,029)/1,029
Volatility	1%/(1%)	(1,287)/1,287

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value

As at 31 December 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
Convertible redeemable preferred shares	–	–	1,269,484	1,269,484

27. 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 other receivables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from purchases by operating units and financing activities in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in the rate of foreign currency %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
31 December 2020			
If RMB weakens against USD	**5**	**149,398**	**149,398**
If RMB strengthens against USD	**(5)**	**(149,398)**	**(149,398)**
If RMB weakens against HKD	**5**	**2,618**	**2,618**
If RMB strengthens against HKD	**(5)**	**(2,618)**	**(2,618)**
If RMB weakens against AUD	**5**	**38**	**38**
If RMB strengthens against AUD	**(5)**	**(38)**	**(38)**
31 December 2019			
If RMB weakens against USD	5	36,563	36,563
If RMB strengthens against USD	(5)	(36,563)	(36,563)
If RMB weakens against HKD	5	7	7
If RMB strengthens against HKD	(5)	(7)	(7)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised 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 and other receivables, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's other receivables are widely dispersed in different sectors and industries.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

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 31 December 2020				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Financial liabilities in other payables and accruals	77,594	–	–	–	77,594
Lease liabilities	–	884	4,234	6,328	11,446
	77,594	884	4,234	6,328	89,040

	As at 31 December 2019				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Financial liabilities in other payables and accruals	25,618	–	–	–	25,618
Lease liabilities	–	466	1,160	3,238	4,864
Convertible redeemable preferred shares	–	–	–	209,344	209,344
	25,618	466	1,160	212,582	239,826

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. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
CURRENT ASSETS		
Prepayments and other receivables	**4,125**	1,888
Due from subsidiaries	**856,092**	503,943
Cash and bank balances	**2,729,244**	394,880
Total current assets	**3,589,461**	900,711
CURRENT LIABILITIES		
Other payables and accruals	**32,382**	–
Due to shareholders	**17,459**	17,459
Total current liabilities	**49,841**	17,459
NET CURRENT ASSETS	**3,539,620**	883,252
NON-CURRENT LIABILITIES		
Convertible redeemable preferred shares	**–**	1,269,484
Total non-current liabilities	**–**	1,269,484
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,539,620**	883,252
Net assets/(liabilities)	**3,539,620**	(386,232)
EQUITY/(DEFICIT)		
Share capital	**448**	72
Treasury shares	**(30)**	–
Reserves	**3,539,202**	(386,304)
Total equity/(deficit)	**3,539,620**	(386,232)

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

A summary of the Company's reserves is as follows:

	Attributable to owners of the parent					
	Share capital RMB'000	Treasury shares RMB'000	Share option reserve RMB'000	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	–	–	–	(115,797)	(3,847)	(119,644)
Loss and total comprehensive loss for the year	–	–	–	–	(179,696)	(179,696)
Issue of shares	72	–	–	(72)	–	–
Equity-settled share option arrangements	–	–	2	–	–	2
Transfer to convertible redeemable preferred shares	–	–	–	(86,894)	–	(86,894)
At 31 December 2019 and 1 January 2020	72	–	2	(202,763)	(183,543)	(386,232)
Loss and total comprehensive loss for the year	–	–	–	–	(2,598,488)	(2,598,488)
Issue of shares	14	(15)	(6)	7	–	–
Equity-settled share option arrangements	–	–	89,122	–	–	89,122
Transfer of share option reserve upon the forfeiture of share options	–	–	(6)	–	6	–
Shares repurchased	(5)	–	–	(139,640)	–	(139,645)
Conversion of convertible redeemable preferred shares to ordinary shares	95	–	–	4,271,497	–	4,271,592
Issue of shares from IPO	101	–	–	2,364,721	–	2,364,822
Issue of shares from exercise of an over-allotment option	2	–	–	45,431	–	45,433
Capitalisation Issue	169	(15)	–	(154)	–	–
Share issue expenses	–	–	–	(106,984)	–	(106,984)
At 31 December 2020	**448**	**(30)**	**89,112**	**6,232,115**	**(2,782,025)**	**3,539,620**

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2021.