基石药业
CSTONE
PHARMACEUTICALS

CStone Pharmaceuticals
基石藥業

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)
Stock Code 股份代號 : **2616**

2020
Annual Report
年度報告

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

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

Non-executive Directors

Dr. Wei Li
Mr. Qun Zhao
Mr. Yanling Cao
Mr. Xianghong Lin
Dr. Lian Yong Chen

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

COMPENSATION COMMITTEE

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

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Dr. Frank Ningjun Jiang
Mr. Leong Yin Lee

COMPANY SECRETARIES

Mr. Ning He
Mr. Leong Yin Lee

COMPANY WEBSITE

www.cstonepharma.com

REGISTERED OFFICE

The offices of Vistra (Cayman) Limited
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802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

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New Bund Times Square
Pudong New Area, Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR

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Cayman Corporate Centre
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George Town
Grand Cayman KY1-9008
Cayman Islands

HONG KONG SHARE REGISTRAR

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Shops 1712-1716
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Wanchai
Hong Kong

HONG KONG LEGAL ADVISOR

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

COMPLIANCE ADVISOR

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

PRINCIPAL BANKERS

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3003 Tasman Dr.
Santa Clara, CA 95054

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

STOCK CODE

2616

AUDITOR

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") MEASURES:

- **Revenue** increased from zero for the year ended December 31, 2019 to RMB1,038.8 million for the year ended December 31, 2020, primarily attributable to the license fee income.

- **Other gains and losses** decreased by RMB458.0 million from losses of RMB637.4 million for the year ended December 31, 2019 to losses of RMB179.4 million for the year ended December 31, 2020, primarily attributable to the elimination of losses in fair value of derivative financial liabilities as the Group had no preferred shares outstanding as of December 31, 2020.

- **Research and development expenses** increased by RMB9.1 million from RMB1,395.6 million for the year ended December 31, 2019 to RMB1,404.7 million for the year ended December 31, 2020, primarily attributable to our pipeline advancement.

- **Administrative expenses** increased by RMB1.0 million from RMB341.5 million for the year ended December 31, 2019 to RMB342.5 million for the year ended December 31, 2020, primarily attributable to the combination impact of change in employee cost and professional fees.

- **Selling expenses** increased from zero for the year ended December 31, 2019 to RMB142.2 million for the year ended December 31, 2020, primarily attributable to the increase in employee cost and professional fees incurred for activities associated with marketing and sales prior to product launch.

- **Loss for the year** decreased by RMB1,087.4 million from RMB2,308.4 million for the year ended December 31, 2019 to RMB1,221.0 million for the year ended December 31, 2020, primarily attributable to license fee income, elimination of losses in fair value of derivative financial liabilities, while partially offset by increase in selling expenses.

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

- **Research and development expenses** excluding the share-based payment expenses increased by RMB57.0 million from RMB1,188.7 million for the year ended December 31, 2019 to RMB1,245.7 million for the year ended December 31, 2020, primarily attributable to our pipeline advancement.

- **Administrative and selling expenses** excluding the share-based payment expenses increased by RMB150.0 million from RMB137.6 million for the year ended December 31, 2019 to RMB287.6 million for the year ended December 31, 2020, primarily attributable to increase in employee cost and professional fees.

- **Loss for the year** excluding the effect of the fair value changes of the conversion feature of preferred shares and share-based payment expenses decreased by RMB276.3 million from RMB1,141.3 million for the year ended December 31, 2019 to RMB865.0 million for the year ended December 31, 2020, primarily due to license fee income and offset by increase in selling expenses.

	As at December 31/year ended December 31,				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-IFRS measures					
Research and development expenses (excluding the share-based payment expenses)	**(1,245,712)**	(1,188,743)	(726,930)	(196,497)	(242,187)
Administrative expenses & Selling expenses (excluding the share-based payment expenses)	**(287,607)**	(137,640)	(79,296)	(28,191)	(10,616)
Loss for the year (excluding the non-IFRS adjustments)	**(864,976)**	(1,141,263)	(672,598)	(234,526)	(237,470)
IFRS measures					
Revenue	**1,038,832**	–	–	–	–
Cost of revenue	**(241,421)**	–	–	–	–
Other income	**51,671**	83,962	20,497	13,954	187
Other gains and losses	**(179,419)**	(637,365)	(741,979)	(103,665)	9,185
Research and development expenses	**(1,404,684)**	(1,395,624)	(850,197)	(213,441)	(247,121)
Administrative expenses	**(342,508)**	(341,476)	(190,991)	(39,335)	(15,050)
Selling expenses	**(142,150)**	–	–	–	–
Listing expenses	**–**	(17,638)	(30,459)	–	–
Finance costs	**(1,320)**	(303)	–	(60)	(240)
Loss for the year	**(1,220,999)**	(2,308,444)	(1,793,129)	(342,547)	(253,039)
Loss per share					
Basic and diluted (RMB Yuan)	**(1.17)**	(2.39)	(2.79)	(0.67)	(0.89)
Cash and cash equivalents and time deposits	**3,383,418**	2,725,867	1,462,552	83,390	59,539
Total assets	**3,762,752**	2,950,645	1,632,118	564,280	826,139
Total liabilities	**808,292**	469,063	1,116,787	113,228	59,184
Total equity	**2,954,460**	2,481,582	515,331	451,052	766,955

Business Highlights

The past year was rich with material developments for CStone. We continued to execute and implement a systematic growth strategy, achieving significant objectives across all aspects of our business, from pipeline development to the buildout of our commercialization capabilities. Among our business development achievements, we formed agreements that maximize the commercial potential of our two lead IO assets and expand the opportunities for combination strategies globally. As a result, we have reached an inflection point in our transition to a commercial stage company with global partnerships and business development opportunities, a revamped R&D direction and portfolio focused on promising new drug categories and combo therapies, and a commercial infrastructure with a demonstrated ability to market our products.

For the year ended December 31, 2020 and as of the date of this report, significant progress has been made with respect to our product pipeline and business operations:

I. SECURED TWO APPROVALS FOR FIRST-IN-CLASS PRECISION MEDICINES

On March 24, 2021, the NMPA of China approved GAVRETO® (pralsetinib, RET inhibitor) for the treatment of adults with locally advanced or metastatic RET fusion-positive non-small cell lung cancer ("**NSCLC**") after platinum-based chemotherapy. GAVRETO® is the first approved selective RET inhibitor in China and first approved precision therapy for CStone.

On March 31, 2021, the NMPA of China approved AYVAKIT® (avapritinib, KIT/PDGFRA inhibitor) for the treatment of adults with unresectable or metastatic GIST harboring a PDGFRA exon 18 mutation, including PDGFRA D842V mutations. AYVAKIT® is China's first approved precision therapy for patients with PDGFRA exon 18 mutant GIST.

II. FILED MULTIPLE NDAS FOR KEY LATE-STAGE ASSETS

We continued to advance our pipeline of by positioning multiple late-stage first-in-class assets across various oncology therapeutic areas and indications for commercial readiness through successful NDA submissions.

- **Pralsetinib** (CS3009, RET inhibitor)
  - In September 2020, an NDA was accepted by the NMPA for the treatment of patients with RET fusion-positive NSCLC previously treated with platinum-based chemotherapy. The Priority Review Designation was granted by the NMPA in September 2020. We received an NDA approval on March 24, 2021.
  - In December 2020, a Breakthrough Therapy Designation ("**BTD**") was granted by the NMPA for the patients with advanced or metastatic RET-mutant medullary thyroid cancer ("**MTC**"). NMPA accepted the NDA in March 2021 for the treatment of patients with advanced or metastatic RET-mutant MTC and RET fusion-positive thyroid cancer.
- **Avapritinib** (CS3007, KIT/PDGFRA inhibitor)
  - We submitted an NDA to the NMPA for avapritinib for adults with unresectable or metastatic GIST harboring a PDGFRA exon 18 mutation, including PDGFRA D842V mutations, which was accepted in April 2020. The Priority Review Designation was granted by the NMPA in July 2020. We received an NDA approval on March 31, 2021.

- We submitted an NDA to Taiwan Food and Drug Administration ("**TFDA**") for the same indication in March 2020. We expect to receive the NDA approval in the first half of 2021.

- **Sugemalimab** (CS1001, PD-L1 antibody)

  - The Phase III trial of sugemalimab as first-line treatment for Stage IV squamous and non-squamous NSCLC met its primary endpoint in August 2020. An NDA for this indication was accepted by NMPA in November 2020. We expect to receive the NDA approval in the second half of 2021.

  - Sugemalimab demonstrated best-in-class potential among PD-1 and PD-L1 monoclonal antibodies for the treatment of patients with stage IV squamous and non-squamous NSCLC, and is the only PD-L1 proven efficacious for both NSCLC histologies. When combined with chemotherapy, it reduced the risk of cancer progression or death by 50% over chemotherapy alone. These results are among the best of published data for competitor PD-1 and PD-L1 monoclonal antibodies. Furthermore, sugemalimab demonstrated a more favorable safety profile with lower incidences of severe immune related adverse events such as pneumonitis.

III. ADDITIONAL SIGNIFICANT LATE-STAGE PIPELINE ACHIEVEMENTS

We achieved significant milestones in 2020 with additional core late-stage molecules, and are advancing their development.

- **Sugemalimab** (CS1001, PD-L1 antibody)

  - We received the Orphan Drug Designation ("**ODD**") for treating patients with T-cell lymphoma and the BTD for treating adult patients with relapsed or refractory ("**R/R**") extranodal natural killer/T cell lymphoma ("**ENKTL**") from the U.S. FDA in October 2020, following the IND approval in August 2020. BTD was granted by the NMPA for the treatment of patients with R/R ENKTL in February 2021.

  - We are conducting a phase III trial of sugemalimab in patients with stage III NSCLC as monotherapy in the maintenance setting following chemoradiation. The enrollment was completed in December 2020. We expect the top-line results readout in the first half of 2021.

  - We have completed proof of concept clinical studies for sugemalimab in several cancer types and presented data at international conferences in 2020. These results demonstrated sugemalimab is highly active in esophageal cancer and gastric cancer, and provided strong supporting evidence to the ongoing phase III trials in these cancers.

- **CS1003** (PD-1 antibody)

  - We are conducting a global phase III trial of CS1003 in combination with LENVIMA® (lenvatinib), a standard-of-care TKI in patients with advanced hepatocellular carcinoma ("**HCC**"). CS1003 was granted an ODD by U.S. FDA for the treatment of patients with HCC in July 2020.

IV. FURTHER BUILT OUT ROBUST COMMERCIALIZATION CAPABILITIES

We invested in – and achieved in developing – robust and highly efficient commercialization capabilities to support the successful launch of global breakthrough therapies in 2021. We demonstrated our capabilities with the successful launch of two late-stage drugs via the Bo'ao pilot zone.

- In 2020, our commercial team laid the groundwork for four 2021 commercial launches: pralsetinib (RET inhibitor), avapritinib (KIT/PDGFRA inhibitor) and ivosidenib (IDH1 inhibitor) in mainland China and avapritinib in Taiwan. Specific achievements include:

  – Built a full-fledged commercial team: We built strong commercial capabilities with a seasoned leadership team and overall team size reaching approximately 200 employees including sales staff, with plans to reach 300 by the end of 2021. The rapid ramp-up of our commercial capabilities has resulted in comprehensive coverage of 4 key oncology areas, over 400 hospitals and approximately 100 cities. This coverage represents hospitals that account for over 80% of the sales generated from prescriptions of precision medicines. With this coverage and our first-mover advantage in precision medicines, we believe we are building a commercial workforce that will fully reach our commercial aspirations.

  – Successful brand development initiatives: We proactively engaged key opinion leaders ("**KOL**") and participated in activities of reputable local cancer societies to secure important recognition and recommendations, while launching various programs to position CStone as a source of information for healthcare professionals ("**HCP**") on topics related to diseases, treatment paradigms and diagnostics standards. Avapritinib and ivosidenib were formally recommended in the Chinese Society of Clinical Oncology ("**CSCO**") guidelines for the treatment of GIST and hematological malignancies, respectively. Meanwhile, we leveraged innovative digital tools and channels to further broaden CStone's profile and brand awareness within the healthcare information ecosystem. Our digital platforms attracted tens of thousands of virtual participants and visitors for CStone's R&D day and CSCO virtual booth. Also, we launched a WeChat platform to serve as an education and information portal for future patient education.

  – Removal of drug adoption barriers: We proactively collaborated with multiple gene testing companies to build up testing standards and perceptions by providing molecular diagnostics training to pathologists, among other efforts. Additionally, we entered a collaboration agreement with MediTrust to launch an early bird program for avapritinib and pralsetinib. And, we have initiated discussions and negotiations with different partners on developing a multilayer payment system to improve patient affordability.

  – Expanding product accessibility: In the third quarter of 2020, we successfully launched avapritinib and pralsetinib in the Bo'ao pilot zone, allowing Chinese patients to have early access to an innovative precision medicine prior to the NDA approval by the NMPA of China. This program has been record-breaking with fastest approval timeline in Bo'ao, and has generated tremendous interest from HCP and patients. In an effort to increase the possibility of including our drugs in basic medical insurance, we have initiated an external consulting project and formed an internal taskforce to develop a strategy and implementation roadmap to ensure the widest accessibility for CStone products via National Reimbursement Drug List ("**NRDL**") listing. Also, we have entered into strategic collaboration agreement with Sinopharm Group Co., Ltd. to establish access to distribution channels, making sure prescribed medicines can be delivered quickly to patients.

V. EXECUTED TRANSFORMATIVE BUSINESS DEVELOPMENT INITIATIVES

2020 was a breakout year for CStone's business development achievements. The Company forged strategic partnerships to commercialize two lead IO assets, and materially advance our innovation and commercialization capabilities. In particular, these achievements provided capital for growth investments, opened global markets for our products, engaged new partners for co-development and licensing initiatives, and supported the development of our portfolio around emerging therapeutics such as antibody drug conjugates ("**ADC**") and multi-specific antibodies.

- In September 2020, we entered into a multi-dimensional strategic collaboration with Pfizer that met several immediate objectives and enhanced the Company's ability to invest in its growth strategy and development initiatives. Pfizer invested US$200 million in CStone shares at a price of HK$13.37 per share and was licensed CStone's late-stage oncology asset sugemalimab in mainland China, maximizing the domestic revenue-generating potential of this core late-stage asset. By harnessing Pfizer's vast commercial platform for sugemalimab, this partnership has allowed CStone to focus its commercialization capabilities around other key late-stage assets. In addition, CStone and Pfizer will together select late-stage assets for co-development in the Greater China market. Both parties expect to announce the updates for such co-development this year.

- In October 2020, we entered into an exclusive out-licensing agreement with EQRx, INC. ("**EQRx**") for exclusive rights to our sugemalimab and CS1003 for development and commercialization outside of Greater China. This agreement provides a pathway to bring these important late-stage assets to global patient communities by partnering with a firm that has unique capabilities to shepherd them through global development and position them competitively for commercialization against established alternative treatments. Additionally, we retained the rights to develop and commercialize CS1003 in Greater China, where we can continue to pursue development as a monotherapy or as part of its combination strategy for this drug.

- In October 2020, we entered into an exclusive licensing agreement with LegoChem Biosciences, Inc. ("**LegoChem Biosciences**") to lead global development and commercialization of LCB71, an ADC targeting receptor tyrosine kinase-like orphan receptor 1 ("**ROR1**"), outside the Republic of Korea. The agreement bolsters CStone's precision medicine franchise with a new modality, and provides a potential best-in-class asset in an emerging and promising course of therapeutics.

VI. ELEVATED OF RESEARCH CAPABILITIES AND ADVANCED PIPELINE 2.0

We are undertaking a strategic effort to elevate our research capabilities to focus on developing best-in-class and first-in-class assets, and enhancing our internal sources of innovation. We expect this effort to translate breakthrough science and clinical insights into differentiated products, and position CStone in emerging therapeutic modalities and mechanisms of action with 1-2 IND filings per year. Our near-term focus is on assets in two modalities: ADC and multi-specific biologics. We are preparing two assets for IND filings this year:

- **CS2006** (NM21-1480, PD-L1×4-1BB×HSA tri-specific molecule)

  – In the second quarter of 2020, our partner, Numab Therapeutics AG ("**Numab**"), received a "may proceed" letter from the U.S. FDA for the IND application for NM21-1480. We received an IND approval for CS2006 from TFDA in the third quarter of 2020. The dose escalation is ongoing and includes sites in the US and Taiwan. We have completed dose level 4 enrollment in US, no dose limiting toxicity ("**DLT**") identified so far. We expect to submit an IND application to the NMPA in the second half of 2021.

- **CS5001** (LCB71, ROR1 ADC)

  – In the fourth quarter of 2020, we in-licensed CS5001 (LCB71) from LegoChem Biosciences. CS5001 is a highly differentiated ADC targeting ROR1, a promising ADC target for multiple solid and hematological malignancies. ROR1 is highly expressed across a variety of cancers including various forms of leukemia and non-Hodgkin lymphoma, and breast, lung, and ovarian cancers. We expect to submit IND/CTA applications for CS5001 by the end of 2021.

In addition to CS2006 and CS5001, multiple potentially first-in-class or best-in-class programs including two multi-specific biologics and one ADC are under development.

For more details of the progress on our pipeline assets, please refer to the section headed "Management Discussion & Analysis" in this report.

Chairman's Statement

Dear Shareholders,

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

Despite the challenges of the Covid-19 pandemic, 2020 was a momentous year for CStone. We maintained fully functional operations in all parts of our business. We acted quickly to secure the safety of our workforce and the patients involved in our trials. While tragic in its global consequences, the disease did not hold us back from fully implementing the ambitious agenda we had at the start of the year.

In addition, we successfully positioned our firm in the vanguard of major shifts in the biotech sector that came to fruition in 2020. First, the global healthcare community has developed greater recognition for innovation taking place in China, particularly among its emerging crop of biotech companies. This has resulted in multiple deals by global players looking to develop and commercialize Chinese innovations in markets across the world. Also, China continued to source innovation from foreign companies through in-licensing deals. In the last year, CStone emerged as a leader in both of these major trends.

2020: A HIGHLY PRODUCTIVE YEAR

Our achievements in 2020 amount to a step change in our journey to become a commercial stage biopharmaceutical company. We filed multiple new drug applications for key late-stage assets. These filings set the stage for our first approvals, which we have just received. In March 2021, China's National Medical Products Administration (NMPA) approved in quick succession pralsetinib for second line RET fusion-positive non-small cell lung cancer, and avapritinib for patients with gastrointestinal stromal tumors harboring PDGFRA exon 18 mutation. These are the first precision medicines approved in China for these indications, validating our first-mover advantage in this field of medicine.

We achieved significant clinical milestones, receiving Breakthrough Designation for our PD-L1, sugemalimab, in the United States and China, and Orphan Drug Designation for both sugemalimab and our PD-1 in the US. Additionally, we completed enrolment for the Phase III trial for sugemalimab in stage III non-small cell lung cancer. We expect to file an NDA for this indication in the second half of the year.

Development of our commercialization capabilities accelerated with a meaningful expansion of our team to ensure successful launches of global breakthrough therapies in 2021. We now have seasoned leadership across all commercial functions. All of these leaders have over 15 years of working experience in the pharmaceutical industry at different multinational corporations and biotech start-ups. In addition, we are building the base of the commercial team, and expect to have a headcount of more than 300 professionals, including sales staff, by year-end. This team will be able to cover hospitals that account for over 80% of the sales of precision medicines.

An important commercial milestone was the successful launch of two products in China through an early-access program. The government of Bo'ao in Hainan, China has established an 'early-access' program to allow Chinese patients to have access to treatments prior to formal approval by the NMPA. CStone launched avapritinib and pralsetinib through this program. These drugs have garnered significant interest from physicians and patients, and there has been a rapid rise in patient participation in the program.

In terms of business development, 2020 was a breakout year with two transformative strategic partnerships and a separate in-licensing deal to enrich our early-stage pipeline. These efforts unlocked pathways for global commercialization of sugemalimab and CS1003, and secured global rights to a potential best-in-class-antibody drug conjugate. Our partnership with Pfizer includes a framework to collaborate on co-development of assets to bring to market in Greater China. These assets may come from Pfizer's portfolio or through joint in-licensing.

At the early stage of our portfolio, we made significant strides in elevating our research capabilities and advancing our Pipeline 2.0 strategy that prioritizes first-in-class and best-in-class molecules. As part of this strategy, we developed several antibody drug conjugates and multi-specific biologic candidates for which we hold global rights.

Additionally, we revamped our research organization to ensure more sustained and high-yielding internal innovation that can generate a steady stream of next generation oncology assets. We consolidated leadership of discovery and early development functions under the Chief Scientific Officer. This consolidation provides a single line-of-sight from discovery to the clinical proof-of concept stage. Also, we have formed a dedicated cross-functional innovation sourcing and strategy team to drive the design and selection of Pipeline 2.0 candidates. We expect this revamp to position CStone in emerging therapeutic categories with 1-2 IND filings per year.

2021 OUTLOOK

We start 2021 with wind in our sails. We have a full clinical development and commercialization agenda. We are expecting an industry-leading five NDA approvals in total. The approvals of pralsetinib and avapritinib bring us meaningfully closer to reaching this goal. We have a full slate of clinical development programs. This includes over 5 NDA filings, 4 data readouts for additional indications, and 30 ongoing trials by year-end, including 15 for registration.

To build on our relationship with Pfizer, we expect to nominate at least one post-proof of concept oncology asset for co-development, which could be a Pfizer asset already on the market in the US.

In our early-stage pipeline, we have two candidates positioned for investigational new drug filings this year, including ROR1 ADC, a potential best-in-class molecule targeting multiple solid and hematological malignancies, and PD-L1x4-1BBxHSA tri-specific antibody, a potential best-in-class 4-1BB agonist and next generation PD-(L)1 inhibitor.

Finally, we are on track with the construction of a state-of-the-art facility in Suzhou, and anticipate launching pilot operations this year.

As a result of our efforts in the past year, we have multiple pathways for long-term growth and value creation in the service of our core mission: to provide breakthrough therapies for cancer patients to help them live longer and healthier lives.

Going forward, our ESG priorities will be critical to our success as a commercial stage company. We will provide a full accounting of our sustainability practices later this year. I encourage all of our investors to read this report, and consider our ESG practices alongside our financial and operational results in assessing our true value creation potential.

Dr. Frank Ningjun Jiang
Chairman and Chief Executive Officer

Suzhou, PRC, April 27, 2021

Management Discussion & Analysis

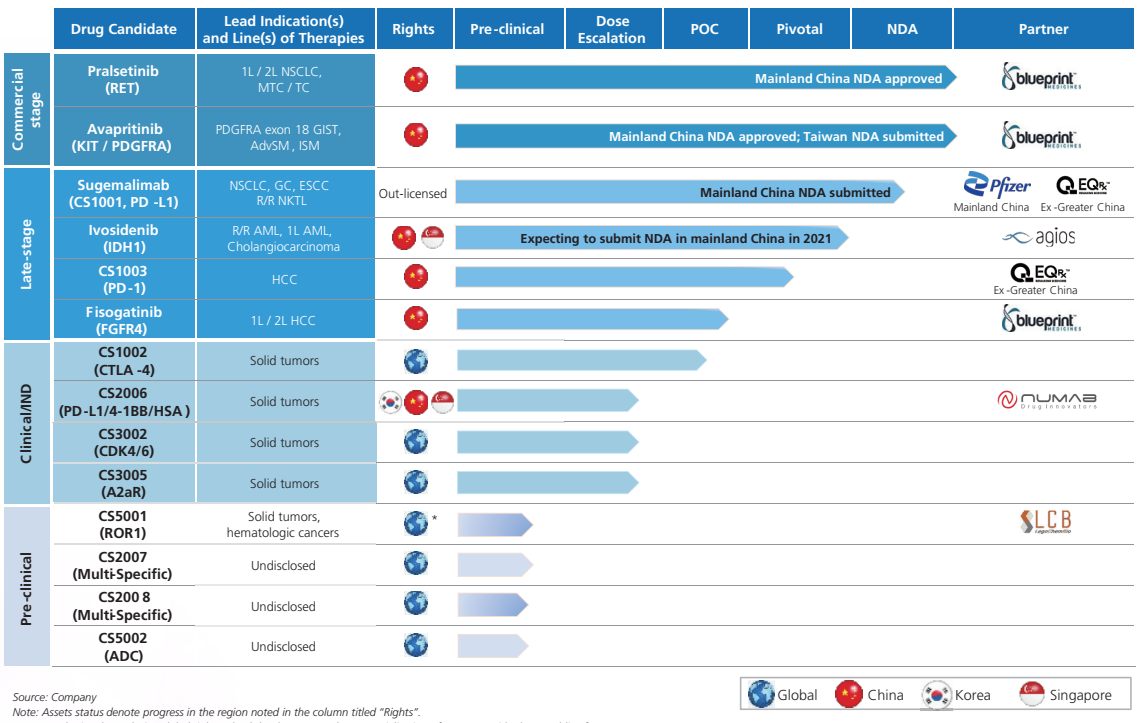
OUR VISION

Our vision is to become a world-renowned biopharmaceutical company leading the way to conquering cancer.

OVERVIEW

Established at the end of 2015, CStone is a biopharmaceutical company focused on the development and commercialization of innovative tumor immunotherapy and precision medicines to meet the acute medical needs of cancer patients in China and worldwide. The Company has built an oncology-focused pipeline of 14 innovative assets with a strategic emphasis on IO combination therapies and precision medicines. As of the date of this report, two drug candidates have been granted NDA approvals, two candidates are in the process of NDA review or NDA preparation, and two candidates are in pivotal trials. For details of any of the foregoing, please refer to the rest of this report and, where applicable, the prospectus of the Company and prior announcements published on the websites of the Stock Exchange and the Company.

Product Pipeline



Source: Company
Note: Assets status denote progress in the region noted in the column titled "Rights".
** CStone obtains the exclusive global right to lead development and commercialization of LCB71 outside the Republic of Korea*
POC = Proof of Concept, NSCLC = Non-small Cell Lung Cancer, MTC = Medullary Thyroid Cancer, TC = Thyroid Cancer, GIST = Gastroin testinal Stromal Tumor, AdvSM = Advanced Systemic Mastocytosis, ISM = Indolent Systemic Mastocytosis, GC = Gastric Cancer, ESCC = Esophageal Squamous Cell Carcinoma, R/R = Relapsed or Refractory, NKTL = Natural KILLER/T Cell Lymphoma, AML= Acute Myeloid Leukemia, HCC = Hepatocellular Carcinoma

BUSINESS REVIEW

Commercial Progress

A key achievement for CStone in 2020 was entering into commercial arrangements with partners who will lead commercialization of sugemalimab and CS1003. First, CStone licensed to Pfizer commercialization rights for sugemalimab in mainland China. Second, CStone licensed global development and commercialization rights (outside Greater China) to a US biotech firm, EQRx, for sugemalimab and CS1003. As a result of these arrangements, CStone has freed resources to focus its own commercialization efforts around the remainder of its late-stage portfolio.

In 2020, we implemented the following initiatives to ensure successful product launches in 2021.

Commercial Team Ramp-up: In the past year, we rounded out our commercial team with strategic hires and now have on board a seasoned leadership team for key commercial functions.

- All leaders have over 15 years of working experience in the pharmaceutical industry at different multinational corporations and biotech start-ups.
- By the end of 2020, we had approximately 200 commercial employees including sales staff, and we project the commercial team will grow to over 300 by end of 2021.
- The rapid ramp-up of our commercial capabilities resulted in comprehensive coverage of 4 key oncology therapeutic areas, over 400 hospitals and approximately 100 cities.

Successful Brand Development Initiatives

- Brand awareness
  - We engaged KOLs and participated in activities of reputable local cancer societies (e.g. CSCO, China Anti-Cancer Association and Chinese Thoracic Oncology Group) to secure important recognition and recommendations.
  - We launched various programs through different channels and platforms, such as CSCO guideline roadshows, to position CStone as a source of information for HCPs on treatment paradigms and diagnostics standards.
  - By the end of 2020, more than 500 activities were held or sponsored to enhance HCPs' understanding of CStone products.
- Guideline listing: AYVAKIT® (avapritinib) and TIBSOVO® (ivosidenib) were formally included in the 2020 CSCO guideline for the treatment of GIST and hematological malignancies, respectively.
- Expanded use of digital tools to broaden CStone's recognition among HCPs. Examples include:
  - CStone R&D day: Online viewership exceeded 31,000 counts through our digital platform.
  - Digital campaign at CSCO: Digital amplification achieved more than 15,000 views of the CStone virtual booth; lung cancer and GIST satellite meeting viewership volume was far beyond the industry average.

- We developed and launched a WeChat platform to provide convenient access to disease and treatment information, and guidance on adherence to prescription medication regimens.

Removal of Adoption Barriers

- Gene testing enhancement: We are taking steps to increase awareness of the benefits of gene-driven therapy. In 2020, we collaborated with multiple gene testing companies to provide molecular diagnostics training to pathologists, among other efforts.

- Early bird program: We entered a collaboration agreement with MediTrust to launch an early bird program for avapritinib and pralsetinib.

- Innovative payment scheme: We have initiated discussions and negotiations with different partners on developing a multilayered payment system to improve drug affordability for patients.

Numerous Efforts to Expand Product Accessibility

- Named-patient early access program: In the third quarter of 2020, we launched avapritinib and pralsetinib via the early access program in the Bo'ao pilot zone. We achieved several objectives:

  - Pralsetinib became the first innovative drug launched in mainland China within the same month as its global launch.

  - The prescription of pralsetinib in Bo'ao is the first one outside the US.

  - CStone will leverage the real world data generated by this program to support further adoption of avapritinib and pralsetinib after official NDA approval.

  - We demonstrated CStone's implementation and execution capabilities, and enhanced the readiness of entire organization for 2021 product launches.

- Basic medical insurance inclusion: We have initiated an external consulting project and formed an internal taskforce to develop a strategy and implementation roadmap to ensure widest accessibility to CStone products via NRDL listing.

- Access to key distribution channels: We have entered into a strategic collaboration agreement with Sinopharm Group Co., Ltd. to establish access to distribution channels for our drugs.

Business Development

We successfully completed several milestone transactions in 2020 that entail wide-reaching strategic benefits for our business. First, we forged a multi-dimensional partnership with Pfizer that included an equity investment in our business, a pathway to commercialize sugemalimab in mainland China, and a framework to pursue joint business development initiatives. Second, we secured a pathway to global commercialization of sugemalimab and CS1003 through a partnership with EQRx, a US-based biotech firm with an industry-renowned executive team and unique commercialization model. And third, we licensed exclusive global development and commercialization rights to a highly differentiated, potential best-in-class ADC from LegoChem Biosciences, a Korean firm with established expertise in this exciting modality of oncology therapeutics. Details are below.

- In September 2020, we entered into a multi-component strategic collaboration with Pfizer to address oncological needs in China. Pfizer invested US$200 million in CStone shares and licensed CStone's late-stage oncology asset sugemalimab in mainland China. CStone will receive up to US$280 million in milestone payments for sugemalimab, and additional royalties. In addition, CStone and Pfizer will together select late-stage (post proof-of-concept) oncology assets for co-development in the Greater China market. These assets may come either from Pfizer's pipeline or through joint in-licensing. Both parties expect to announce the updates for such co-development this year. This collaboration provided financing to support CStone's development of sugemalimab and other strategic imperatives, and also positioned CStone and Pfizer to develop and commercialize additional oncology assets for the Greater China market.

- In October 2020, we entered into an out-licensing agreement with EQRx for exclusive rights to our sugemalimab and CS1003 for development and commercialization outside of Greater China. Under the terms of the agreement, we received an upfront payment of US$150 million and are entitled to receive up to US$1.15 billion in milestone payments for both drugs as well as separate tiered royalties. EQRx obtained exclusive rights to lead global development and commercialization worldwide, excluding mainland China, Taiwan, Hong Kong and Macau. We retained the rights to CS1003 in Greater China, where we can continue to pursue development as a monotherapy or as part of a combination strategy for this drug. This collaboration provides a pathway to bring our two late-stage IO assets to global patient communities by partnering with a company with an innovative business model and unique ability to commercialize these two assets competitively against established treatments.

- In October 2020, we entered into an exclusive licensing agreement with LegoChem Biosciences to lead global development and commercialization of LCB71 outside the Republic of Korea. LCB71 is a potential best-in-class ROR1 ADC with monotherapy and combination applications for a range of cancer indications. Under the agreement, LCB will receive an upfront payment of US$10 million, and up to US$353.5 million in cumulative milestone payments, plus tiered royalties. The agreement adds the first ADC to CStone's development pipeline, and bolsters our precision medicine franchise with a new modality.

- We continue to engage potential partners for multiple partnership opportunities that will accelerate our value creation, including in-licensing, out-licensing and strategic partnerships.

Clinical Development

Our current clinical development activities mainly relate to the clinical advancement of our 10 clinical and IND stage drug candidates. By the end of 2021, we expect to have more than 30 ongoing and/or completed trials in China and globally.

As of the date of this report, we have made significant progress with respect to our product pipeline.

Late-stage Assets Progress

Pralsetinib (CS3009, RET inhibitor)

- We obtained an exclusive license from Blueprint Medicines Corporation (NASDAQ: BPMC) ("**Blueprint Medicines**") for the development and commercialization of pralsetinib in mainland China, Hong Kong, Macau, and Taiwan in June 2018.

- In July 2020, the clinical data from phase 1/2 ARROW trial of pralsetinib in Chinese RET fusion-positive NSCLC patients previously treated with platinum-based chemotherapy showed consistency with global clinical data previously disclosed. In September 2020, the NDA was accepted by the NMPA for the treatment of patients with RET fusion-positive NSCLC previously treated with platinum-based chemotherapy. The Priority Review Designation was granted by the NMPA in September 2020. We received an NDA approval on March 24, 2021.

  - Primary efficacy data showed deep and durable anti-tumor activity of pralsetinib in RET fusion-positive NSCLC previously treated with platinum-based chemotherapy. Pralsetinib was well-tolerated in the Chinese patient population. Overall, the data showed that the efficacy and safety profile in Chinese patients with RET fusion-positive NSCLC were consistent with previously reported data from the global patient population in the ARROW trial.

  - This positive clinical data was submitted and accepted as an oral presentation at the IASLC 2020 WCLC in January 2021.

- We completed enrollment in China for the registration-enabling cohort from the phase 1/2 ARROW trial of patients with RET-mutant MTC who have not been previously treated with systemic therapy. A BTD was granted by the NMPA for the treatment of patients with advanced or metastatic RET-mutant MTC in December 2020. NMPA accepted the NDA in March 2021 for the treatment of patients with advanced or metastatic RET-mutant MTC and RET fusion-positive thyroid cancer.

- We completed enrollment in China for the registration-enabling cohort from the phase 1/2 ARROW trial of patients with RET fusion-positive NSCLC who have not been previously treated with systemic therapy. We expect to submit an NDA to the NMPA for this patient population in the second half of 2021.

- We expect to submit an NDA to TFDA in the second half of 2021 for RET fusion-positive NSCLC patients previously treated with platinum-based chemotherapy.

- Blueprint Medicines and Genentech, a member of the Roche Group, received accelerated approval from the U.S. FDA for the treatment of adult patients with metastatic RET fusion-positive NSCLC as detected by an FDA approved test in September 2020 as well as for the treatment of adult and pediatric patients 12 years of age and older with advanced or metastatic RET-mutant MTC who require systemic therapy, or with advanced or metastatic RET fusion-positive thyroid cancer who require systemic therapy and who are radioactive iodine-refractory (if radioactive iodine is appropriate) in December 2020.

- Blueprint Medicines announced a global (excluding mainland China, Hong Kong, Macau and Taiwan) collaboration with Roche to develop and commercialize pralsetinib for patients with RET-altered cancers in July 2020.

Avapritinib (CS3007, KIT/PDGFRA inhibitor)

- We obtained an exclusive license from Blueprint Medicines for the development and commercialization of avapritinib in mainland China, Hong Kong, Macau, and Taiwan in June 2018.

- We submitted an NDA to the NMPA for avapritinib for adults with unresectable or metastatic GIST harboring a PDGFRA exon 18 mutation, including PDGFRA D842V mutations, which was accepted in April 2020. The Priority Review Designation was granted by the NMPA in July 2020. We received an NDA approval on March 31, 2021.

- We submitted an NDA to TFDA for the same indication in March 2020. We expect an NDA approval in the first half of 2021.

- In the phase 1/2 bridging study data presented at the 2020 American Society of Clinical Oncology annual meeting and the 2020 CSCO annual meeting, avapritinib was generally well-tolerated and had promising preliminary anti-tumor activity in Chinese GIST patients with the PDGFRA D842V mutation.

- Blueprint Medicines received U.S. FDA approval of avapritinib for the treatment of adults with unresectable or metastatic GIST harboring a PDGFRA exon 18 mutation, including PDGFRA D842V mutations in January 2020.

- Blueprint Medicines announced that the European Commission granted conditional marketing authorization to avapritinib as a monotherapy for the treatment of adult patients with unresectable or metastatic GIST harboring the PDGFRA D842V mutation in September 2020.

Ivosidenib (CS3010, IDH1 inhibitor)

- We obtained an exclusive license from Agios for further clinical development and commercialization of ivosidenib in mainland China, Hong Kong, Macau, and Taiwan in June 2018, and in Singapore in March 2020.

- Ivosidenib was acknowledged as urgent need medicine by the CDE in China and included in the List of Overseas Drugs with Urgent Clinical Needs in November 2020.

- We completed enrollment in China for ivosidenib for the treatment of patients with IDH1 mutant relapsed or refractory acute myeloid leukemia ("**AML**") in November 2020, and we expect to submit an NDA to the NMPA in the second half of 2021.

- We expect to complete enrollment for ivosidenib for the treatment of patients with newly diagnosed IDH1 mutant AML who are not eligible for intensive therapy by the end of 2021.

Sugemalimab (PD-L1 antibody)

- Sugemalimab is an investigational monoclonal antibody directed against PD-L1 that is currently under NDA review by NMPA in China. As a fully-human, full-length anti-PD-L1 monoclonal antibody, sugemalimab mirrors the natural G-type IgG4 human antibody, which may potentially reduce the risk of immunogenicity and toxicity in patients, a potential unique advantage and differentiation factor compared to similar drugs. As of December 31, 2020, we have dosed more than 1,600 patients in sugemalimab clinical trials.

- As of the date of this report, we are currently conducting five registrational trials for sugemalimab, three of which were initiated in 2018, including stage III NSCLC, stage IV NSCLC and ENKTL, and the other two were initiated in 2019, including advanced gastric cancer and esophageal cancer.

  – In August 2020, the phase III trial of sugemalimab as a first-line treatment for stage IV squamous and non-squamous NSCLC met its primary endpoint. An NDA for this indication was accepted by NMPA in November 2020. We expect to receive the NDA approval in the second half of 2021.

    – It was the first anti-PD-L1 monoclonal antibody worldwide to demonstrate overwhelming efficacy as a first line treatment for stage IV squamous and non-squamous NSCLC in a randomized, double-blind phase III trial.

    – Interim analysis showed that sugemalimab combined with chemotherapy had a statistically significant prolongation of PFS compared with chemotherapy, reducing the risk of disease progression or death by 50%. The median PFS was 7.8 months vs. 4.9 months for sugemalimab combined with chemotherapy and for a placebo combined with chemotherapy, respectively. Subgroup analyses showed a clinical benefit across histology subtypes and PD-L1 expression levels. Sugemalimab in combination with chemotherapy was well tolerated.

    – The highly positive clinical data was disclosed in an oral presentation at the European Society for Medical Oncology ("**ESMO**") Asia Virtual Congress 2020 in November 2020.

  – A phase II registrational clinical trial of sugemalimab as monotherapy for the treatment of ENKTL. We presented promising clinical data for ENKTL at the CSCO annual meeting in September 2020. We received the ODD for treating patients with T-cell lymphoma and the BTD for treating adult patients with R/R ENKTL from the FDA in October 2020, following the IND approval in August 2020. The BTD was granted by the NMPA for the treatment of patients with R/R ENKTL in February 2021.

  – A phase III trial of sugemalimab in patients with stage III NSCLC as monotherapy in the maintenance setting following chemoradiation. The enrollment was completed in December 2020 and we expect the top-line results readout in the first half of 2021.

  – A phase III trial of sugemalimab in combination with standard-of-care chemotherapies for first-line treatment in patients with unresectable or metastatic gastric cancer. The enrollment is expected to be completed by the end of 2021.

  – A phase III trial of sugemalimab in combination with standard-of-care chemotherapies for first-line treatment in patients with unresectable or metastatic esophageal squamous cell cancer. The enrollment is expected to be completed by the end of 2021.

- To capitalize on the significant market opportunity in China, we are strategically developing multiple combination therapies of sugemalimab with candidates from our internal pipeline and external partners.

  – Sugemalimab with fisogatinib (CS3008, FGFR4 inhibitor) in HCC: Phase Ib part was completed with the recommended phase II dose ("**RP2D**") declared in June 2020. The first patient was dosed in dose-expansion of the phase II part in July 2020.

  – Sugemalimab with donafenib: We have received an IND approval from CDE in April 2020. The phase I/II trial has initiated with first patient dosed in dose-escalation in October 2020.

CAUTIONARY STATEMENT REQUIRED BY RULE 18A.08 OF THE LISTING RULES: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET SUGEMALIMAB SUCCESSFULLY.

CS1003 (PD-1 antibody)

- We are conducting a global phase III trial of CS1003 in combination with LENVIMA® (lenvatinib), a standard-of-care TKI in patients with advanced HCC.

- CS1003 was granted an ODD by U.S. FDA for the treatment of patients with HCC in July 2020.

- We published the preliminary pharmacokinetics, safety and efficacy data of two dosing regimens-200mg once every 3 weeks and 400mg once every 6 weeks dosing of CS1003 in solid tumors at 2020 ESMO virtual annual meeting in September 2020.

- We released the clinical data of a phase Ib study of CS1003 plus lenvatinib in Chinese patients with the first-line unresectable HCC at 2020 ESMO virtual annual meeting in September 2020.

- A scientific paper describing the full characterization of CS1003 and its pre-clinical data was published on Acta Phamacologica Sinica in May 2020 (Fu et al, 2020 online).

Fisogatinib (CS3008, FGFR4 inhibitor)

- We obtained an exclusive license from Blueprint Medicines for the development and commercialization of fisogatinib in mainland China, Hong Kong, Macau, and Taiwan in June 2018.

- The phase Ib study for the combination therapy of fisogatinib plus sugemalimab in HCC was completed with the RP2D declared in June 2020. The first patient was dosed in dose-expansion of the phase II part in July 2020.

- We released the phase I clinical data of fisogatinib monotherapy in Chinese patients with advanced HCC expressing FGF19 at the 2020 CSCO virtual annual meeting in September 2020.

Early-stage Assets Progress

CS1002 (CTLA-4 antibody)

- The first patient for the study of a combination therapy of CS1002 plus CS1003 was dosed for dose-escalation in the first quarter of 2020 and for dose-expansion in the second quarter of 2020 in Australia.

- We submitted an IND application for the combination therapy of CS1002 plus CS1003 in China in the fourth quarter of 2020.

CS2006 (NM21-1480, PD-L1×4-1BB×HSA tri-specific molecule)

- In the second quarter of 2020, our partner, Numab, received a "may proceed" letter from the U.S. FDA for the IND application for NM21-1480. We received an IND approval for CS2006 from TFDA in the third quarter of 2020. The dose escalation is ongoing and includes sites in the US and Taiwan. We have completed dose level 4 enrollment in US, no DLT identified so far.

- We expect to submit an IND application to the NMPA in the second half of 2021.

CS3002 (CDK4/6 inhibitor)

- In the first quarter of 2020, the first patient was dosed in Australia in a phase I trial of CS3002 as a single agent for the treatment of patients with solid tumors in Australia and China. We also received an IND approval from the NMPA for the treatment of patients with solid tumors in the same quarter.

CS3005 (A2aR antagonist)

- In the first quarter of 2020, the first patient was dosed in Australia in a phase I trial of CS3005 as a single agent for the treatment of patients with solid tumors in Australia and China. In the second quarter of 2020, we received an IND approval from the NMPA for the treatment of patients with solid tumors.

Research

In 2020, CStone initiated a strategic effort to elevate its research capabilities with several goals in mind: first, to support CStone's Pipeline 2.0 strategy with a focus on first-in-class/best-in-class drug candidates rather than "fast follow-on" or "me-better" products; second, to enhance internal innovation, in part by harnessing more clinical-stage insights; and third, to generate a steady flow of INDs that reach the proof-of-concept ("**PoC**") stage.

As part of this effort, we have consolidated leadership of discovery and early development functions under the Chief Scientific Officer. This consolidation provides a single line-of-sight from discovery to the PoC stage. Also, we have recruited additional research professionals to form a dedicated cross-functional innovation sourcing and strategy team to drive the design and selection of Pipeline 2.0 candidates.

CStone will continue to work with external partners – academic labs, innovative biotechnology companies, and CROs – that can provide specific resources to advance and operationalize ideas and innovation.

Early results from the shift to our Pipeline 2.0 strategy are evident in the potential drug candidates we have already assembled. In particular, we in-licensed CS5001 (LCB71) from LegoChem Biosciences in the fourth quarter of 2020. CS5001 is a highly differentiated ADC targeting ROR1, a promising ADC target for multiple solid and hematological malignancies. ROR1 is highly expressed across a variety of cancers including various forms of leukemia and non-Hodgkin lymphoma, and breast, lung, and ovarian cancers. We expect to submit IND/CTA applications for CS5001 by the end of 2021.

In addition to CS2006 and CS5001, multiple potentially first-in-class or best-in-class programs including two multi-specific biologics and one ADC are under development.

The Impact of the Novel Coronavirus ("COVID-19")

Our business operations in China have only been impacted slightly by the outbreak of COVID-19 since the latter half of January 2020. During the Reporting Period, the outbreak of COVID-19 did not have significantly adverse impact on the operation, financial condition and cash flows of the Group. For quantitative analysis of the impact of COVID-19 on the operation, financial condition and cash flows of the Company, please refer to other relevant subsections in this section. The Company, following government mandates, has taken various mitigation measures including arranging for delivery of drug candidates via courier services, to ensure that patient protocols continues to be followed in those regions heavily impacted by the outbreak.

Although the development of vaccines offers the possibility mitigating the scale and impact of COVID-19, the effectiveness of vaccine development, approval, production, distribution and management are still uncertain and unpredictable. Given that the development of COVID-19 is currently still uncertain and unpredictable, the extent of the impact of COVID-19 on our operating performance, financial condition and cash flows will depend on the future development of COVID-19, which may bring potential operation challenges to our businesses. In addition, provided that the overall economy of the PRC suffered loss as a result of the outbreak of COVID-19, our operating results may be adversely affected. However, the management of the Company currently does not foresee any significant disruption in the ongoing trials and delays in the initiation of additional clinical trials due to COVID-19 in the future.

EVENTS AFTER THE REPORTING PERIOD

On March 24, 2021, the NMPA of China approved GAVRETO® (pralsetinib) for the treatment of adults with locally advanced or metastatic RET fusion-positive NSCLC after platinum-based chemotherapy. GAVRETO® is the first approved selective RET inhibitor in China and first approved precision therapy for CStone.

On March 31, 2021, the NMPA of China approved AYVAKIT® (avapritinib) for the treatment of adults with unresectable or metastatic GIST harboring a PDGFRA exon 18 mutation, including PDGFRA D842V mutations. AYVAKIT® is China's first approved precision therapy for patients with PDGFRA exon 18 mutant GIST.

FUTURE AND OUTLOOK

At CStone, we endeavour to make a meaningful contribution to the biopharmaceutical value chain in China, lead the development of new classes of innovative treatments, and most important, measurably improve the lives and wellbeing of cancer patients worldwide.

Despite challenges posed by COVID-19, the past year was a pivotal time for CStone. We demonstrated our scientific and clinical expertise with significant advancements in our pipeline. We forged strategic collaboration agreements with globally renowned partners who are uniquely positioned to maximize the commercial potential of our two lead IO assets in China and globally. We bolstered our capital base and ability to fund development initiatives. And we positioned key products for a successful commercial launch. As we look to the year ahead, we will harness these and other strengths in order to invigorate our innovative capabilities, secure the successful commercial launch of our late-stage pipeline assets, and pursue development of global first-in-class/best-in-class assets in emerging therapeutic categories.

In 2021, we have set clearly defined business priorities and initiatives, which we describe below.

Imminent and Robust Commercialization Activity

A principal commercial objective for 2021 is to carve out a definitive leadership position in the growing market for precision medicines. To support this goal, our commercial team is building its network of trusted relationships across the entire healthcare ecosystem, including physicians, patients, payors, pharmacies and patient advocacy groups. In addition, we continue to deepen our connections to the information network of industry bodies and key industry opinion leaders. This approach will provide maximal support to our sales and distribution efforts at the moment of a new drug launch.

We expect to receive five NDA approvals in total this year, including four approvals for pralsetinib, avapritinib, ivosidenib and sugemalimab in mainland China, as well as one approval for avapritinib in Taiwan. We have just received NMPA approvals for pralsetinib and avapritinib. With our strong and growing commercial platform, we are confident in our ability to maximize the commercial potential of these late-stage clinical drug candidates.

To ensure our ability to execute successful launches, we are undertaking a vigorous expansion of our commercial team and its geographic coverage. By year-end, we expect to have a commercial force of approximately 300 employees, and coverage of four key oncology therapeutic areas, and more than 400 target hospitals in approximately 100 cities. This expansion will allow us to cover the hospitals that account for over 80% of the market for precisions medicines as measured by sales.

In addition, we are working with Pfizer to support the commercialization of sugemalimab in mainland China, and EQRx to support the global launch (outside Greater China) of sugemalimab and CS1003. By harnessing Pfizer's extensive commercialization infrastructure in mainland China, where Pfizer has licensed commercial rights to sugemalimab, we will ensure that patients across a vast number of markets in this country have quicker access to our highly differentiated PD-L1 treatment. By partnering with EQRx, a company uniquely capable of reducing costs in the drug distribution chain, we will help bring sugemalimab and CS1003 to a broad swath of patients in the United States and worldwide.

Expediting a Full Slate of Clinical Development Programs

We have a robust clinical development agenda for 2021, and believe we are poised for unprecedented growth in this area. The agenda includes: at least five NDA filings for three key products; four data readouts for three products; and 30 ongoing trials, including 15 registrational trials, by the end of 2021.

In addition, we will supplement our in-house pipeline by working with Pfizer to identify late-stage (post PoC) oncology assets for joint in-licensing and co-development efforts in Greater China as part of the partnership we signed last year. This may encompass co-development of Pfizer assets, including some already on the market in the United States.

Elevating Research and Bolstering Pipeline 2.0

We are making substantial progress in elevating our research capabilities in order to curate a portfolio of first-in-class and best-in-class assets to which we have global rights, and further develop robust internal sources of innovation.

As a result, we expect to achieve meaningful increases in our ability to discover and develop assets in emerging classes of therapeutics. The tangible outcomes will include an increase in the number of innovative, internally designed assets, and greater quantity and quality of INDs that reach the PoC stage.

Our current early-stage portfolio includes ADCs and multi-specific biologics. We have five candidates in development. We are preparing two for INDs in mainland China this year: ROR1 ADC, a potential best-in-class molecule targeting multiple solid and hematological malignancies, and PD-L1x4-1BBxHSA tri-specific antibody, a potential best-in-class 4-1BB agonist and next generation PD-(L)1 inhibitor.

Near-term Launch of Pilot Manufacturing Operations

An important aspect of our transition to a commercial stage biopharmaceutical company is establishing in-house manufacturing capabilities. We are on track with the construction of a state-of-the-art facility in Suzhou, and anticipate launching pilot operations this year.

FINANCIAL REVIEW

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

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Revenue	**1,038,832**	–
Cost of revenue	**(241,421)**	–
Gross profit	**797,411**	–
Other income	**51,671**	83,962
Other gains and losses	**(179,419)**	(637,365)
Research and development expenses	**(1,404,684)**	(1,395,624)
Selling expenses	**(142,150)**	–
Administrative expenses	**(342,508)**	(341,476)
Listing expenses	**–**	(17,638)
Finance costs	**(1,320)**	(303)
Loss for the year	**(1,220,999)**	(2,308,444)
Other comprehensive (expense) income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(1,274)**	(1,802)
Fair value gain on investments in debt instruments at FVTOCI	**31**	408
Reclassified to profit or loss upon disposal of debt instruments at FVTOCI	**(31)**	(758)
Other comprehensive expense for the year	**(1,274)**	(2,152)
Total comprehensive expense for the year	**(1,222,273)**	(2,310,596)
Non-IFRS measures:		
Adjusted loss for the year	**(864,976)**	(1,141,263)

Revenue. Revenue increased from zero for the year ended December 31, 2019 to RMB1,038.8 million for the year ended December 31, 2020, primarily attributable to the license fee income.

Other Income. Other income decreased by RMB32.3 million from RMB84.0 million for the year ended December 31, 2019 to RMB51.7 million for the year ended December 31, 2020, primarily attributable to less interest income.

Other Gains and Losses. Other gains and losses decreased by RMB458.0 million from losses of RMB637.4 million for the year ended December 31, 2019 to losses of RMB179.4 million for the year ended December 31, 2020, primarily attributable to the elimination of losses in fair value of derivative financial liabilities as the Group had no preferred shares outstanding as of December 31, 2020.

Research and Development Expenses. Our research and development expenses increased by RMB9.1 million from RMB1,395.6 million for the year ended December 31, 2019 to RMB1,404.7 million for the year ended December 31, 2020. This increase was primarily attributable to our pipeline advancement.

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Employee cost	**313,402**	337,857
Milestone fee and third party contracting cost	**1,088,706**	1,056,042
Others	**2,576**	1,725
Total	**1,404,684**	1,395,624

Administrative Expenses. Our administrative expenses increased by RMB1.0 million from RMB341.5 million for the year ended December 31, 2019 to RMB342.5 million for the year ended December 31, 2020. This was primarily attributable to the combination impact of (i) a decrease of RMB21.6 million in employee cost from RMB259.6 million for the year ended December 31, 2019 to RMB238.0 million for year ended December 31, 2020 due to decreased share-based payment expenses; and (ii) an increase of RMB17.6 million in professional fees from RMB40.3 million for the year ended December 31, 2019 to RMB57.9 million for the year ended December 31, 2020.

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Employee cost	**238,022**	259,637
Professional fees	**57,927**	40,264
Rental expenses	**3,160**	2,859
Depreciation and amortization	**14,594**	10,390
Others	**28,805**	28,326
Total	**342,508**	341,476

Selling Expenses. Our selling expenses increased from zero for the year ended December 31, 2019 to RMB142.2 million for the year ended December 31, 2020. The increase was primarily attributable to the increase in employee cost and professional fees incurred for activities associated with marketing and sales prior to product launch.

	For the year ended December 31, 2020 *RMB'000*
Employee cost	**86,244**
Professional fees	**24,486**
Others	**31,420**
Total	**142,150**

Finance Costs. The finance costs increased by RMB1.0 million from RMB0.3 million for year ended December 31, 2019 to RMB1.3 million for the year ended December 31, 2020.

Listing Expenses. We did not incur any listing expenses for year ended December 31, 2020. The RMB17.6 million listing expenses for the year ended December 31, 2019 were mainly attributable to legal and professional fees in relation to the IPO.

Other Comprehensive Expense. Our other comprehensive expense decreased from RMB2.2 million for year ended December 31, 2019 to RMB1.3 million for year ended December 31, 2020.

NON-IFRS MEASURE

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

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

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

	For year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Loss for the year	**(1,220,999)**	(2,308,444)
Added:		
Loss on changes in fair value of derivative financial liabilities	**–**	756,464
Share-based payment expenses	**356,023**	410,717
Adjusted loss for the year	**(864,976)**	(1,141,263)

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

	For year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Research and development expenses for the year	**(1,404,684)**	(1,395,624)
Added:		
Share-based payment expenses	**158,972**	206,881
Adjusted research and development expenses for the year	**(1,245,712)**	(1,188,743)

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

	For year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Administrative and selling expenses for the year	**(484,658)**	(341,476)
Added:		
Share-based payment expenses	**197,051**	203,836
Adjusted administrative and selling expenses for the year	**(287,607)**	(137,640)

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	212	45.11
Sales, General and Administrative	258	54.89
Total	470	100.0

As of December 31, 2020, we had 247 employees in Shanghai, 37 employees in Suzhou, 66 employees in Beijing and 120 employees in other regions of the PRC and overseas. Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees.

During the Reporting Period, no forfeited contributions had been used by the Group to reduce the existing level of contributions.

LIQUIDITY AND FINANCIAL RESOURCES

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

On September 30, 2020 (before trading hours), the Company entered into the share subscription agreement with Pfizer, pursuant to which Pfizer has conditionally agreed to subscribe for an aggregate of 115,928,803 subscription shares at the subscription price of approximately HK$13.37 per Share. The gross proceeds from the allotment and issue of the subscription shares were approximately US$200.0 million (equivalent to approximately RMB1,355.9 million).

As of December 31, 2020, our time deposits, bank balances and cash were RMB3,383.4 million, as compared to RMB2,725.9 million as of December 31, 2019. The increase was mainly due to license fee income and equity investment.

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 21.5% (as at December 31, 2019: 15.9%).

OTHER FINANCIAL INFORMATION

Significant Investments, Material Acquisitions and Disposals

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

Foreign Exchange Risk

Certain time deposits, cash and cash equivalents, other receivables, debt instruments measured at FVTOCI, other investments classified as financial assets at FVTPL and trade and other payables are denominated in foreign currencies of the respective group entities which are exposed to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging of significant foreign currency exposure should the need arise.

Bank Loans and Other Borrowings

On January 7, 2020, the Group obtained two new bank loan facilities amounting to RMB175 million and RMB25 million, respectively, for the purpose of working capital improvement and the construction of the factory and facilities. During year ended December 31, 2020, the Group has drawn down RMB58,582,000 and repaid RMB1,580,000 of principal in accordance with the payment schedules.

Contingent Liabilities

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

Directors and Senior Management

DIRECTORS

Executive Director

Dr. Frank Ningjun Jiang (江寧軍), M.D., Ph.D., aged 60, was appointed as CEO in July 2016, a member of the Board in November 2016 and Chairman of the Board in August 2018.

Under Dr. Jiang's leadership, the Company has been focusing on developing and commercializing innovative immuno-oncology and precision medicine drugs for cancer patients in China and worldwide. Since inception in 2016, the Company has established a portfolio of 15 drug candidates, including five late phase assets, and initiated 30 clinical trials, of which 15 are registrational. In February 2019, the Company was successfully listed on the Stock Exchange, setting the record for shortest time between company inception and public listing in Hong Kong as of the date of the Listing.

Dr. Jiang serves as a member of the scientific advisory board of Novagenesis Therapeutix (HK) Limited starting from July 2020.

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

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

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

Non-executive Directors

Dr. Wei Li (李偉), Ph.D., aged 49, has been our Director since December 2015. Dr. Li was re-designated as a non-executive Director on October 29, 2018.

Dr. Li has over 20 years of experience in the biotech industry. He serves as a partner of Creacion Ventures since April 2020 and the managing partner of 6 Dimensions Capital, L.P. since October 2017 and is a founding partner and the managing partner of WuXi Healthcare Ventures II, L.P. since July 2015. Dr. Li has been an executive director of Ocumension Therapeutics (歐康維視生物), a company listed on the Stock Exchange (stock code: 1477) since April 2018.

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

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

Mr. Qun Zhao (趙群), aged 45, has been our Director since April 2016. Mr. Zhao was re-designated as a non-executive Director on October 29, 2018.

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

Mr. Zhao has 14 years of experience in pharmaceutical enterprise management. Mr. Zhao has been serving as a non-executive director of Ascentage Pharma Group International (亞盛醫藥集團), a company listed on the Stock Exchange (stock code: 6855) since July 2018. He worked in Tasly Pharmaceutical Group Co., Ltd. (天士力醫藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600535), from January 1998 to October 2006 where his last position was quality assurance manager. Subsequently, he served in his last position as vice general manager at Tasly Biopharmaceuticals Co., Ltd. (天士力生物醫藥股份有限公司) (previously known as Shanghai Tasly Pharmaceutical Co., Ltd. (上海天士力藥業有限公司)) from October 2006 to February 2012.

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

Mr. Yanling Cao (曹彥凌), aged 37, was a Director from April 1, 2016 to March 27, 2017. Mr. Cao was appointed as our non-executive Director with effect from May 15, 2019.

Mr. Cao has been serving as a non-executive director of Wuxi Biologics (Cayman) Inc. (a company listed on the Stock Exchange with stock code: 2269), Viela Bio, Inc. (a company listed on NASDAQ with stock code: VIE), 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) and Ocumension Therapeutics (歐康維視生物) (a company listed on the Stock Exchange with stock code: 1477) since May 2016, February 2018, June 2019 and June 2019, respectively. He has also been serving as the partner of Boyu Capital Advisory Company Limited (博裕投資顧問有限公司) and has been responsible for sourcing, evaluating and managing private equity transactions, with a particular focus in the healthcare industry. From December 2007 to January 2011, Mr. Cao served as an investment professional of General Atlantic LLC and was responsible for private equity and venture capital investment. From July 2006 to November 2007, Mr. Cao served as an investment banker of Goldman Sachs Asia LLC and was responsible for providing investment banking advisory services to clients in Asia.

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

Mr. Xianghong Lin (林向紅), aged 50, was appointed as our non-executive Director with effect from November 30, 2020.

Mr. Lin has been the chairman of the board of directors and a member of the investment committee of Suzhou Equity Investment Fund Management Co. Ltd. (蘇州股權投資基金管理有限公司) since December 2017; the chairman of the board of directors and a member of the investment committee of Kaiyuan Guochuang Capital Management Co., Ltd. (開元國創資本管理有限公司) since March 2017; and the chief executive officer of Suzhou Private Capital Investment Holdings Co., Ltd. (蘇州民營資本投資控股有限公司) since April 2016. Mr. Lin was the president of Suzhou Oriza Holdings Corporation (蘇州元禾控股股份有限公司) from October 2015 to March 2016 and the chairman of the board of directors and the president of Suzhou Oriza Holdings Ltd. (蘇州元禾控股有限公司) from September 2007 to October 2015. Prior to that, he served as the chairman of the board of directors and the president of China-Singapore Suzhou Industrial Park Ventures Co., Ltd. (中新蘇州工業園區創業投資有限公司) from November 2001 to September 2007. From April 2000 to November 2001, he served as various positions of China-Singapore Suzhou Industrial Park Development Co., Ltd. (中新蘇州工業園區開發有限公司), including the deputy general manager of the finance department and the general manager of the investment department.

Mr. Lin served as a non-executive director of Guangzhou Hangxin Aviation Technology Co., Ltd. (廣州航新航空科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300424) from January 2019 to April 2020. Mr. Lin has been a member of the venture capital fund professional committee of Asset Management Association of China (中國證券投資基金業協會創業投資基金專業委員會) since June 2015, a member of the first session of Science and Technology Innovation Advisory Committee (科技創新諮詢委員會) of the Shanghai Stock Exchange since April 2019, a member of the investment decision committee of the China Integrated Circuit Industry Investment Fund (國家集成電路產業投資基金) since 2014, and a director of the Xi'an Jiaotong University Education Foundation (西安交通大學教育基金會) since 2011.

Mr. Lin obtained bachelor's degree in auditing from the Xi'an Jiaotong University in July 1992, a master degree in agricultural economic management from the University of Suzhou in June 1999 and a doctorate degree in management science and engineering from Xi'an Jiaotong University in June 2009.

Dr. Lian Yong Chen (陳連勇), aged 58, has been a Director since August 2018 and was designated as our non-executive Director on October 29, 2018.

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

Dr. Chen has been an executive director and the chairman of the board of Ocumension Therapeutics (歐康維視生物), a company listed on the Stock Exchange (stock code: 1477) since May 2018. Dr. Chen has been a director of Shanghai Hile Bio-Technology Co. Ltd. (上海海利生物技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603718) since December 2014. Dr. Chen was appointed as a non-executive director of Hua Medicine (華領醫藥), a company listed on the Stock Exchange (stock code: 2552), on January 6, 2015 and re-designated as a non-executive director on May 11, 2018. He has also been a director of Hua Medicine Technology (Hong Kong) Limited and Hua Medicine (Shanghai) Co., Ltd., subsidiaries of Hua Medicine, since January 2015 and April 2016 respectively. Dr. Chen has served as a director at 111, Inc., a company listed on NASDAQ (stock code: YI) since May 2019.

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

Independent Non-executive Directors

Dr. Paul Herbert Chew, M.D., aged 69, has been an INED since February 14, 2019.

Dr. Chew is currently the adviser chief medical officer and he is on the board of directors for Phesi, an innovative firm that optimizes clinical trial design with novel technology. Dr. Chew is also the adviser chief medical officer for CorMedix, Inc, utilizing a taurolidine-based platform to prevent infection in high-risk patients. Dr. Chew serves on the advisory boards at the Center for Public Health, George Washington School of Public Health as well as ArisGlobal, a leading life sciences software provider that speeds drug development. He has served as a member of the board of trustees for the U.S. Pharmacopeia that sets quality standards for U.S. drugs, foods and dietary supplements, enforced by the U.S. FDA but whose standards are also followed by more than 140 countries.

From 2013 to 2016, Dr. Chew served as the global chief medical officer for Sanofi, overseeing medical affairs, regulatory affairs, drug safety, and pharmaco-economics. From 2016 to 2018, Dr. Chew has also been the chief medical officer for Omada Health, a premier Bay area company in digital therapeutics for the management of chronic disease. Dr. Chew has been on the board of external advisors for the University of North Carolina School of Public Health. He has served as a member of the Institute of Medicine Value & Science-Driven Healthcare Roundtable. He is board certified in Internal Medicine and Cardiovascular Disease. Dr. Chew was also a member of the Cardiology and Radiology faculty at the Johns Hopkins Hospital and he holds a doctor of medicine and a bachelor of arts degree from the Johns Hopkins University School of Medicine in the United States.

Mr. Ting Yuk Anthony Wu (胡定旭), GBS, JP, aged 66, has been an INED since February 14, 2019.

Mr. Wu has been an independent non-executive director and chairman of the board of directors of China Resources Medical Holdings Company Limited (華潤醫療控股有限公司), a company listed on the Stock Exchange (stock code: 1515) since August 2018. He has been an independent non-executive director of Power Assets Holdings Limited (電能實業有限公司), a company listed on the Stock Exchange (stock code: 0006) since June 2014. He has been an independent non-executive director of China Taiping Insurance Holdings Company Limited (中國太平保險控股有限公司), a company listed on the Stock Exchange (stock code: 0966) from August 2013. He has been an independent non-executive director of Guangdong Investment Ltd. (粵海投資有限公司), a company listed on the Stock Exchange (stock code: 0270) since August 2012. He has been an independent non-executive director of Venus Medtech (Hangzhou) Inc. (杭州啟明醫療器械股份有限公司), a company listed on the Stock Exchange (stock code: 2500), since November 2018. He has been an independent non-executive director of Ocumension Therapeutics (歐康維視生物), a company listed on the Stock Exchange (stock code: 1477) since June 2020.

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

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

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

- as the honorary chairman of The Institute of Certified Management Accountants (Australia) Hong Kong Branch since January 2016
- as a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development from March 2018 to June 2022
- as a member of the 12th and 13th Standing Committee of the Chinese People's Political Consultative Conference National Committee
- as an expert advisor of the 2nd Chinese Medicine Reform and Development Advisory Committee of the State Administration of Traditional Chinese Medicine (國家中醫藥管理局第二屆中醫藥改革發展專家諮詢委員會) since December 2017

Mr. Hongbin Sun (孫洪斌), aged 45, has been an INED since February 14, 2019.

Mr. Sun has over 20 years of finance experience. He has been an independent non-executive director of New Century Healthcare Holding Co., Limited (新世紀醫療控股有限公司), a company listed on the Stock Exchange (stock code: 1518), since December 2016. He was appointed as an independent non-executive director of Mobvista Inc. (匯量科技有限公司), a company listed on the Stock Exchange (stock code: 1860) since July 2020. He has been the chief financial officer of MicroPort Scientific Corporation (微創醫療科學有限公司), a company listed on the Stock Exchange (stock code: 0853), since September 2010 and served as its executive director from July 2010 to September 2012. He was the deputy financial director of Otsuka (China) Investment Co., Ltd. (大冢(中國)投資有限公司) from January 2004 to December 2005 and then worked as its general manager from January 2006 to August 2010. From August 1998 to January 2004, he was an assistant manager in the audit department of KPMG Huazhen (畢馬威華振會計師事務所) in Shanghai.

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

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

SENIOR MANAGEMENT

Dr. Frank Ningjun Jiang (江寧軍), M.D., Ph.D., aged 60, has been our CEO since July 2016. For further details, please refer to "Directors – Executive Director" in this section.

Ms. Shirley Zhao (趙萍), M.D., MBA, aged 51, has been our general manager for Greater China and head of commercial operations since December 2019. In this role, she is responsible for our commercial operations.

Prior to joining us, Ms. Zhao served multiple multinational biopharmaceutical companies with over 26 years of experience with Chinese pharmaceutical market. From 2018 to 2019, she served as the general manager and president of mainland China and Hong Kong for Bristol-Myers Squibb, a company listed on the NYSE (stock code: BMY). From 2012 to 2018, she served as the corporate vice president and country president of China at Allergan plc, a company listed on the NYSE (stock code: AGN). From 2009 to 2012, she served as the country general manager and managing director of China at Genzyme (A Sanofi company). From 2008 to 2009, she served as the commercial director of bioscience of Japan, China and North Asia at Baxter International Inc, a company listed on the NYSE (stock code: BAX). From 1993 to 2008, she mainly focused on oncology and successively served Eli Lilly for ten years as a vice president and the head of oncology BU in China and served Bristol-Myers Squibb as the head of marketing, oncology. From 1991 to 1993, she served as an obstetric and gynaecological doctor of Shanghai No. 10 People's Hospital.

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

Dr. Jianxin Yang (楊建新), M.D., Ph.D., aged 57, has been our senior vice president and chief medical officer since December 2016. In this role, he is responsible for developing and implementing the overall clinical strategy.

Dr. Yang has over 22 years of experience in biomedical research and clinical development of oncology drugs in the U.S. and China. Prior to joining us, he served as the senior vice president and head of clinical development at BeiGene, Ltd. (NASDAQ: BGNE, HKSE: 6160) from July 2014 to December 2016. He led BeiGene, Ltd.'s clinical team in clinical development of its oncology pipeline, and developed the first anti-PD-1 mAb originated in China.

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

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

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

Dr. Ngai Chiu Archie Tse (謝毅釗), M.D., Ph.D., aged 54, is our senior vice president and chief scientific officer and joined us in December 2018. Upon joining our Group, Dr. Tse established the department of translational medicine and early development. In this role, he is responsible for the clinical development of early-stage assets up to proof of concept. He also leads the translational medicine/biomarkers, molecular diagnostics, and clinical pharmacology functions to support the progression of our pipeline, as well as the scientific advisory board to facilitate development and execution of our R&D strategy.

Dr. Tse is an accomplished medical and scientific leader with over 20 years of global oncology experience in the clinic and pharmaceutical institutions. Prior to joining us, Dr. Tse was a distinguished scientist (executive director) at Merck from September 2015 to December 2018 in which role he oversaw the early clinical development of a number of novel agents in the immune-oncology pipeline, spanning various mechanisms and action and modalities. The programs he played a key role in spanned various mechanisms of action and modalities included, but not limited to, anti-CTLA4, STING agonists, bispecific Nanobodies, novel myeloid targets, oncolytic virus and personalized cancer vaccines. From January 2010 to August 2015, he served at Daiichi Sankyo Pharma Development, a division of Daiichi-Sankyo, Inc., where his last title was senior director, clinical development. From July 2003 to December 2009, Dr. Tse served at the U.S. Memorial Sloan Kettering Cancer Center ("**MSKCC**") as clinical assistant in the medicine/gastrointestinal oncology department, and during the same period he was also a faculty member at the MSKCC affiliated Weill Cornell Medical School.

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

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

Dr. Jingrong Li (李景榮), Ph.D., aged 60, is our senior vice president and chief technology officer and joined us in December 2016. In this role, he is responsible for all chemistry, manufacturing and control related affairs to ensure processes mature appropriately and meet requirements for all development stages, including bio/process development, scale-up, and analytical development.

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

Dr. Li served as a NMPA-appointed expert for the institute of executive development training organized by the NMPA.

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

Mr. Sanhu Wang (王三虎), aged 50, is our senior vice president of government and regulatory affairs and joined us in June 2019. In this role, he is responsible for planning, setting and executing government and regulatory affairs strategy and leading the government and regulatory affairs department.

Before joining us, Mr. Wang worked at Eleme, a subsidiary of Alibaba Group Holding Ltd. (a company listed on The New York Stock Exchange, stock code: BABA, and the Stock Exchange, stock code: 9988), as the chief food safety officer for three years and was responsible for government affairs and food safety supervision. Prior to his time at Eleme, Mr. Wang worked for Shenzhen Mindray Bio-Medical Electronics Co., Ltd. (a company listed on Shenzhen Stock Exchange, stock code: 300760) as the vice general manager of public affairs. Before working in the private sector, Mr. Wang worked at China Food and Drug Administration (CFDA, later changed its name to NMPA) for 11 years and served as the director of division of development and planning, associate director of department of general administration, assistant director of department of emergency management and deputy inspector of department of food safety supervision. Before joining CFDA, Mr. Wang was the associate director of the health bureau of Fengtai District, Beijing and had more than 10 years of experience in the field of public health.

Mr. Wang was selected by the Bureau of Foreign Expert Affairs for an education program at Duke University for public policy from June 2005 to December 2005 and he was also selected by the U.S. Government for the humphrey scholars program in public health at Emory University from August 2013 to August 2014.

Mr. Wang obtained his bachelor's degree in preventive medicine from Capital Medical University in July 1994 and master's degree in public health from Hebei Medical University in July 2000.

Mr. Xiaolu Weng (翁曉路), aged 45, is our vice president of finance and joined us in September 2020. In his role, he has the overall responsibilities for financial functions including finance, information technology, clinical and general procurement.

Mr. Weng has over 23 years solid experience in all finance functions with exposures in both biotech and MNCs, and he is a seasoned leader with sound cross-functional experience and outstanding track record with highest standard of professionalism. Prior to joining us, he served as the vice president and head of finance at Everest Medicines, a company listed on the HKEX (stock code: 01952). He led the overall IPO workstream, partnered with bulge-bracket investment banks and global accounting firms for IPO preparation and achieved success of HK IPO.

From 2013 to 2019, Mr. Weng served as the CFO of China at Amgen, Inc., a company listed on the NASDAQ (stock code: AMGN). He was responsible for overall financial operations in China related to commercial operation, research & development activities and strategic collaborations. Before Amgen, Mr. Weng spent nearly 15 years serving as the senior and executive finance professional with the growing responsibilities at multinational companies like GE, Honeywell in China and overseas.

Mr. Weng received a master's degree from University of Sydney in Finance and Accounting in Australia in 2005. He is an Australia CPA and a member of ACCA (the Association of Chartered Certified Accountant).

Other than the working relationships in the Company, there was no other relationship between any of the Directors or senior management of the Company in respect of finance, business and family or in other material aspects.

Report of the Directors

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

PRINCIPAL ACTIVITIES

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

Particulars of the Company's principal subsidiaries as at December 31, 2020 are set out in Note 32 to the Consolidated Financial Statements.

BUSINESS REVIEW

A fair review of the business of the Group, the outlook of future development of the business of the Group as well as a discussion and analysis of the Group's performance during the Reporting Period and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Companies Ordinance can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this report. The financial risk management objectives and policies of the Group are set out in Note 30 to the Consolidated Financial Statements.

For further details, please refer to the section headed "Management Discussion and Analysis" on pages 12 to 29.

RESULTS AND DIVIDENDS

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

The Board does not recommend payment of a dividend for the year ended December 31, 2020. No dividend was paid or declared by the Company or other members of the Group during the year ended December 31, 2020.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to achieving environmental sustainability. The Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, waste reduction and energy saving. For instance, the in-house facilities of the Group operate in compliance with the relevant environmental rules and regulations. The Group reviews its environmental policies on a regular basis.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks Relating to Our Financial Position and Need for Additional Capital

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

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

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

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

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

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

Risks Relating to Our Business

Risks Relating to Clinical Development of Our Drug Candidates

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

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

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

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

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

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

Risks Relating to Extensive Government Regulation

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

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

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

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

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

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

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

- The absence of patent linkage, patent term extension and data and market exclusivity for NMPA-approved pharmaceutical products could increase the risk of early generic competition with our products in China. There may be new laws and regulations promulgated by the PRC government, with respect to patent linkage and patent term extension. The Company will closely monitor the progress and continue to evaluate the potential impact on the drug products.

- Any of our future approved drug candidates will be subject to ongoing or additional regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our drug candidates.

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

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

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

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

Risks Relating to Commercialization of Our Drugs and Drug Candidates

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

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

- If we are unable to develop marketing and sales capabilities or enter into agreements with third parties to market and sell our drug candidates, we may not be able to generate product sales revenue.

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

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

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

Risks Relating to Our Intellectual Property Rights

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

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

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

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

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

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

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

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

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

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

Risks Relating to Our Reliance on Third Parties

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

- We may rely on third parties to manufacture or import our clinical and commercial drug supplies. Our business could be harmed if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices.

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

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

Risks Relating to Our Operations

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

- Our reputation is key to our business success. Negative publicity may adversely affect our reputation, business and growth prospect.

- We have significantly increased the size and capabilities of our organization, and we may experience difficulties in managing our growth.

- Our involvement in acquisitions or strategic partnerships may increase our capital requirements, dilute our Shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

- If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.

- If we fail to effectively manage our anticipated growth or execute on our growth strategies, our business, financial condition, results of operations and prospects could suffer.

- If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

- Our facilities may be vulnerable to natural disasters or other unforeseen catastrophic events.

- Our internal computer systems, or those used by our CROs or partners or other contractors or consultants, may fail or suffer security breaches.

- In conducting drug discovery and development, we face potential liabilities, in particular, product liability claims or lawsuits could cause us to incur substantial liabilities.

- In addition to the risks of conducting business globally, we have entered into the licensing of commercialization rights or other forms of collaboration worldwide, which could potentially expose us to additional risks of conducting business in additional international markets.

- We may undertake acquisitions or joint ventures that may have a material adverse effect on our ability to manage our business and may not be successful.

- Increased labor costs could slow our growth and affect our profitability.
- Any future litigation, legal disputes, claims or administrative proceedings against us could be costly and time-consuming to defend.
- A significant portion of our assets is denominated in foreign currencies.
- Our other gains and losses include fair value changes for derivative financial liabilities, which are subject to uncertainties in accounting estimation.

Risks Relating to Our Doing Business in China

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

- Under China's Enterprise Income Tax Law, we may be classified as a "resident enterprise" of China. This classification could result in unfavorable tax consequences to us and our non-PRC Shareholders.

- Government control of currency conversion of and regulations on loans to, and direct investment in, PRC entities by offshore holding companies may delay or prevent us from making loans or additional contributions to our PRC subsidiaries, which could restrict our ability to utilize the proceeds from the Global Offering effectively and affect our ability to fund and expand our business.

- The political relationships between China and other countries may affect our business operations.

DIRECTORS

The Directors during the Reporting Period are:

Executive Director

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

Non-Executive Directors

Dr. Wei Li
Mr. Qun Zhao
Mr. Yanling Cao
Mr. Xianghong Lin *(Appointed with effect from November 30, 2020)*
Mr. Guobin Zhang *(Resigned with effect from November 30, 2020)*
Dr. Lian Yong Chen

Independent Non-Executive Directors

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

In accordance with 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. Director appointed pursuant to Article 16.2 or Article 16.3 shall not be taken into account in determining which Directors are to retire by rotation. Accordingly, Dr. Wei Li, Dr. Paul Herbert Chew and Mr. Hongbin Sun, will retire from office by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election.

Pursuant to article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. Xianghong Lin, who was appointed as an non-executive Director by the Board with effect from November 30, 2020 and whose appointment became effective on the same date to fill a casual vacancy created by the resignation of Mr. Guobin Zhang as a non-executive Director, shall hold office until the forthcoming AGM and, being eligible, will offer himself for re-election.

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

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

CHANGES IN INFORMATION OF DIRECTORS

So far as the Directors are aware and save as disclosed in this report, there has been no other change of information of Directors during the Reporting Period pursuant to Rule 13.51B(1) of the Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

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

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

Pursuant to Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on the experience, qualification, position and seniority of each Director and senior management. As for the independent non-executive Directors, their remuneration is determined by the Board based on the recommendation from the Remuneration Committee. The Directors and the senior management are eligible participants of the applicable share incentive plans.

Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 10 to the Consolidated Financial Statements of this report.

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors' fees and other emoluments are supervised by the Compensation Committee and determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the Directors' remuneration are set out in Note 10 to the Consolidated Financial Statements.

Details of the remuneration by band (including share-based payments) of senior management of the Company (except for details of the remuneration of Directors which are set out in Note 10 to the Consolidated Financial Statements), whose biographies are set out in the section headed "Directors and Senior Management – Senior Management" of this report, for the years ended December 31, 2020 and 2019 are set out below:

HKD	2020 (members of senior management)	2019 (members of senior management)
3,000,000 - 4,000,000	–	1
7,000,000 - 8,000,000	1	–
9,000,000 - 10,000,000	–	1
10,000,000 - 11,000,000	–	1
13,000,000 - 14,000,000	1	–
17,000,000 - 18,000,000	1	–
19,000,000 - 20,000,000	1	–
20,000,000 - 21,000,000	1	–
24,000,000 - 25,000,000	1	–
27,000,000 - 28,000,000	–	1
28,000,000 - 29,000,000	–	1
29,000,000 - 30,000,000	–	1
43,000,000 - 44,000,000	–	1
50,000,000 - 51,000,000	1	–
67,000,000 - 68,000,000	–	1
	7	8

Certain members of senior management were granted share options or restricted share units in respect of their services to the Group. Details of the share-based payment transactions are set out in Note 25 to the Consolidated Financial Statements.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

MANAGEMENT CONTRACTS

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

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS OF SUBSIDIARIES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period and up to the date of this report, none of the Directors is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

DEED OF NON-COMPETITION

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

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

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

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

Long Position in the Shares of the Company

Name of Director or chief executive	Nature of interest	Number and class of securities	Approximate percentage of interest in our Company[1]
Dr. Frank Ningjun Jiang, CEO and Chairman of our Board	Beneficial Owner	90,326,776 Shares[2]	7.69%
	Trustor of a trust	6,760,000 Shares[3]	0.58%

Notes:

(1) The calculation is based on the total number of 1,174,061,306 Shares in issue as of December 31, 2020.

(2) Includes (1) 16,850,038 Shares beneficially held by Dr. Jiang; (2) Dr. Jiang's entitlement to receive up to 8,633,336 Shares pursuant to the exercise of options granted to him under the Pre-IPO Incentivization Plan, subject to the vesting and other conditions of those options; (3) share options to subscribe for 36,432,379 Shares conditionally granted to Dr. Jiang on August 15, 2019 under the Post-IPO ESOP, subject to the vesting and other conditions of those options and taking into consideration the lapse of 4,048,042 Options; and (4) Dr. Jiang's entitlement to (i) restricted share units equivalent to 10,855,168 Shares granted to him under the Pre-IPO Incentivization Plan, subject to vesting conditions and (ii) restricted share units equivalent to 8,912,360 Shares granted to him under the Post-IPO RSU Scheme, subject to vesting conditions.

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

Save as disclosed above and to the best knowledge of the Directors, none of the Directors or the chief executive of the Company has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations as of December 31, 2020.

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

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

As of December 31, 2020, the following are the persons, other than the Directors or the chief executive of the Company, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long Position in the Shares of the Company

Substantial Shareholder	Capacity/Nature of Interest	Total number of Shares/underlying Shares	Approximately percentage of interest in our Company[1]
WuXi Healthcare Ventures II, L.P.[2]	Beneficial interest	293,381,444	24.99%
WuXi Healthcare Management, LLC[2]	Interest in controlled corporation	293,381,444	24.99%
Graceful Beauty Limited[3]	Beneficial interest	146,950,948	12.52%
Boyu Capital Fund II, L.P.[3]	Interest in controlled corporation	146,950,948	12.52%
Boyu Capital General Partner II L.P.[3]	Interest in controlled corporation	146,950,948	12.52%
Boyu Capital General Partner II Ltd.[3]	Interest in controlled corporation	146,950,948	12.52%
Boyu Capital Holdings Limited[3]	Interest in controlled corporation	146,950,948	12.52%
Pfizer Corporation Hong Kong Limited [4]	Beneficial interest	115,928,803	9.87%
Pfizer Inc. [4]	Interest in controlled corporation	115,928,803	9.87%
Zhengze Yuanshi[5]	Beneficial interest	98,216,972	8.37%
Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership) (蘇州工業園區正則健康創業投資管理中心(有限合夥))[5]	Interest in controlled corporation	98,216,972	8.37%
Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd. (蘇州工業園區元禾原點創業投資管理有限公司)[5]	Interest in controlled corporation	98,216,972	8.37%
Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司)[5]	Interest in controlled corporation	98,216,972	8.37%
Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. (蘇州工業園區正則既明股權投資管理有限公司)[5]	Interest in controlled corporation	98,216,972	8.37%
Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司)[5]	Interest in controlled corporation	98,216,972	8.37%
Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會)[5]	Interest in controlled corporation	98,216,972	8.37%
Fei Jianjiang (費建江)[5]	Interest in controlled corporation	98,216,972	8.37%
GIC Private Limited[6]	Interest in controlled corporation	48,392,472	4.12%
	Investment manager	26,718,500	2.28%
GIC Special Investments Private Limited[6]	Interest in controlled corporation	48,392,472	4.12%
GIC (Ventures) Pte. Ltd.[6]	Interest in controlled corporation	48,392,472	4.12%
Tetrad Ventures Pte Ltd.[6]	Beneficial interest	48,392,472	4.12%

Notes:

(1) The calculation is based on the total number of 1,174,061,306 Shares in issue as of December 31, 2020.

(2) As of December 31, 2020, WuXi Healthcare Ventures II, L.P. directly held 293,381,444 Shares. To the best knowledge of us, WuXi Healthcare Ventures II, L.P. is a limited partnership established under the laws of Cayman Islands managed by its sole general partner, WuXi Healthcare Management, LLC, a Cayman Islands exempted company in which each of its five members holds an equal share of equity interest. For the purpose of the SFO, WuXi Healthcare Management, LLC is deemed to have an interest in the Shares held by WuXi Healthcare Ventures II, L.P.

(3) As of December 31, 2020, Graceful Beauty Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands, directly held 146,950,948 Shares. For the purpose of the SFO, each of Boyu Capital Fund II, L.P. (as the sole shareholder of Graceful Beauty Limited), Boyu Capital General Partner II L.P. (as the general partner of Boyu Capital Fund II, L.P.), Boyu Capital General Partner II Ltd. (as the general partner of Boyu Capital General Partner II L.P.), and Boyu Capital Holdings Ltd. (as the sole shareholder of Boyu Capital General Partner II Ltd.) is deemed to have an interest in the Shares held by Graceful Beauty Limited.

(4) As of December 31, 2020, Pfizer Corporation Hong Kong Limited, a company incorporated in Hong Kong with limited liability, directly held 115,928,803 Shares. For the purpose of the SFO, Pfizer Inc., a Delaware-incorporated company listed on the New York Stock Exchange and indirectly holding 100% of the shares in Pfizer Corporation Hong Kong Limited is deemed to have an interest in the Shares held by Pfizer Corporation Hong Kong Limited.

(5) As of December 31, 2020, Zhengze Yuanshi directly held 98,216,972 Shares. Zhengze Yuanshi is managed by its sole general partner, Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership) (蘇州工業園區正則健康創業投資管理中心（有限合夥）), a limited partnership established in China, in which Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd. (蘇州工業園區元禾原點創業投資管理有限公司) has 45% equity interest. Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司) and Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. (蘇州工業園區正則既明股權投資管理有限公司) hold 49% and 51% of the issued share capital of Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., respectively. Suzhou Oriza Holdings Co., Ltd. is held 70% by Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司), a state-owned enterprise directly under the Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會), a PRC government related institution primarily responsible for implementing government investment functions. Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. is 45.18% owned by Fei Jianjiang (費建江). For the purpose of the SFO, each of Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership), Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., Suzhou Oriza Holdings Co., Ltd., Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd., Suzhou Industrial Park Economic Development Co., Ltd., the Suzhou Industrial Park Administrative Committee and Fei Jianjiang is deemed to have an interest in the Shares held by Zhengze Yuanshi.

(6) As of December 31, 2020, Tetrad Ventures Pte Ltd. directly held 48,392,472 Shares. Tetrad Ventures Pte Ltd. is wholly owned by GIC (Ventures) Pte. Ltd. and managed by GIC Special Investments Pte Ltd., which in turn is wholly owned by GIC Private Limited. For the purpose of the SFO, each of GIC Private Limited, GIC Special Investments Pte Ltd. and GIC (Ventures) Pte. Ltd. is deemed to have an interest in the Shares held by Tetrad Ventures Pte Ltd.

Save as disclosed above and to the best knowledge of the Directors, as of December 31, 2020, the Company is not aware of any other person (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

LARGEST SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

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

SHARE INCENTIVIZATION SCHEMES

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

Pre-IPO Incentivization Plan

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

As of December 31, 2020, pursuant to the Pre-IPO Incentivization Plan, we had granted to Directors, executives and employees of the Group outstanding options to subscribe for 24,592,325 Shares, representing approximately 2.09% of the total issued share capital of our Company as of December 31, 2020.

Movement of the options, which were granted under the Pre-IPO Incentivization Plan, during the Reporting Period is as follows:

Category	Grant date[1], [2] and [5]	Outstanding as of 01/01/2020	Number of options[1], [3] and [4] during the Reporting Period				Outstanding as of 31/12/2020	Exercise price US$
			Granted	Exercised	Canceled	Lapsed		
1. Director								
Frank Ningjun Jiang (also CEO and Chairman of our Board)	July 1, 2016	8,633,336	0	0	0	0	8,633,336	0.0250 – 0.0500
2. Continuous Contract Employees	July 11, 2016 to February 25, 2019	26,579,418	0	7,432,827	0	3,187,602	15,958,989	0.0250 – 0.5925
Total:		35,212,754	0	7,432,827	0	3,187,602	24,592,325	

Notes:

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

(2) The relevant offer letter sets out the option exercise period of 10 years for each corresponding grantee.

(3) During the Reporting Period, no option was granted for adjustment under the Pre-IPO Incentivization Plan.

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

(5) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$9.36.

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

As of December 31, 2020, pursuant to the Pre-IPO Incentivization Plan, we had granted to directors, executives and employees of the Group outstanding RSUs representing 26,798,221 Shares, accounting for approximately 2.28% of the total issued share capital of our Company as of December 31, 2020.

Details of RSUs granted under the Pre-IPO Incentivization Plan during the Reporting Period are as follows:

Category	Grant date[1]	Outstanding as of 01/01/2020	Number of Shares underlying RSUs[1], [2] and [3] during the Reporting Period				Outstanding as of 31/12/2020
			Granted	Exercised	Canceled	Lapsed	
1. Director							
Frank Ningjun Jiang (also CEO and Chairman of our Board)	July 1, 2018 to March 28, 2019	37,805,736	0	26,950,568[4]	0	0	10,855,168
2. Continuous Contract Employees	July 1, 2018 to March 28, 2019	25,127,622	0	9,184,569	0	0	15,943,053
Total:		62,933,358	0	36,135,137	0	0	26,798,221

Notes:

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

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

(3) Included RSUs that have been settled by cash payment pursuant to the Pre-IPO Incentivization Plan.

(4) Included RSUs that vested in 2020 but settled in 2021.

Post-IPO ESOP

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

As of December 31, 2020, pursuant to the Post-IPO ESOP, we had granted to Directors, executives and employees of the Group outstanding options to subscribe for 59,694,791 Shares, representing approximately 5.08% of the total issued share capital of our Company as of December 31, 2020.

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

		Number of options[1] and [3] during the Reporting Period							
Category	**Grant date[1] and [2]**	**Outstanding as of 01/01/2020**	**Granted**	**Exercised**	**Canceled**	**Lapsed**	**Outstanding as of 31/12/2020**	**Exercise price HK$**	**Closing price immediately before the date of grant HK$**
1. Director									
Frank Ningjun Jiang (also CEO and Chairman of our Board)	June 23, 2020	0	40,480,421	0	0	4,048,042	36,432,379	10.690	11.400
2. Continuous Contract Employees	April 1, 2019	1,014,000	N/A	0	0	156,316	857,684	15.860	15.880
	June 10, 2019	1,868,000	N/A	0	0	6,668	1,861,332	12.600	12.120
	October 11, 2019	1,421,000	N/A	0	0	422,500	998,500	12.200	12.040
	December 9, 2019	6,906,500	N/A	0	0	12,104	6,894,396	10.790	10.500
	April 1, 2020	N/A	8,901,500	0	0	823,000	8,078,500	8.850	8.700
	July 13, 2020	N/A	2,369,000	0	0	240,000	2,129,000	11.048	11.100
	November 30, 2020	N/A	2,473,000	0	0	30,000	2,443,000	9.960	9.990
Total:		11,209,500	54,223,921	0	0	5,738,630	59,694,791		

Notes:

(1) The vesting schedule of the options is as follows: (i) 25% of the grant shall vest on the first anniversary of the grant date set out in the relevant offer letter, and the remaining 75% of the grant shall vest in 36 equal monthly installments thereafter, or (ii) 25% of the grant shall vest on each of the first, second, third and fourth anniversaries of the grant date set out in the relevant offer letter.

(2) The relevant offer letter sets out the option exercise period of 10 years for each corresponding grantee.

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

(4) No option under the Post-IPO ESOP was exercised during the Reporting Period.

Post-IPO RSU Scheme

We have adopted the Post-IPO RSU Scheme by resolutions passed by our Company on March 22, 2019 and restated and amended by our Company on December 10, 2019 and January 7, 2020, as amended from time to time.

As of December 31, 2020, pursuant to the Post-IPO RSU Scheme, we had granted to employees of the Group outstanding RSUs representing 22,080,714 Shares, accounting for approximately 1.88% of the total issued share capital of our Company as of December 31, 2020.

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

			Number of Shares underlying RSUs[1] and [2] during the Reporting Period			
Category	Grant date[1]	Outstanding as of 01/01/2020	Granted	Exercised	Canceled or Lapsed	Outstanding as of 31/12/2020
1. Director						
Frank Ningjun Jiang (also CEO and Chairman of our Board)	August 15, 2019 to November 30, 2020	10,120,105	1,000,000	1,195,735[3]	1,012,010	8,912,360
2. Continuous Contract Employees	March 22, 2019 to November 30, 2020	15,065,457	4,759,800	5,157,244	1,499,659	13,168,354
Total:		25,185,562	5,759,800	6,352,979	2,511,669	22,080,714

Notes:

(1) The vesting schedule of the RSUs is as follows: (i) 25% of the grant shall vest on the first anniversary of the grant date set out in the relevant offer letter, and the remaining 75% of the grant shall vest in 36 equal monthly installments thereafter, or (ii) 25% of the grant shall vest on each of the first, second, third and fourth anniversaries of the grant date set out in the relevant offer letter.

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

(3) Included RSUs that vested in 2020 but settled in 2021.

For further details of the Share Incentivization Schemes, please refer to Note 25 to the Consolidated Financial Statements.

SUMMARY OF THE SHARE INCENTIVIZATION SCHEMES

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

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

Details	Pre-IPO Incentivization Plan	Post-IPO ESOP	Post-IPO RSU Scheme
2. Participants	Eligible employees include any employee, officer, director, contractor, advisor or consultant of the Group who is notified by the Board that he or she is eligible by reason of their contribution to the Group	Eligible employees include any employee, officer, director, contractor, advisor or consultant of the Group who is notified by the Board that he or she is an employee eligible by reason of his or her contribution to the Group, to the extent that an offer of an award to or a receipt of such award by him or her is permitted under the applicable laws, rules and regulations or accounting or tax rules and regulations	Eligible persons include any employee of any member of the Group and any consultant, adviser or agent of any member of the Group (including the connected persons (as defined in the Listing Rules) of the Company), who have contributed or will contribute to the growth and development of the Group
3. Maximum number of Shares that can be awarded	The maximum number of Shares in respect of which awards may be granted under the plan shall not, subject to any reorganisation of capital structure and other corporate events, exceed 130,831,252 Shares in the aggregate (taken into account of the capitalization issue on the Listing Date)	The maximum number of Shares in respect of which awards may be granted or delivered in satisfaction of awards under the plan shall not, subject to any reorganisation of capital structure and other corporate events, exceed 98,405,153 (taken into account of the capitalization issue on the Listing Date), being 10% of the Shares in issue as of the adoption date. The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO ESOP and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules) and any other schemes must not exceed 30% of the relevant class of Shares in issue from time to time	The Board may not make any further award which will result in the aggregate number of the Shares awarded by the Board under the scheme exceeding, initially, 7,650,000 Shares (being approximately 0.78% of the issued share capital of the Company as at the adoption date), which was subsequently increased to 38,010,316 Shares (being approximately 3.24% of the issued share capital of the Company as at December 31, 2020) pursuant to a board meeting dated July 15, 2019

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

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

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

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

None of the related parties transactions as disclosed in Note 28 to the Consolidated Financial Statements constitute connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules. Pursuant to the Post-IPO RSU Scheme, 10,120,105 restricted share units were granted to Dr. Jiang on August 15, 2019. In order to satisfy the grant of restricted share units to Dr. Jiang, an aggregate of 9,108,095 new Shares will be allotted and issued to Dr. Jiang as and when the restricted share units vest. The grant of restricted share units to Dr. Jiang under the Post-IPO RSU Scheme forms part of the remuneration package under his service contract with the Company and has been approved by the Board. As Dr. Jiang is a connected person of the Company, the issuance of new Shares under the specific mandate to satisfy the grant of restricted share units constitutes a connected transaction of the Company, which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details in relation to the issuance of shares under the restricted share units, please refer to the Company's announcements dated May 21, 2020 and June 23, 2020 and circular dated May 22, 2020.

Save as disclosed above, during the Reporting Period, there was no connected transaction nor continuing connected transaction of the Group which has to be disclosed in accordance with Chapter 14A of the Listing Rules.

SEGMENT INFORMATION

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 14 to the Consolidated Financial Statements.

SHARES ISSUED IN THE REPORTING PERIOD

Details of the Shares issued by the Company during the Reporting Period are set out in Note 24 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

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

USE OF NET PROCEEDS

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the IPO and the exercise of over-allotment option of approximately RMB2,090.16 million. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus as follows and the Company will gradually utilize the residual amount of the net proceeds in accordance with such intended purposes depending on actual business needs.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2020:

	% of use of proceeds (Approximately)	Net proceeds from the 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, preparation for registration filings and commercial launches of sugemalimab	30%	627.04	558.31	68.73
Fund ongoing and planned clinical trials, preparation for registration filings and commercial launches eight of our other clinical and IND stage candidates in our pipeline	40%	836.06	702.14	133.92
Fund the R&D of five of the remaining drug candidates in our pipeline and the R&D and in-licensing of new drug candidates	20%	418.04	418.04	–
For working capital and general corporate purposes	10%	209.02	209.02	–
Total	**100%**	**2,090.16**	**1,887.51**	**202.65**

Notes:

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

(2) The unutilized net proceeds of RMB202.65 million as of December 31, 2020 is expected to be completely used by December 31, 2021.

On September 30, 2020 (before trading hours), the Company entered into the share subscription agreement with Pfizer, pursuant to which Pfizer has conditionally agreed to subscribe for an aggregate of 115,928,803 subscription shares at the subscription price of approximately HK$13.37 per Share. The gross proceeds from the allotment and issue of the subscription shares were approximately US$200.0 million (equivalent to approximately RMB1,355.9 million), which will be used for the funding of the development activities under the collaboration agreement. All the conditions of the subscription have been fulfilled and the closing of the subscription took place on October 9, 2020. The use of these proceeds is in line with the planned use and there is no significant change or delay.

The Company entered into the share subscription agreement with Pfizer Corporation to advance the Company's strategic, commercial and financial objectives as it transitions into a fully integrated biopharma company.

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

	% of use of proceeds *(Approximately)*	Proceeds from the subscription *(RMB million)*	Actual usage up to December 31, 2020 *(RMB million)*	Unutilized net proceeds as of December 31, 2020 *(RMB million)*
Fund the development activities under the collaboration agreement	100%	1,355.9	59.5	1,296.4

Note: The unutilised net proceeds are planned to be put into use by December 31, 2023.

SUFFICIENCY OF PUBLIC FLOAT

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

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

During the Reporting Period, the Company repurchased a total of 3,025,500 Shares through the Stock Exchange, details of which are set out below:

Month/Year	Number of Shares purchased	Highest price per Share	Lowest price per Share	Aggregate Price Paid (excluding expenses)
May 2020	2,187,500	HK$8.16	HK$7.05	HK$16,328,535
June 2020	838,000	HK$9.00	HK$8.57	HK$7,480,390

2,403,000 repurchased Shares were cancelled on June 17, 2020 and 622,500 repurchased Shares were cancelled on July 10, 2020. The purchase of the Company's shares during the Reporting Period was effected by the Directors, pursuant to the mandate from Shareholders received at the last annual general meeting, with a view to benefiting Shareholders as a whole by enhancing the net asset value per Share and earnings per Share of the Group.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

ISSUE OF SUBSCRIPTION SHARES TO PFIZER CORPORATION UNDER GENERAL MANDATE

Reference are made to the announcements of the Company dated September 30, 2020 and October 12, 2020, in relation to issue of subscription shares under general mandate to Pfizer Corporation.

On September 30, 2020 (before trading hours), the Company, as issuer, entered into the Share Subscription Agreement with Pfizer Corporation, whereby Pfizer Corporation has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to Pfizer Corporation, the Subscription Shares at the Subscription Price of approximately HK$13.37 per Share. The aggregate nominal value of the Subscription Shares is approximately US$11,592.88. The Company entered into the Subscription with Pfizer Corporation and the Strategic Collaboration with Pfizer Investment to advance the Company's strategic, commercial and financial objectives as it transitions into a fully integrated biopharma company. As of the September 29, 2020, being the last trading day immediately prior to the entering into of the Share Subscription Agreement, the closing price per Share as quoted on the Stock Exchange was HK$9.30.

The Subscription Price was arrived at after arm's length negotiations between the Company and Pfizer Corporation with reference to, among others, prevailing market price of the Shares, the trading volume of the Shares and the strategic collaboration. The Directors, including all the independent non-executive Directors, are of the view that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The gross proceeds from the allotment and issue of the Subscription Shares will be approximately US$200.0 million (equivalent to approximately HK$1.55 billion). For the breakdown for application of proceeds, please refer to the section headed "Use of Proceeds" in this report.

On October 9, 2020, an aggregate of 115,928,803 Shares were allotted and issued to Pfizer Corporation at the Subscription Price of approximately HK$13.37 per Share pursuant to the terms and conditions of the Share Subscription Agreement. The Subscription Shares were allotted and issued under the General Mandate which entitles the Directors to allot, issue and deal with up to 205,704,021 Shares. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Pfizer Corporation and its ultimate beneficial owners are third parties independent of the Company or any of its connected persons.

PRE-EMPTIVE RIGHTS

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

PROFESSIONAL TAX ADVICE RECOMMENDED

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

BANK LOANS AND OTHER BORROWINGS

As at December 31, 2020, we had RMB200 million banking facilities of which RMB58,582,000 has been drawn down as at the same date. For details of the bank loans and other borrowings of the Group, please refer to Note 20 to the Consolidated Financial Statements of this report.

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

KEY PERFORMANCE INDICATORS

Revenue increased from zero for the year ended December 31, 2019 to RMB1,038.8 million for the year ended December 31, 2020.

Other gains and losses decreased by RMB458.0 million from losses of RMB637.4 million for the year ended December 31, 2019 to losses of RMB179.4 million for the year ended December 31, 2020.

Research and development expenses increased by RMB9.1 million from RMB1,395.6 million for the year ended December 31, 2019 to RMB1,404.7 million for the year ended December 31, 2020.

Administrative expenses increased by RMB1.0 million from RMB341.5 million for the year ended December 31, 2019 to RMB342.5 million for the year ended December 31, 2020.

Selling expenses increased from zero for the year ended December 31, 2019 to RMB142.2 million for the year ended December 31, 2020.

As a result of the above factors, the loss for the year decreased by RMB1,087.4 million from RMB2,308.4 million for the year ended December 31, 2019 to RMB1,221.0 million for the year ended December 31, 2020.

CHARITABLE CONTRIBUTIONS

During the Reporting Period, the Group made charitable contributions of RMB1 million to Suzhou Charity Federation for the prevention and control of COVID-19.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2020, the Group derived substantially its revenues from license fee income. For the year ended December 31, 2020, revenue from the five largest customers and the largest customer accounted for approximately 100% and 99.55%, respectively, of the Group's total revenue. For further details, please see Note 6 to the Consolidated Financial Statements of this report.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for approximately 37.58% and 17.59%, respectively, of the Group's total purchases for the Reporting Period.

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIPS WITH THE GROUP'S EMPLOYEES

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

RELATIONSHIPS WITH THE GROUP'S SUPPLIERS AND OTHER STAKEHOLDERS

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Particulars of the Company's significant events affecting the Company or any of its subsidiaries after the year ended December 31, 2020 are set out in the section headed "Management Discussion and Analysis – Events after the Reporting Period" of this report.

CORPORATE GOVERNANCE

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

EQUITY-LINK AGREEMENT

Save as disclosed (i) in the sections headed "Share Incentivization Schemes" and (ii) the section headed "Management Discussion & Analysis" in relation to the share subscription agreement with Pfizer in this report, there was no equity-link agreement entered into by the Company during the Reporting Period.

REVIEW BY AUDIT COMMITTEE

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

INDEPENDENT AUDITOR

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

On Behalf of the Board

Dr. Frank Ningjun Jiang
Chairman and Chief Executive Officer

Suzhou, PRC, March 25, 2021

Corporate Governance Report

The Board hereby presents to the Shareholders the corporate governance report of the Group for the year ended December 31, 2020 (the "**Corporate Governance Report**").

CORPORATE GOVERNANCE PRACTICES

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

We have also adopted our own code of conduct regarding securities transactions, namely the Policy on Management of Securities Transactions by Directors (the "**Securities Transactions Code**"), which applies to all Directors on terms not less exacting than the required standard indicated by the Model Code.

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

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

BOARD OF DIRECTORS

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

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

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

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

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.

Continuous Professional Development of Directors

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

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

The Directors pursued continuous professional development to comply with A.6.5 of the CG Code and relevant details are summarised as follows:

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

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

(2) Mr. Xianghong Lin's appointment as a non-executive Director was effective from November 30, 2020.

(3) Mr. Guobin Zhang's resignation as a non-executive Director was effective from November 30, 2020.

Chairman and Chief Executive Officer

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

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

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

Composition

As at the date of this report, the Board is comprised of nine Directors, with one executive Director, five non-executive Directors and three INEDs. With effect from November 30, 2020, Mr. Guobin Zhang resigned as a non-executive Director, and Mr. Xianghong Lin was appointed as a non-executive Director. Apart from the foregoing, there is no change to the composition of the Board during the Reporting Period. A list of Directors and their respective biographies are set out on pages 30 to 37 of this report. As at the date of this report, none of our Directors is related to other Directors.

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

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

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

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

Appointments and Re-election of Directors

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

The Company entered into a letter of appointment with Mr. Xianghong Lin on November 30, 2020. Mr. Xianghong Lin will be re-elected at the annual general meeting of the Company to be held on June 23, 2021 and his appointment shall continue for a period of three years and until the conclusion of the third AGM of the Company after his re-election or such earlier date pursuant to the Articles of Association.

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

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

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

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

Board Meetings

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

	Attendance/No. of Meetings held during the Reporting Period					
Name of Directors	**Board**	**Audit Committee[1]**	**Compensation Committee[2]**	**Nomination Committee[3]**	**Strategy Committee[4]**	**Annual General Meeting[5]**
Executive Director						
Frank Ningjun Jiang	9/9	N/A	N/A	1/1	1/1	1/1
Non-executive Directors						
Wei Li	9/9	N/A	1/1	N/A	N/A	1/1
Qun Zhao	9/9	N/A	N/A	N/A	N/A	0/1
Yanling Cao	8/9	N/A	N/A	1/1	N/A	0/1
Xianghong Lin[6]	2/2	N/A	N/A	N/A	N/A	N/A
Guobin Zhang[7]	7/7	N/A	N/A	N/A	N/A	0/1
Lian Yong Chen	8/9	N/A	N/A	N/A	1/1	1/1
Independent Non-executive Directors						
Paul Herbert Chew	9/9	2/2	1/1	1/1	1/1	0/1
Ting Yuk Anthony Wu	9/9	2/2	1/1	1/1	N/A	1/1
Hongbin Sun	9/9	2/2	N/A	1/1	N/A	1/1

Notes:

(1) The Audit Committee held two meetings on March 26, 2020 and August 18, 2020, respectively, and all members of the Audit Committee attended the two meetings.

(2) The Compensation Committee held a meeting on March 26, 2020, and all members of the Compensation Committee attended the meeting.

(3) The Nomination Committee held a meeting on March 26, 2020, and all members of the Nomination Committee attended the meeting.

(4) The Strategy Committee held a meeting on June 24, 2020, and all members of the Strategy Committee attended the meeting.

(5) The Company held one annual general meeting on June 23, 2020 during the Reporting Period.

(6) Mr. Xianghong Lin's appointment as a non-executive Director was effective from November 30, 2020.

(7) Mr. Guobin Zhang's resignation as a non-executive Director was effective from November 30, 2020.

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

The Company held one annual general meeting on June 23, 2020 during the Reporting Period. All proposed Shareholders' resolutions put forward at the above general meeting were resolved by poll vote and were duly passed. The vote tally of each of such resolutions was set out in the Company's announcement released on the day of the annual general meeting.

BOARD COMMITTEES

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

Audit Committee

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

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

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

Compensation Committee

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

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

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

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee consists of one executive Director, namely, Dr. Frank Ningjun Jiang, our CEO and Chairman of our Board, one non-executive Director, namely, Mr. Yanling Cao, and three INEDs, namely, Dr. Paul Herbert Chew, Mr. Ting Yuk Anthony Wu and Mr. Hongbin Sun. Dr. Frank Ningjun Jiang, our CEO and Chairman of our Board, is the chairman of the Nomination Committee.

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

We are committed to promote diversity in the Company to the extent practicable by taking into consideration a number of factors in respect of our corporate governance structure. The Company has implemented the board diversity policy during the Reporting Period. In recognizing the particular importance of gender diversity and that gender diversity at the Board level can be improved, we will endeavor to ensure there is gender diversity when recruiting staff at a mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in a few years' time and engage more resources in training female staff who have long and relevant experience in our business, with the aim of promoting them to the senior management or directorship of our Group. As female representation in senior roles throughout the economy and the pool of qualified females keeps growing, we expect to have more female members who would be qualified to sit on our Board from time to time.

We have adopted the nomination and board diversity policy in relation to the nomination, appointment, re-appointment of new Directors and the nomination procedure of the Company, which provides the factors to consider in evaluating and selecting any candidate for directorship and sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to, professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. We are of the view that the Company has achieved these objectives during the Reporting Period, as our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, biotech, clinical research, life science, finance, investment, auditing and accounting. They obtained degrees in various areas including medicine, immunology, chemistry, chemical physics, chemical engineering, pharmaceutical analysis, economics and accounting. Furthermore, our Directors range from 37 years old to 69 years old.

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

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

During the Reporting Period, the Nomination Committee scheduled one meeting and all the members of the Nomination Committee attended the meeting to, among other things, review the structure, size and composition of the Board and make recommendations to the Board regarding any proposed changes, assess the independence of the independent non-executive Directors, make recommendation to the Board on the re-appointment of the Directors, review the board diversity policy and training and continuing professional development for the Directors and senior management of the Company.

The director nomination procedures and process: (a) the Nomination Committee shall first review and assess factors relating to the diversity of the Board, including but not limited to professional experience, skill, knowledge and length of service, gender, age, cultural and education background, and give consideration to the candidate's willingness to devote adequate time to the Board and independence of each INED based on the requirements of the Listing Rules as amended from time to time; (b) the Nomination Committee shall then nominate suitable candidates to the Board based on the then-current and anticipated future leadership needs of the Company, with a view to achieving a sustainable and balanced development of the Company; and (c) the Nomination Committee shall also monitor and review the implementation of the nomination policy, as appropriate from time to time, and will report to the Board annually.

Strategy Committee

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

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

During the Reporting Period, the Strategy Committee scheduled one meeting and all the members of the Strategy Committee attended the meeting to re-assess the corporate strategy.

Corporate Governance Function

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board takes overall responsibility for risk management and internal control systems, and is responsible for reviewing the effectiveness of these systems, evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company maintains robust and effective risk management and internal control systems (including reviewing the relevant functions), so as to safeguard shareholders' investment and the Company's assets.

Risk Management

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

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

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

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

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

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

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

Internal Control

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

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

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

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

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

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

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

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

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

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

As of today, the Company has already established and will continue to maintain strict anti-corruption policies among our sales personnel and distributors in our upcoming sales and marketing activities. We will also ensure that our sales and marketing personnel comply with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations, and limitations on industry-sponsored scientific and educational activities.

Investment Risk Management

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

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

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

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

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

Effectiveness of Risk Management and Internal Control

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

would review the arrangement of the internal audit function from time to time. The Audit Committee has reviewed the Company's internal audit function and the internal control systems for the year ended December 31, 2020. A confirmation regarding the effectiveness of these systems has been provided to the Board for the year ended December 31, 2020.

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

Policy on the Disclosure of Inside Information

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

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

SHAREHOLDERS

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

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

A summary of the disclosure of interests of the substantial shareholders of the Company is set out on pages 50 to 51 of this annual report.

Convening of Extraordinary General Meeting and Putting Forward Proposals

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

a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

Enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, namely, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Shareholders who wish to put enquiries to the Board can send their enquiries to the head office of the Company at 21/F, No. 399 West Haiyang Road, New Bund Times Square, Pudong New Area, Shanghai, PRC or send email to ir@cstonepharma.com. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communication of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

Dividend Policy

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

COMPANY SECRETARY

During the Reporting Period, Ms. Ching Man Yeung, the Vice President of SWCS Corporate Services Group (Hong Kong) Limited, served as the company secretary of the Company and has taken no less than 15 hours of relevant professional training during the Reporting Period and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements. Mr. Ning He, our secretary of the Board of Directors and Head of Legal Affairs, was the primary contact person whom Ms. Ching Man Yeung contacts.

Reference is made to the Company's announcement dated January 25, 2021. Ms. Ching Man Yeung resigned as company secretary of the Company on January 25, 2021. Mr. Ning He, our secretary of the Board of Directors and Head of Legal Affairs, and Mr. Leong Yin Lee, the manager of Corporate Secretarial Department of SWCS Corporate Services Group (Hong Kong) Limited, were appointed as the joint company secretaries of the Company with effect from January 25, 2021. Mr. Ning He is the primary contact person whom Mr. Leong Yin Lee contacts.

For more information on Mr. Ning He and Mr. Leong Yin Lee, please refer to the Company's announcement dated January 25, 2021.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENT

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2020, and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the auditors to the Group during the Reporting Period was approximately as follows:

Type of Services	**Total fees paid and payable** ***(RMB' 000)***
Audit services	1,900
Non-audit services	
Interim review services	900
Compliance services	174
Total	2,974

Note: The Company appointed Deloitte Touche Tohmatsu, Certified Public Accountants as the external auditor for the year ended December 31, 2020. A statement by Deloitte about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 81 to 85 of this annual report.

CHANGE IN CONSTITUTIONAL DOCUMENTS

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

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of CStone Pharmaceuticals (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 86 to 157, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Cut-off of research and development expenses	
The Group incurred significant research and development ("R&D") expenses of RMB1,405 million as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2020. In addition, R&D expenses of RMB460 million were accrued as at December 31, 2020 as set out in note 21 to the consolidated financial statements. A large portion of these R&D expenses were service fees paid to outsourced service providers including contract research organisations ("CRO") and clinical trial centres (collectively referred to as the "Outsourced Service Providers"). We identified the cut-off of R&D expenses as a key audit matter due to its significant amount and risk of not accruing R&D costs incurred for services provided by the Outsourced Service Providers in the appropriate reporting period.	Our procedures in relation to the cutoff of the R&D expenses included: • Obtaining an understanding of key controls of the management's basis and assessment in relation to the accrual process of the R&D expense, including service fees paid to the Outsourced Service Providers; • For the service fees paid to CRO, reading the key terms set out in research agreements and evaluating the completion status with reference to the progress reported by the representatives of the relevant CRO, on a sample basis, to determine whether the service fees were recorded based on the respective contract sums, progress and/or relevant milestones achieved; and • For the service fees paid to clinical trial centres, testing the accrual of the clinical trial related costs, on a sample basis, with reference to the clinical trial data and terms of services.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Joseph Wing Ming Chan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 25, 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended December 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	6	**1,038,832**	–
Cost of revenue		**(241,421)**	–
Gross profit		**797,411**	–
Other income	7	**51,671**	83,962
Other gains and losses	7	**(179,419)**	(637,365)
Research and development expenses		**(1,404,684)**	(1,395,624)
Selling expenses		**(142,150)**	–
Administrative expenses		**(342,508)**	(341,476)
Listing expenses		**–**	(17,638)
Finance costs	8	**(1,320)**	(303)
Loss for the year	9	**(1,220,999)**	(2,308,444)
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,274)**	(1,802)
Fair value gain on investments in debt instruments measured at fair value through other comprehensive income ("FVTOCI")		**31**	408
Reclassified to profit or loss upon disposal of debt instruments at FVTOCI		**(31)**	(758)
Other comprehensive expense for the year		**(1,274)**	(2,152)
Total comprehensive expense for the year		**(1,222,273)**	(2,310,596)
Loss for the year attributable to:			
Owners of the Company			
– ordinary shareholders		**(1,220,999)**	(2,068,740)
– preferred shareholders		**–**	(239,704)
		(1,220,999)	(2,308,444)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended December 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Total comprehensive expense for the year attributable to:			
Owners of the Company			
– ordinary shareholders		**(1,222,273)**	(2,070,824)
– preferred shareholders		**–**	(239,772)
		(1,222,273)	(2,310,596)
		RMB	RMB
Loss per share	13		
Basic		**(1.17)**	(2.39)
Diluted		**(1.17)**	(2.39)

Consolidated Statement of Financial Position

At December 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	14	**39,367**	14,185
Right-of-use assets	15	**27,175**	4,469
Deposits for acquisition of property, plant and equipment and intangible assets		**35,411**	3,572
Other intangible assets	16	**6,509**	1,305
Other receivables	17	**81,987**	40,271
		190,449	63,802
Current assets			
Deposits, prepayments and other receivables	17	**178,040**	143,599
Other investments classified as financial assets measured at fair value through profit or loss ("FVTPL")	18	**10,125**	11,946
Debt instruments at FVTOCI	18	**–**	4,811
Restricted bank deposit		**720**	620
Time deposits	19	**358,870**	1,599,431
Cash and cash equivalents	19	**3,024,548**	1,126,436
		3,572,303	2,886,843
Current liabilities			
Borrowings	20	**2,662**	–
Trade and other payables and accrued expenses	21	**708,525**	449,440
Deferred income	22	**7,210**	4,180
Lease liabilities	23	**8,652**	4,344
		727,049	457,964
Net current assets		**2,845,254**	2,428,879
Total assets less current liabilities		**3,035,703**	2,492,681

Consolidated Statement of Financial Position

At December 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Borrowings	20	**54,340**	–
Lease liabilities	23	**18,205**	–
Deferred income	22	**8,698**	11,099
		81,243	11,099
Net assets		**2,954,460**	2,481,582
Capital and reserves			
Share capital	24	**787**	687
Treasury shares held in the trusts	24	**(19)**	(30)
Reserves		**2,953,692**	2,480,925
Total equity		**2,954,460**	2,481,582

The consolidated financial statements on pages 86 to 157 were approved and authorised for issue by the Board of Directors on March 25, 2021 and are signed on its behalf by:

Dr. Frank Ningjun Jiang
DIRECTOR

Dr. Wei Li
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended December 31, 2020

	Attributable to owners of the Company									
	Ordinary Share capital *RMB'000*	Preferred share capital *RMB'000*	Share premium *RMB'000*	Investment revaluation reserve *RMB'000*	Other reserve *RMB'000 (note a)*	Treasury shares held in the trusts *RMB'000*	Share-based payment reserve *RMB'000*	Foreign currency translation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At January 1, 2019	29	94	2,685,871	350	(92,681)	–	221,940	–	(2,300,272)	515,331
Loss for the year	–	–	–	–	–	–	–	–	(2,308,444)	(2,308,444)
Other comprehensive expense for the year	–	–	–	(350)	–	–	–	(1,802)	–	(2,152)
Total comprehensive expense for the year	–	–	–	(350)	–	–	–	(1,802)	(2,308,444)	(2,310,596)
Shares issued to trust and converted to the treasury shares *(note 24)*	17	–	–	–	–	(17)	–	–	–	–
Restricted stock units exercised under the trust *(note 24)*	–	–	69,395	–	(7)	7	(69,395)	–	–	–
Recognition of equity-settled share-based payment *(note 25)*	–	–	–	–	–	–	410,717	–	–	410,717
Exercise of share options *(note 25)*	2	–	34,192	–	–	–	(30,332)	–	–	3,862
Automatic conversion of preferred shares ("Preferred Shares") upon initial public Offering ("IPO")	94	(94)	1,772,112	–	–	–	–	–	–	1,772,112
Capitalisation Issue *(note 24(d))*	401	–	(381)	–	–	(20)	–	–	–	–
Shares issued upon IPO and over-allotment *(note 24)*	144	–	2,193,513	–	–	–	–	–	–	2,193,657
Transaction costs attributable to issuance of new shares	–	–	(103,501)	–	–	–	–	–	–	(103,501)
At December 31, 2019	687	–	6,651,201	–	(92,688)	(30)	532,930	(1,802)	(4,608,716)	2,481,582
Loss for the year	–	–	–	–	–	–	–	–	(1,220,999)	(1,220,999)
Other comprehensive expense for the year	–	–	–	–	–	–	–	(1,274)	–	(1,274)

	Attributable to owners of the Company									
	Ordinary Share capital *RMB'000*	Preferred share capital *RMB'000*	Share premium *RMB'000*	Investment revaluation reserve *RMB'000*	Other reserve *RMB'000 (note a)*	Treasury shares held in the trusts *RMB'000*	Share-based payment reserve *RMB'000*	Foreign currency translation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Total comprehensive expense for the year	–	–	–	–	–	–	–	(1,274)	(1,220,999)	(1,222,273)
Restricted stock units exercised under the trust *(note 24)*	–	–	295,533	–	(29)	29	(295,533)	–	–	–
Recognition of equity-settled share-based payment *(note 25)*	–	–	–	–	–	–	356,023	–	–	356,023
Transaction costs attributable to repurchase and cancellation of shares *(note 24)*	(2)	–	(21,798)	–	–	–	–	–	–	(21,800)
Exercise of share options *(note 25)*	5	–	43,536	–	–	–	(38,533)	–	–	5,008
Shares issued to trust and converted to the treasury shares *(note 24)*	18	–	–	–	–	(18)	–	–	–	–
Ordinary shares issued by the company	79	–	1,355,841	–	–	–	–	–	–	1,355,920
At December 31, 2020	787	–	8,324,313	–	(92,717)	(19)	554,887	(3,076)	(5,829,715)	2,954,460

Note:

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

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2020

	2020 *RMB'000*	2019 *RMB'000*
OPERATING ACTIVITIES		
Loss for the year	**(1,220,999)**	(2,308,444)
Adjustments for:		
Depreciation of property, plant and equipment	**6,446**	6,397
Depreciation of right-of-use assets	**5,580**	4,890
Amortisation of other intangible assets	**2,775**	293
Net foreign exchange losses (gains)	**181,836**	(110,723)
Gain on fair value changes of other investments classified as financial assets measured at FVTPL	**(396)**	(457)
Gain on disposal of debt instruments at FVTOCI	**(31)**	(758)
Loss on fair value changes of derivative financial liabilities	**–**	756,464
Share-based payment expense	**356,023**	410,717
Loss on disposal of property, plant and equipment	**–**	104
Interest income	**(24,161)**	(67,287)
Changes in fair value of money market funds	**(1,990)**	(7,265)
Finance cost	**1,320**	303
Government grants income related to property, plant and equipment	**(451)**	(786)
Operating cash flows before movements in working capital	**(694,048)**	(1,316,552)
Increase in deposits, prepayments and other receivables	**(72,913)**	(126,734)
Increase in trade and other payables and accrued expenses	**257,811**	354,064
Increase in deferred income	**1,080**	8,500
NET CASH USED IN OPERATING ACTIVITIES	**(508,070)**	(1,080,722)
INVESTING ACTIVITIES		
Placement of time deposits with maturity dates over three months	**(358,870)**	(1,571,273)
Withdrawal of time deposits with maturity dates over three months	**1,583,439**	797,531
Interest received	**22,863**	39,218
Receipt of return from money market funds	**1,990**	7,265
Deposit paid for property, plant and equipment and intangible assets	**(35,411)**	(3,514)
Purchase of property, plant and equipment	**(31,628)**	(6,213)
Purchase of other intangible assets	**(4,407)**	(701)
Purchase of debt instruments at FVTOCI	**–**	(34,065)
Proceeds on disposal of other investments classified as financial assets measured at FVTPL	**2,000**	5,303
Proceeds on disposal of debt instruments at FVTOCI	**4,492**	109,227
Placement of restricted bank deposits	**(100)**	(620)
Payments of rental deposits	**(3,636)**	(1,042)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**1,180,732**	(658,884)

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2020

	2020 *RMB'000*	2019 *RMB'000*
FINANCING ACTIVITIES		
Interest paid on borrowings and lease liabilities	**(1,320)**	(303)
New borrowings raised	**58,582**	–
Repayments of borrowings	**(1,580)**	–
Payments on repurchase of shares	**(21,800)**	–
Repayment of lease liabilities	**(5,381)**	(4,683)
Payment of transaction costs attributable to issuance of new shares	**–**	(101,201)
Exercise of share options	**5,008**	3,862
Proceeds on issue of ordinary shares	**1,355,920**	2,193,657
NET CASH FROM FINANCING ACTIVITIES	**1,389,429**	2,091,332
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,062,091**	351,726
Effects of foreign exchange rate changes	**(163,979)**	73,374
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1,126,436**	701,336
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**3,024,548**	1,126,436

1. GENERAL

CStone Pharmaceuticals (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since February 26, 2019. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (the "Group") have applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	*Insurance Contracts and the related Amendments*[1]
Amendment to IFRS 16	*Covid-19-Related Rent Concessions*[4]
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*[5]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Disclosure of Accounting Estimate*[1]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2018-2020*[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2021

The directors of the Company anticipate that the application of all the above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

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

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

For granting of a license that is distinct from other promised goods or services, the nature of the Group's promise in granting a license is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the license directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the criteria above are met, the Group accounts for the promise to grant a license as a performance obligation satisfied over time. Otherwise, the Group considers the grant of license as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the license is granted.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Leases

Definition of 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.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of motor vehicles, equipment and office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight- line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

***Leases** (continued)*

The Group as a lessee (continued)

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Foreign currencies

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

Government grants 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. Such grants are presented under "other income".

Retirement benefits costs

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

Short-term employee benefits

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Share-based payment arrangements

Equity-settled share-based payments transactions

Shares, share options and restricted share units granted to employees

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

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

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

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation *(continued)*

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

***Taxation** (continued)*

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the research and development or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately

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

Research and development expenditure

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

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

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

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

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets *(continued)*

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

Cash and cash equivalents

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

Financial instruments

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments *(continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

(i) Amortised cost and interest income

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Debt instruments classified as at FVTOCI

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

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

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

(i) Significant increase in credit risk

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets (continued)

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

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

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

Derecognition of financial assets

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments *(continued)*

Financial assets (continued)

Derecognition of financial assets (continued)

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Treasury shares

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

Financial liabilities

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

Derecognition

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying accounting policies

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

Research and development expenses

Development costs incurred on the Group's drug product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria are met for capitalisation. During the years ended December 31, 2020 and 2019, all development costs are expensed when incurred.

Key sources of estimation uncertainty

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

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

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment and right-of-use assets. This estimate is referenced to useful lives of property, plant and equipment and right-of-use assets of similar nature and functions in the industry. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete assets that have been abandoned or sold. As at December 31, 2020, the carrying amount of property, plant and equipment is approximately RMB39,367,000 (2019: RMB14,185,000) as disclosed in note 14. As at December 31, 2020, the carrying amount of right-of-use assets is approximately RMB27,175,000 (2019: RMB4,469,000) as disclosed in note 15.

5. SEGMENT INFORMATION

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

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

Geographical information

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

6. REVENUE

Disaggregation of revenue from contracts with customers

	For the year ended December 31, 2020 *RMB'000*
License fee income	**1,038,832**
Geographical markets	
Mainland China	**4,717**
United States of America	**1,034,115**
Total	**1,038,832**
Timing of revenue recognition	
A point in time	**1,038,832**

6. REVENUE (continued)

License fee income

The Group provides license of its patented intellectual property ("IP") or commercialisation license to customers and revenue is recognised when the customers obtain rights to access or use the underlying IP or license. License fee income is recognised at a point of time upon the customer obtains the right to use the IP. The consideration for license comprises a fixed element (the upfront payment) and variable elements (including but not limited to development milestones and royalties).

Information about major customers

Revenue from the following customer contributed over 10% of the total sales of the Group:

	2020 *RMB'000*	2019 *RMB'000*
Customer A	**1,034,115**	–

7. OTHER INCOME AND OTHER GAINS AND LOSSES

Other income

	2020 *RMB'000*	2019 *RMB'000*
Bank and other interest income	**24,161**	67,287
Government grants income *(note a)*	**23,891**	16,675
Income from pharmaceutical products *(note b)*	**3,619**	–
	51,671	83,962

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

Other income (continued)

Notes:

(a) Government grants include subsidies from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery and is recognised over the useful life of the related assets; (ii) the incentive and subsidies for research and development activities which are recognised upon compliance with the attached conditions; and (iii) other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(b) Income from pharmaceutical products primarily relates to the sales contract with a pre-approved medical institution located in Boao Hope City International Medical Tourism Pilot Zone in the PRC. It is recognised at the point in time when the medicine is delivered and accepted by the customer. The credit term is 40 days upon invoiced. The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied in respect of the sales contract as the Groups' contract has original duration of less than one year.

Other gains and losses

	2020 ***RMB'000***	2019 *RMB'000*
Gain on fair value changes of other investments classified as financial assets measured at FVTPL *(note 18)*	**396**	457
Changes in fair value of money market funds *(note 19)*	**1,990**	7,265
Gain on disposal of debt instruments at FVTOCI	**31**	758
Loss on disposal of property, plant and equipment	**–**	(104)
Loss on fair value changes of derivative financial liabilities	**–**	(756,464)
Net foreign exchange (losses) gains	**(181,836)**	110,723
	(179,419)	(637,365)

8. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	241	303
Interest on bank borrowings	1,079	–
Total finance costs	1,320	303

9. LOSS FOR THE YEAR

	2020 RMB'000	2019 RMB'000
Loss for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	6,446	6,397
Depreciation of right-of-use assets	5,580	4,890
Amortisation of other intangible assets	2,775	293
Total depreciation and amortisation	14,801	11,580
Directors' emoluments *(note 10)*	164,101	167,245
Other staff costs:		
Salaries and other allowances	194,880	129,198
Performance related bonus	62,934	31,749
Retirement benefit scheme contributions	16,534	18,643
Share-based payment expenses	199,219	250,659
Total staff costs	637,668	597,494
Auditors' remuneration	1,900	1,900

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

Directors and chief executive

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

Year ended December 31, 2020

	Fee *RMB'000*	Salaries *RMB'000*	Performance related bonus *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*	Total *HK$000*
Executive director:						
Jiang Frank Ningjun ("Dr. Jiang")	–	4,077	1,967	12	6,056	7,195
Non-executive directors:						
Zhao Qun	–	–	–	–	–	–
Li Wei	–	–	–	–	–	–
Zhang Guobin *(note b)*	–	–	–	–	–	–
Chen Lianyong	–	–	–	–	–	–
Cao Yanling	–	–	–	–	–	–
Lin Xianghong *(note e)*	–	–	–	–	–	–
Independent non-executive directors:						
Chew Paul Herbert	276	–	–	–	276	328
Wu Anthony Ting Yuk	689	–	–	–	689	819
Sun Hongbin	276	–	–	–	276	328
	1,241	4,077	1,967	12	7,297	8,670

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

Directors and chief executive (continued)

Year ended December 31, 2019

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

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

During the year ended December 31, 2020, RMB156,804,000 (2019: RMB160,058,000) (equivalent to HK$186,308,000 (2019: HK$178,680,000)) was recognised as share-based payment expense in the consolidated statement of profit or loss and other comprehensive income for his granted share options, restricted shares award and restricted shares units. Details of the share-based payment are set out in note 25.

Notes:

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

(b) Zhang Guobin resigned as a non-executive director of the Company on November 30, 2020.

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

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

(e) Lin Xianghong was appointed as a non-executive director of the Company on November 30, 2020.

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

Directors and chief executive (continued)

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

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

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

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

During the years ended December 31, 2020 and 2019, except for the receivables from a director as disclosure in note 17, there are no loans, quasi-loans or other dealings in favour of the directors of the Company, their controlled bodies corporate and connected entities.

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

During the years ended December 31, 2020 and 2019, no consideration was provided to or receivable by third parties for making available service of directors of the Company.

Employees

The five highest paid individuals of the Group included one director of the Company for the year ended December 31, 2020 (2019: one director) with details of his emoluments set out above. The emoluments of the remaining four employees are as follows:

	2020	2019
	RMB'000	*RMB'000*
Salaries and bonus	**11,142**	10,576
Performance related bonus	**6,420**	3,969
Retirement benefit scheme contributions	**44**	166
Total cash compensation	**17,606**	14,711
Non-cash share-based payment expense	**79,353**	137,130
	96,959	151,841

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

Employees (continued)

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

	Number of individuals	
	2020	2019
HK$19,000,001 to HK$19,500,000	**1**	N/A
HK$20,000,001 to HK$20,500,000	**1**	N/A
HK$24,500,001 to HK$25,000,000	**1**	N/A
HK$28,000,001 to HK$28,500,000	**N/A**	1
HK$29,000,001 to HK$29,500,000	**N/A**	1
HK$43,500,001 to HK$44,000,000	**N/A**	1
HK$50,500,001 to HK$51,000,000	**1**	N/A
HK$67,500,001 to HK$68,000,000	**N/A**	1
	4	4

Certain employees were granted share options or restricted share units in respect of their services to the Group. Details of the share-based payment transactions are set out in note 25. The total number of share options and restricted share units granted to those employees (taking into consideration the capitalisation issue) represented approximately 11.5% (2019: 4.0%) of the total issued and fully paid ordinary share capital as of December 31, 2020.

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

11. DIVIDENDS

No dividend was paid or declared by the Company during the years ended December 31, 2020 and 2019 nor has any dividend been proposed since the end of the Reporting Period.

12. INCOME TAX EXPENSE

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

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits sourced in Hong Kong of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. No Hong Kong profit tax was provided as the Group has no profit that was subject to Hong Kong profit tax during the Reporting Period.

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

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

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

	2020	2019
	RMB'000	*RMB'000*
Loss before tax	**(1,220,999)**	(2,308,444)
Tax charge at the PRC EIT rate of 25%	**(305,249)**	(577,111)
Tax effect of expenses not deductible for tax purpose	**53,741**	356,473
Effect of research and development expenses that are additionally deducted *(note)*	**(141,467)**	(140,850)
Tax effect of tax losses not recognised	**393,088**	359,559
Tax effect of deductible temporary differences not recognised	**–**	2,125
Utilisation of deductible temporary differences previously not recognised	**(113)**	(196)
Tax charge for the year	**–**	–

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

As at December 31, 2020, the Group has unused tax losses of approximately RMB4,149,230,000 (2019: RMB2,576,877,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

12. INCOME TAX EXPENSE (continued)

The unused tax losses will be expired as follows:

	2020 RMB'000	2019 RMB'000
2021	**22,801**	22,801
2022	**329,104**	329,104
2023	**767,741**	767,741
2024	**1,391,747**	1,391,747
2025	**1,527,199**	–
Indefinite *(note)*	**110,638**	65,484
	4,149,230	2,576,877

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

At December 31, 2020, the Group has deductible temporary differences related to deferred government grants income of RMB15,908,000 (2019: RMB15,279,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

13. LOSS PER SHARE

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

	2020 RMB'000	2019 RMB'000
Loss		
Loss for the year attributable to owners of the Company	**(1,220,999)**	(2,308,444)
Add: Loss attributable to preferred shareholders	**–**	239,704
Loss for the purpose of basic and diluted loss per share	**(1,220,999)**	(2,068,740)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,046,032,298**	866,728,184

The weighted average number of ordinary shares as at December 31, 2020 for the purpose of calculating basic loss per share for the year has been determined on the assumption that the capitalisation issue as set out in note 24(d) had been effective since January 1, 2019.

The calculation of basic and diluted loss per share has considered the restricted share units that have been vested but not yet registered (note 25) but excluded the treasury shares held in trust of the Company (note 24).

13. LOSS PER SHARE (continued)

The calculation of diluted loss per share has not considered share options awarded under the employee stock option (note 25(a)), the unvested restricted share units (note 25(b)) as their inclusion would be anti-dilutive.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST					
At January 1, 2019	9,938	6,478	3,862	–	20,278
Additions	1,261	552	1,936	2,464	6,213
Disposals	–	(28)	(186)	–	(214)
At December 31, 2019	11,199	7,002	5,612	2,464	26,277
Additions	454	2,783	1,174	27,217	31,628
Transfers	8,198	–	–	(8,198)	–
At December 31, 2020	19,851	9,785	6,786	21,483	57,905
DEPRECIATION					
At January 1, 2019	3,626	938	1,241	–	5,805
Provided for the year	3,871	1,190	1,336	–	6,397
Eliminated on disposals	–	(6)	(104)	–	(110)
At December 31, 2019	7,497	2,122	2,473	–	12,092
Provided for the year	3,270	1,467	1,709	–	6,446
At December 31, 2020	10,767	3,589	4,182	–	18,538
CARRYING VALUES					
At December 31, 2020	9,084	6,196	2,604	21,483	39,367
At December 31, 2019	3,702	4,880	3,139	2,464	14,185

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

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

15. RIGHT-OF-USE ASSETS

	Leasehold properties *RMB'000*	Leased equipment and vehicles *RMB'000*	Total *RMB'000*
Carrying Amounts			
As at January 1, 2019	6,016	213	6,229
Additions	3,130	–	3,130
Depreciation charge for the year	(4,768)	(122)	(4,890)
As at December 31, 2019	4,378	91	4,469
As at January 1, 2020	4,378	91	4,469
Additions	27,930	356	28,286
Depreciation charge for the year	(5,329)	(251)	(5,580)
As at December 31, 2020	26,979	196	27,175

	2020 *RMB'000*	2019 *RMB'000*
Expense relating to short-term leases	**2,761**	3,274
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	**271**	120
Total cash outflow for leases	**8,654**	8,380

For both years, the Group leases various offices, equipment and vehicles for its operations. Lease contracts are entered into for fixed term of 6 months to 36 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for vehicles and offices. As of December 31, 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

During the year ended December 31, 2020, the Group entered into (1) a new lease agreements for use of an office building for 36 months, has recognised RMB27,538,000 lease liability; and (2) a new lease agreement for a vehicle for 24 months, has recognised RMB356,000 lease liability. On the lease commencement, the total future undiscounted cash flows over the period amounted to RMB28,217,000.

16. OTHER INTANGIBLE ASSETS

	Computer software *RMB'000*
At January 1, 2019	1,070
Additions	701
At December 31, 2019	1,771
Additions	7,979
At December 31, 2020	9,750
AMORTISATION	
At January 1, 2019	173
Provided for the year	293
At December 31, 2019	466
Provided for the year	2,775
At December 31, 2020	3,241
CARRYING VALUES	
At December 31, 2020	6,509
At December 31, 2019	1,305

Other intangible assets represent computer software acquired from third parties.

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

Computer software	10% – 33% per annum

17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Rental deposits	**4,250**	2,840
Prepayments	**63,617**	41,835
Other receivables	**8,128**	496
Receivables from a director and key management personnels of the Company *(note a)*	**105,288**	96,977
Value-added tax recoverable	**78,744**	41,722
	260,027	183,870
Analysed as:		
Non-current	**81,987**	40,271
Current	**178,040**	143,599
	260,027	183,870

Note:

(a) As at December 31, 2020, the balance mainly represents the amounts due from a director and several key management personnels in respect of withholding tax for employee individual income tax associated with vested restricted share units. RMB71,858,000 (2019: RMB37,815,000) were accounted for as deduction from equity for shares withheld which permit the Company to withhold the number of equity instruments equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon vesting of the share awards according to the modification of Pre-IPO Incentivisation Plan in January 2020. As at December 31, 2020, the receivables from Dr. Jiang is unsecured, interest-free and repayable on demand. The maximum outstanding balance of amount due from Dr. Jiang as at December 31, 2020 is RMB3,504,000 (2019: RMB59,162,000). Subsequent to the year end, RMB3,504,000 was collected from Dr. Jiang.

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

	2020 *RMB'000*	2019 *RMB'000*
Other investments classified as financial assets measured at FVTPL		
– Wealth management plan *(note a)*	**10,125**	11,946
Debt instruments at FVTOCI		
– Treasury bills *(note b)*	**–**	4,811

Notes:

(a) The Group entered into contracts in respect of wealth management plan managed by financial institutions. The principal is unguaranteed by the relevant financial institutions while the expected return rates stated in the contracts is 3.6% per annum as at December 31, 2020 (2019: 3.6% per annum).

(b) During the year ended December 31, 2020, the Group has disposed all the United State Treasury Bills that measured as debt instruments at FVTOCI in 2019, which carry interest rates from 0.55% to 1.43% per annum.

19. TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

Time deposits

	2020 *RMB'000*	2019 RMB'000
Time deposits	**358,870**	1,599,431

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

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

Cash and cash equivalents

	2020 RMB'000	2019 RMB'000
Cash at banks	**2,084,307**	504,681
Cash equivalents *(note)*		
– Money market funds	**204,885**	217,104
– Time deposits	**735,356**	404,651
	3,024,548	1,126,436

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

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

	2020	2019
Time deposits	**0.91% – 3.30%**	2.84% – 3.30%
Cash at banks	**0.00% – 0.30%**	0.00% – 0.30%

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

	2020 RMB'000	2019 RMB'000
United States Dollar ("US$")	**3,147,325**	1,877,293
Hong Kong Dollar ("HK$")	**207,700**	795,428

20. BORROWINGS

	December 31, 2020 *RMB'000*	December 31, 2019 *RMB'000*
Bank loans		
Unsecured and unguaranteed	**17,680**	–
Secured and unguaranteed	**39,322**	–
	57,002	–
The carrying amounts of the above borrowings are repayable*:		
Within 1 year	**2,662**	–
Within a period of more than 1 year but not exceeding 2 years	**1,877**	–
Within a period of more than 2 years but not exceeding 5 years	**52,463**	–
	57,002	–
Current	**(2,662)**	–
Non-current	**54,340**	–

* *The amounts due are based on scheduled repayment dates set out in the loan agreements.*

On January 7, 2020, the Group obtained two new bank loan facilities amounting to RMB175,000,000 and RMB25,000,000 respectively, for the purpose of working capital improvement and the construction of the factory and facilities. During the year ended December 31, 2020, the Group has drawn down RMB58,582,000 and repaid RMB1,580,000 of principal in accordance with the payment schedules.

The new bank borrowings are denominated in RMB and carry the variable interest rate at Loan Prime Rate ("LPR") plus 10 basis points per annum.

21. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	2020 RMB'000	2019 RMB'000
Trade payables	**28,030**	37,304
Accrued expenses		
– Research and development *(note a)*	**460,384**	270,099
– Legal and professional fees	**4,815**	3,723
– Others	**26,194**	8,121
	491,393	281,943
Other payables	**26,368**	2,131
Other tax payable *(note b)*	**102,938**	97,589
Staff payroll payable	**59,796**	30,473
	708,525	449,440

Notes:

(a) Amounts mainly included service fees payable to outsourced service providers including contract research organisations and outsourced service providers.

(b) Amounts represented withholding tax payable (2019: RMB96,845,000) for employee's individual income tax associated with vested restricted share units which were fully paid to the tax bureau in January 2021.

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

	2020 RMB'000	2019 RMB'000
Less than 30 days	**28,030**	26,471
31 – 60 days	**–**	10,833
	28,030	37,304

22. DEFERRED INCOME

	2020 RMB'000	2019 RMB'000
Subsidies related to property, plant and equipment *(note a)*	**2,148**	2,599
Other subsidies *(note b)*	**13,760**	12,680
	15,908	15,279
Analysed as:		
Non-current	**8,698**	11,099
Current	**7,210**	4,180
	15,908	15,279

Notes:

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

(b) In 2020, the Group received certain government subsidies of approximately RMB1,080,000 (2019: RMB8,500,000) towards research and development projects. Certain conditions have to be fulfilled until these subsidies can be regarded as fully granted. As at December 31, 2020, the relevant conditions have not been fully fulfilled and therefore, the government subsidies were deferred.

23. LEASE LIABILITIES

	2020 RMB'000	2019 RMB'000
Lease liabilities payable:		
Within one year	**8,652**	4,344
Within a period of more than 1 year but not exceeding 2 years	**8,922**	–
Within a period of more than 2 years but not exceeding five years	**9,283**	–
	26,857	4,344

24. ORDINARY SHARE CAPITAL/TREASURY SHARES HELD IN THE TRUSTS

	Number of shares	Share capital *US$'000*
Ordinary shares		
Ordinary shares of US$0.0001 each		
Authorised		
At January 1, 2019	356,238,038	35
Increase in authorised share capital on February 26, 2019 *(note a)*	1,643,761,962	165
At December 31, 2019 and December 31, 2020	2,000,000,000	200

	Number of shares	Amount *US$'000*	Equivalent amount of ordinary shares *RMB'000*
Issued and fully paid			
At January 1, 2019	44,270,599	4	29
Exercise of share options *(note b)*	3,593,327	–	2
Issuance of shares to a trust for CStone Incentivization Limited *(note c)*	9,672,192	1	6
Automatic conversion of Preferred Shares upon IPO	143,703,471	14	94
Capitalisation Issue *(note d)*	598,241,649	60	401
Issuance of ordinary shares on IPO *(note e)*	186,396,000	19	125
Issuance of shares on exercise of over-allotment option *(note e)*	27,959,000	3	19
Issuance of shares to a trust for Computershare Hong Kong Trustees Limited *(note f)*	14,238,552	1	11
At December 31, 2019	1,028,074,790	102	687
Exercise of share options *(note g)*	7,432,827	1	5
Subscription of new shares by Pfizer Corporation Hong Kong Limited *(note h)*	115,928,803	12	79
Repurchase of shares *(note i)*	(3,025,500)	–	(2)
Issuance of shares to a trust for Computershare Hong Kong Trustees Limited *(note j)*	25,650,386	3	18
At December 31, 2020	1,174,061,306	118	787

24. ORDINARY SHARE CAPITAL/TREASURY SHARES HELD IN THE TRUSTS (continued)

Treasury shares:

	Number of shares	Amount *US$'000*	Equivalent amount of ordinary shares *RMB'000*
At January 1, 2019, and December 31, 2019	–	–	–
Repurchase of ordinary shares	3,025,500	–	2
Cancellation of ordinary shares	(3,025,500)	–	(2)
At December 31, 2020	–	–	–

Treasury shares held in trusts:

	Number of treasury shares	US$ *US$'000*	Equivalent amount of ordinary shares *RMB'000*
At January 1, 2019	–	–	–
Issuance of shares to a trust for CStone Incentivization Limited *(note c)*	9,672,192	1	6
Capitalisation Issue *(note d)*	29,016,576	3	20
Issuance of shares to a trust for Computershare Hong Kong Trustees Limited *(note f)*	14,238,552	1	11
Restricted stock units exercised under the trust *(note k)*	(9,385,302)	(1)	(7)
At December 31, 2019	43,542,018	4	30
Issuance of shares to a trust for Computershare Hong Kong Trustees Limited *(note j)*	25,650,386	3	18
Restricted stock units exercised under the trust *(note k)*	(42,488,116)	(4)	(29)
At December 31, 2020	26,704,288	3	19

24. ORDINARY SHARE CAPITAL/TREASURY SHARES HELD IN THE TRUSTS (continued)

As of December 31, 2020, shares are held in trust including 11,738,200 shares for outstanding options and 14,966,088 shares for unvested restricted stock units and disclosed as treasury shares since the Company has control over the trusts.

Notes:

(a) Pursuant to the special resolutions passed by the then shareholders of the Company on January 30, 2019, the authorised share capital has been increased to US$200,000 divided into 2,000,000,000 shares of par value of US$0.0001 each with effect from February 26, 2019 ("the Listing Date").

(b) During the year ended December 31, 2019, share option holders exercised their rights to subscribe for 962,257, 1,852,300, 739,509 and 39,261 ordinary shares in the Company at US$0.10, US$0.20, US$0.57 and US$2.37 per share, respectively (without taking into account the effect of the Capitalisation Issue as defined in note (d) below). The shares allotted and issued rank pari passu in all respects with the then existing issued shares of the Company.

(c) On January 31, 2019, the Company and Maples Trustee Services (Cayman) Limited (the "Maples Trustee"), an independent third party, set up the 2019 CStone Share Incentivisation Trust which entered into a trust deed pursuant to which the Maples Trustee has agreed to act as the trustee to administer the Pre-IPO Incentivisation Plan (as defined in note 25) and to hold the ordinary shares under the Pre-IPO Incentivisation Plan through the nominee, CStone Incentivization Limited (the "Nominee"). 9,672,192 ordinary shares (equivalent to 38,688,768 shares after adjusted for the effect of the Capitalisation Issue (the "Shares"), was issued to the Nominee to set aside a pool of ordinary shares to satisfy the pre-IPO share options and share awards granted under the Pre-IPO Share Incentivisation Plan. The Shares held in the trust are accounted for as treasury shares of the Company.

(d) Pursuant to the written resolutions of the shareholders of the Company passed on January 30, 2019, and subject to the share premium account of the Company being credited as a result of the issue of offer shares pursuant to the IPO, an aggregate of 598,241,649 shares credited as fully paid at par were allotted and issued on the Listing Date to the holders of ordinary shares and Preferred Shares on the register of members of the Company in the Cayman Islands at the close of business on the business day preceding the Listing Date, in proportion to their existing respective shareholdings (save that no holder of ordinary shares and Preferred Shares shall be entitled to be allotted or issued any fraction of a share). The shares allotted and issued pursuant to this resolution (the "Capitalisation Issue") rank pari passu in all respects with the then existing issued shares of the Company.

(e) In connection with the Company's IPO, 186,396,000 and 27,959,000 ordinary shares of the Company with US$0.0001 par value each were issued at HK$12 per share for a total gross cash consideration of HK$2,236,752,000 and HK$335,508,000 (equivalent to RMB1,907,949,000 and RMB285,708,000), on February 26, 2019 and March 26, 2019, respectively. The shares allotted and issued rank pari passu in all respects with the then existing issued shares of the Company.

(f) On July 11, 2019, the Company and Computershare Hong Kong Trustees Limited (the "Computershare Trustee"), an independent third party, set up the 2019 CStone Share Incentivisation Trust for Non-Connected Persons which entered into a trust deed pursuant to which the Computershare Trustee has agreed to act as the trustee to administer the Pre-IPO Incentivisation Plan (as defined in note 25(a)) and to hold the ordinary shares under the Pre-IPO Incentivisation Plan through the Computershare Trustee. 14,238,552 ordinary shares was issued to the Computershare Trustee to set aside a pool of ordinary shares to satisfy the pre-IPO restricted share units granted under the Pre-IPO Share Incentivisation Plan. The Shares held in the trust are accounted for as treasury shares of the Company.

(g) During the year ended December 31, 2020, share option holders exercised their rights to subscribe for 2,235,061, 2,511,942, 2,359,438 and 326,386 ordinary shares in the Company at HK$0.2, HK$0.39, HK$1.12 and HK$4.65 per share, respectively. The shares allotted and issued rank pari passu in all respects with the then existing issued shares of the Company.

(h) On October 9, 2020, the Company entered into the Share Subscription Agreement with Pfizer Corporation Hong Kong Limited, pursuant to which Pfizer Corporation Hong Kong Limited has subscribed for 115,928,803 ordinary shares of the Company with US$0.0001 par share at the subscription price of HK$13.37 per share.

(i) During the year ended December 31, 2020, 3,025,500 ordinary shares of the Company were repurchased at prices ranging from HK$7.05 to HK$9.00 per share, which have been cancelled subsequently.

(j) On July 23, 2020 and August 19, 2020, the Company issued 16,542,291 and 9,108,095 ordinary shares to the Computershare Trustees to satisfy the pre-IPO share options and share awards granted under the Pre-IPO Share Incentivisation Plan.

(k) During the year ended December 31, 2020, 42,488,116 (2019: 9,385,302) restricted stock units granted to several employees were exercised.

25. SHARE-BASED PAYMENT TRANSACTIONS

(a) Employee stock option plan ("ESOP")

The Pre-IPO ESOP

During the year ended December 31, 2016, the Group granted share options under its employee stock option plan (the "Pre-IPO ESOP") for the purpose of incentivising, retaining and rewarding certain employees and board members of the Company or its subsidiaries ("Eligible Persons") for their contributions to the Group's business, and to align their interests with those of the Group.

The directors of the Company adopted and approved such Pre-IPO ESOP on July 7, 2017, with the intent at that time that the directors of the Company delegated full authority to Dr. Jiang, the executive director of the Company, to grant option awards in accordance with the Pre-IPO ESOP before Pre-IPO ESOP was approved and adopted by the directors of the Company. The overall limit on the number of underlying shares which may be delivered under the Plan was 24,010,293 shares of the Company, subject to any adjustments for other dilutive issuances.

Except as provided otherwise in the grant letter or offer in any other form by the directors of the Company, the vesting schedule of the share options shall be a sixty months vesting schedule consisting of a cliff vesting of twenty percent after twelve months from the vesting commencement date and, thereafter, monthly vesting of equal instalments over the remaining forty-eight months.

On August 3, 2018, the board of directors of the Company resolved to adopt and approved the amended and restated employee equity plan (the "Pre-IPO Incentivisation Plan") for the purpose of granting restricted share units and other equity incentive permitted by the Pre-IPO Incentivisation Plan to the employees, directors of the Company, consultants and advisors of the Company. Further on August 14, 2018, the board of directors of the Company resolved the change of vesting schedule and updated the outstanding options and restricted shares units with the new vesting schedule under the Pre-IPO Incentivisation Plan, whereas 25% of the shares will be vested on the first anniversary of the original vesting commencement date, and the remaining shares will be vested with equal monthly instalments over the following thirty-six months.

The share options and the restricted share units shall be restricted to the eligible employees, directors of the Company, consultants and advisors of the Company and shall not be assignable to other person. No eligible employee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any share option and restricted share units or attempt to do so.

The overall limit on the number of underlying shares which may be delivered under the Pre-IPO Incentivisation Plan for both employees stock option plan and the restricted shares units is 130,831,252 shares of the Company (considering the Capitalisation Issue).

25. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

***The Pre-IPO ESOP** (continued)*

The following table discloses movements of the Company's share options held by grantees during the year:

	Number of Pre-IPO ESOP share options			
	Dr. Jiang		Employees	
	2020	2019	**2020**	2019
Outstanding at the beginning of the year	**8,633,336**	2,158,334	**26,579,418**	8,529,447
Granted before Capitalisation Issue	**–**	–	**–**	837,185
Forfeited before Capitalisation Issue	**–**	–	**–**	(35,000)
Exercised before Capitalisation Issue	**–**	–	**–**	(1,767,621)
Capitalisation Issue	**–**	6,475,002	**–**	22,692,033
Forfeited after Capitalisation Issue	**–**	–	**(3,187,602)**	(1,850,920)
Exercised after Capitalisation Issue	**–**	–	**(7,432,827)**	(1,825,706)
Outstanding at the end of the year	**8,633,336**	8,633,336	**15,958,989**	26,579,418

At December 31, 2020, 4,144,610 outstanding Pre-IPO ESOP share options (2019: 14,013,271) were exercisable.

The following table discloses the weighted average exercise price of the Company's share options held by grantees during the year:

	Weighted average exercise price*			
	Dr. Jiang		Employees	
	2020 ***USD***	2019 *USD*	**2020** ***USD***	2019 *USD*
Granted during the year	**–**	–	**–**	0.16
Forfeited during the year	**–**	–	**0.09**	0.13
Exercised during the year	**–**	–	**0.10**	0.08

* Adjusted by the effect of Capitalisation Issue

25. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

The Pre-IPO ESOP *(continued)*

Fair value of share options granted

Back-solve method was used to determine the underlying equity fair value of the Company and Option Pricing Model ("OPM model") was used to determine the fair value of the option granted. Key assumptions, such as risk-free interest rate and volatility, are required to be determined by the directors of the Company with best estimate.

For the year ended December 31, 2020, the total expenses recognised in the consolidated statement of profit or loss and other comprehensive income for the Pre-IPO ESOP share options granted to a director of the Company and employees are approximately RMB18,394,000 (2019: RMB63,934,000).

The Post-IPO ESOP

Pursuant to a resolution passed on January 30, 2019, the directors of the Company further adopted an employee equity plan (the "Post-IPO ESOP") to grant option awards to any employee, officer, director, contractor, advisor or consultant of the Group by reason of his or her contribution to the Group. The Post-IPO ESOP shall be valid and effective for a period of ten years commencing on February 26, 2019. Options granted must be taken up within the period specified in the letter containing the offer of the grant of the options. The total number of shares in respect of share options may be granted under the Post-IPO ESOP is not permitted to exceed 10% of the shares of the Company in issue immediately after completion of the IPO and as at the Listing Date (i.e. 98,405,153 shares), without prior approval from the shareholders of the Company.

Unless otherwise approved by the directors of the Company and set forth in an offer letter, the vesting schedule should be forty-eight months consisting of a cliff vesting of twenty five percent on the first anniversary of the vesting commencement date and, thereafter, monthly vesting of equal instalments over the following thirty-six months, provided that the grantee continues to be an eligible employee (as described under the Post-IPO ESOP) as of each such vesting date.

25. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

The Post-IPO ESOP *(continued)*

The table below discloses movements of the Post-IPO ESOP share options held by grantees during the year:

	Number of Post-IPO ESOP share options			
	Dr. Jiang		Employees	
	2020	2019	**2020**	2019
At January 1 of the year	**–**	–	**11,209,500**	–
Granted during the year	**40,480,421**	–	**13,743,500**	11,389,500
Forfeited during the year	**–**	–	**(1,690,588)**	(180,000)
Lapsed during the year	**(4,048,042)**	–	**–**	–
At December 31 of the year	**36,432,379**	–	**23,262,412**	11,209,500

At December 31, 2020, 3,133,667 (2019: Nil) outstanding Post-IPO ESOP share options were exercisable.

	Weighted average exercise price			
	Dr. Jiang		Employees	
	2020 ***HKD***	2019 *HKD*	**2020** ***HKD***	2019 *HKD*
Weighted average price – Post IPO	**10.69**	12.20	**9.43**	11.77

Fair value of share options granted

OPM model was used to determine the fair value of the Post-IPO ESOP share options granted. Key assumptions, such as risk-free interest rate and volatility, are required to be determined by the directors of the Company with best estimate.

The key inputs into the model for the grants during the year ended December 31, 2020 and 2019 were as follows:

	2020	2019
Grant date option fair value per share	**HK$4.58 – HK$5.60**	HK$5.74 - HK$7.19
Exercise price	**HK$8.85 – HK$11.05**	HK$10.79 – HK$15.86
Expected volatility	**62.50% – 67.80%**	61.32% – 62.57%
Expected life	**10 years**	4 years
Risk-free rate	**0.58% – 0.73%**	1.40% – 1.89%
Expected dividend yield	**0%**	0%

25. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

The Post-IPO ESOP *(continued)*

Fair value of share options granted (continued)

During the year ended December 31, 2020, the Group has granted 8,901,500, 40,480,421, 2,369,000 and 2,473,000 Post-IPO ESOP share options in April 2020, June 2020, July 2020 and November 2020, respectively.

During the year ended December 31, 2020, the weighted average fair value of the Post-IPO ESOP options granted is HK$5.33 per share.

The directors of the Company estimated the risk-free interest rate based on the yield of the Hong Kong Government Bonds with a maturity life close to the option life of the Post-IPO ESOP share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date.

For the year ended December 31, 2020, the total expenses recognised in the consolidated statements of profit or loss and other comprehensive income for the Post-IPO ESOP share options granted to a director of the Company and employees are approximately RMB125,409,000(2019: RMB8,302,000).

(b) Restricted share units

The Pre-IPO RSU Plan

On August 3, 2018, December 6, 2018 and January 16, 2019, 8,467,541, 1,500,000 and 8,112,124 RSUs of the Company were granted at nil consideration to the grantees by the directors of the Company in accordance with Pre-IPO Incentivisation Plan respectively.

On August 14, 2018, the directors of the Company resolved and approved the vesting schedule of the RSU with 25% of the shares to be vested on the first anniversary of the vesting commencement date, and the remaining shares to be vested with equal monthly instalments over the following thirty-six months.

The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the restricted shares as of the grant date and recognised the amount as compensation expenses over the vesting period for each separate vesting portion of the RSUs. The total expense recognised in the consolidated statement of profit or loss and other comprehensive income for RSUs granted to a director of the Company and employees are approximately RMB108,100,000 for the year ended December 31, 2020 (2019: RMB276,227,000).

25. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share units (continued)

***The Pre-IPO RSU Plan** (continued)*

The RSUs were valued by the directors of the Company with reference to the valuation carried out by an independent qualified professional valuer, on the grant respective dates of the RSUs. The weighted average fair value of the Pre-IPO RSU share awards granted is US$1.22 per share after adjusting the effect of the Capitalisation Issue.

The following table summarised the Group's Pre-IPO RSUs movement during the years:

	Number of RSU			
	Dr. Jiang		Employees	
	2020	2019	**2020**	2019
Outstanding at the beginning of the year	**37,805,736**	4,240,956	**25,127,622**	5,726,585
Granted before Capitalisation Issue	**–**	5,210,478	**–**	2,901,646
Capitalisation Issue	**–**	28,354,302	**–**	25,884,693
Exercised after Capitalisation Issue	**(26,950,568)**	–	**(9,184,569)**	(9,385,302)
Outstanding at the end of the year	**10,855,168**	37,805,736	**15,943,053**	25,127,622

As at December 31, 2020, 2,103,504 RSUs (2019: 14,526,286) have been vested but not yet registered and 24,694,717 RSUs (2019: 48,407,072) remained unvested.

Fair value of RSUs granted

Back-solve method was used to determine the underlying equity fair values of the Company and OPM model to determine the fair value of the RSUs granted. Key assumptions, such as years to liquidity event, risk-free interest rate and volatility, are required to be determined by the directors of the Company with best estimate.

The Post-IPO RSU Plan

A restricted share award scheme (the "Post-IPO RSU Plan") was approved and adopted pursuant to a resolution passed on March 22, 2019. The directors of the Company may, from time to time, at its absolute discretion grant RSUs to an eligible person in accordance with the Post-IPO RSU Plan. The overall limit on the number of RSUs under the Post-IPO RSU Plan is 7,650,000 shares and the maximum number of shares which may be awarded to any eligible person under the Post-IPO RSU Plan shall not exceed 1% of the issued share capital of the Company as at March 22, 2019.

25. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share units (continued)

***The Post-IPO RSU Plan** (continued)*

On January 31, 2020, an amendment to the Post-IPO RSU Plan was approved and adopted to increased maximum total number of RSUs, pursuant to which the maximum total number of RSUs that may be granted under the Post-IPO RSU Plan in aggregate (excluding the RSUs that have lapsed or been cancelled in accordance with the rules of the Plan) was increased from 7,650,000 shares to 38,010,316 shares, representing approximately 3.70% of the issued share capital of the Company as at January 31, 2020.

The vesting of the Post-IPO RSUs granted is subject to the eligible person remaining at all times after the date of granting and on the vesting date an eligible person of the Post-IPO RSU Plan. RSUs granted under the Post-IPO RSU Plan shall have a contractual term of 10 years and generally vest over a four year period, with 25% of total options vesting on the anniversary date one year after the vesting commencement date and the remaining 75% vesting subsequently in 36 equal monthly instalments or with 25%, 25%, 25% and 25% of total RSUs vesting on the first, second, third and fourth anniversary date one year after the vesting commencement date.

The grantee may not have any interest or right in the RSUs granted until such Post-IPO RSUs have been vested.

The RSUs granted to the eligible person under the Post-IPO RSU Plan shall be restricted to eligible person only and shall not be assignable to other person. No eligible person may in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to the award. The Post-IPO RSU Plan will be expired on March 23, 2029.

The total expense recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2020 for the Post-IPO RSU granted is RMB104,120,000 (2019: RMB62,254,000).

The following table summarised the Group's Post-IPO RSUs and movement during the year:

	Number of Post-IPO RSUs			
	Dr. Jiang		Employees	
	2020	2019	**2020**	2019
At January 1 of the year	**10,120,105**	–	**15,065,457**	–
Granted during the year	**1,000,000**	10,120,105	**4,759,800**	15,601,457
Forfeited during the year	**–**	–	**(1,499,659)**	(536,000)
Lapsed during the year	**(1,012,010)**	–	**–**	–
Exercised during the year	**(1,195,735)**	–	**(5,157,244)**	–
At December 31 of the year	**8,912,360**	10,120,105	**13,168,354**	15,065,457

25. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share units (continued)

The Post-IPO RSU Plan (continued)

As at December 31, 2020, 1,641,214 Post-IPO RSUs (2019: Nil) have been vested but not yet registered and 20,439,500 Post-IPO RSUs (2019: 25,185,562) remained unvested.

The fair value of the Post-IPO RSUs is measured on the basis of an observable market price as at grant date.

26. CAPITAL COMMITMENTS

The Group had capital commitments under non-cancellable contracts as follows:

	31/12/2020 ***RMB'000***	31/12/2019 *RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements:		
Acquisition of intangible assets and property, plant and equipment	**82,269**	4,020

27. RETIREMENT BENEFIT PLANS

The PRC

The employees of the Company's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the relevant local government authority in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC and charged to profit or loss are approximately RMB16,546,000 for the year ended December 31, 2020 (2019: RMB18,688,000).

28. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the Consolidated Financial Statements, the Group also entered into the following transactions during the year with certain related parties.

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management were as follows:

	2020 *RMB'000*	2019 *RMB'000*
Short term benefits	**31,789**	27,459
Retirement benefit scheme contributions	**149**	368
Total cash compensation	**31,938**	27,827
Non-cash share-based payment expense	**261,435**	337,062
	293,373	364,889

The remuneration of key management personnel is determined by the directors of the Company having regard to the performance of individuals and market trends.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its stakeholders and maintaining an adequate capital structure. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents, time deposits and equity attributable to owners of the Company, comprising issued ordinary share capital, preferred share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of the capital. The Group will balance its overall capital structure through the new shares issues as well as the issue of new debt.

30. FINANCIAL INSTRUMENTS

30a Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Amortised cost (including restricted bank deposit, cash at banks and time deposits)	**3,296,919**	2,609,696
Cash equivalents at FVTPL	**204,885**	217,104
Other investments classified as financial assets measured at FVTPL	**10,125**	11,946
Debt instruments at FVTOCI	**–**	4,811
Financial liabilities		
Amortised cost	**111,400**	39,435

30b Financial risk management objectives and policies

The Group's financial instruments include deposits and other receivables, debt instruments at FVTOCI, other investments classified as financial assets measured at FVTPL, restricted bank deposit, time deposits, cash and cash equivalents and trade and other payables. Details of these financial instruments are disclosed in the respective notes.

The risks associated with the Group's financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain time deposits, cash and cash equivalents, other receivables, debt instruments measured at FVTOCI, other investments classified as financial assets at FVTPL and trade and other payables are denominated in foreign currencies of the respective group entities which are exposed to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging of significant foreign currency exposure should the need arise.

30. FINANCIAL INSTRUMENTS (continued)

30b Financial risk management objectives and policies (continued)

Market risk *(continued)*

(i) Currency risk (continued)

The carrying amounts of monetary assets and liabilities denominated in foreign currencies at the end of the Reporting Period are as follows:

	Assets		Liabilities	
	2020 ***RMB'000***	2019 *RMB'000*	**2020** ***RMB'000***	2019 *RMB'000*
US$	**3,190,281**	1,877,434	**207,900**	13,771
HK$	**210,037**	795,428	**743**	–
AUD$	**6,348**	–	**32,985**	–
Taiwan Dollar ("TWD")	**–**	–	**483**	–
Schweizer Franken ("CHF")	**–**	–	**23,637**	25,596

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase in RMB against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the Reporting Period for a 5% change in foreign currency rates. A positive (negative) number below indicates increase (decrease) in post-tax loss where RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss.

	2020 ***RMB'000***	2019 *RMB'000*
US$	**149,119**	93,183
HK$	**10,465**	39,771
AUD$	**(1,332)**	–
TWD	**(24)**	–
CHF	**(1,182)**	(1,280)

The directors of the Company considered the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of the Reporting Period does not reflect the exposure during the year.

30. FINANCIAL INSTRUMENTS (continued)

30b Financial risk management objectives and policies (continued)

Market risk *(continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate debt instruments at FVTOCI, lease liabilities and time deposits. The Group is also exposed to cash flow interest rate risk in relation to cash at banks (note 19) and borrowings (note 20). The Group currently does not enter into any hedging instrument for fair value or cash flow interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the Reporting Period. The analysis is prepared assuming the financial instruments outstanding at the end of the Reporting Period were outstanding for the whole year. A 50 basis point (2019: Nil) increase or decrease in variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rate had been 50 basis points higher/lower as at December 31, 2020 and all other variables were held constant, the Group's loss for the year ended December 31, 2020 would decrease by RMB285,000 (2019: Nil) or increase by RMB285,000 (2019: Nil).

(iii) Other price risk

The Group is exposed to other price risk arising from money market funds.

The Group is also exposed to other price risk arising from investments in fixed-rate debt instruments at FVTOCI.

Sensitivity analysis

Money market funds

No sensitivity analysis is performed as the directors of the Company consider that the exposure of other price risk arising from the money market fund is insignificant because investments in money market fund are mainly on government treasury securities with high credit rating and liquidity.

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

30. FINANCIAL INSTRUMENTS (continued)

30b Financial risk management objectives and policies (continued)

***Credit risk and impairment assessment** (continued)*

In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate other debtors and other debt instruments issuers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Life-time ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Life-time ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is write-off

For the purpose of impairment assessment for rental deposits, other receivables and receivables from directors and key managements of the Company, with a total gross carrying amount of RMB116,230,000 (2019: RMB100,313,000), the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for these financial assets, the directors of the Company have taken into account the assets positions of the counterparties in estimating the probability of default of each of the other receivables and other current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12m ECL allowance is insignificant.

The credit risk on restricted bank deposit, time deposits, cash at banks, debt instruments at FVTOCI and investments in money market funds of the Group is limited because the counterparties are banks, bond issuers, government and financial institutions with high credit ratings assigned by international credit-rating agencies.

30. FINANCIAL INSTRUMENTS (continued)

30b Financial risk management objectives and policies (continued)

Liquidity risk

In the management of liquidity risk, the management of the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group issues shares as a significant source of liquidity.

The directors of the Company are satisfied that the Group will have sufficient financial resource to meet its financial obligation as they fall due for the foreseeable future after taking into account of the aforesaid proceeds from the shares issuance and the expected working capital requirements for the next twelve months from the end of the Reporting Period.

The following table details remaining contractual maturity of the Group for the payables which has been drawn up based on the undiscounted cash flows based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate *%*	Repayable on demand or less than 1 year *RMB'000*	More than 1 year *RMB'000*	Total undiscounted cash flows *RMB'000*	Total carrying amount *RMB'000*
At December 31, 2020					
Borrowings	**4.83%**	**2,662**	**56,965**	**59,627**	**57,002**
Trade and other payables	**–**	**54,398**	**–**	**54,398**	**54,398**
Lease liabilities	**5.34%**	**9,625**	**19,249**	**28,874**	**26,857**
At December 31, 2019					
Trade and other payables	–	39,435	–	39,435	39,435
Lease liabilities	5.22%	4,436	–	4,436	4,344

30. FINANCIAL INSTRUMENTS (continued)

30c Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the Reporting Period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets and financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	December 31, 2020 ***RMB'000***	December 31, 2019 *RMB'000*		
Wealth management plan	**10,125**	11,946	Level 2	Discounted cash flow method was used to estimate the return from underlying assets.
Treasury bills	**–**	4,811	Level 1	Quoted bid prices in active market
Money Market funds	**204,885**	217,104	Level 2	Based on the net asset values of the funds, which are determined with reference to observable and quoted prices of underlying investment portfolio and adjustments of related expenses.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Derivative financial liabilities *RMB'000*	Borrowings *RMB'000*	Lease liabilities *RMB'000*	Accrued expenses for issue costs *RMB'000*	Total *RMB'000*
At January 1, 2019	1,015,648	–	5,942	6,012	1,027,602
Financing cash flows	–	–	(4,986)	(101,201)	(106,187)
Non-cash changes:					
Fair value changes	756,464	–	–	–	756,464
New leases entered	–	–	3,085	–	3,085
Finance cost	–	–	303	–	303
Automatic conversion of preferred shares upon IPO	(1,772,112)	–	–	–	(1,772,112)
Deferred issued costs accrual	–	–	–	95,189	95,189
At December 31, 2019	–	–	4,344	–	4,344
Financing cash flows	–	55,923	(5,622)	–	50,301
Non-cash changes:					
Fair value changes	–	–	–	–	–
New leases entered	–	–	27,894	–	27,894
Finance cost	–	1,079	241	–	1,320
At December 31, 2020	**–**	**57,002**	**26,857**	**–**	**83,859**

32. PARTICULARS OF SUBSIDIARIES

General information of subsidiaries

Details of the Group's subsidiaries at the end of the Reporting Period are set out below:

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and fully paid share capital/registered capital	Shareholding/equity interest attributable to the Company		Principal activities
			2020	2019	
Directly held					
CStone HK	Hong Kong	Issued capital of HK$1 and paid-up capital of HK$1	100%	100%	Investment holding
CStone Australia	Australia	Registered capital of AUD19,000,000 (equivalent to RMB99,476,400) and paid-up capital of AUD18,023,589 (equivalent to RMB86,458,789)	100%	100%	Research and development
CStone Pharmaceuticals Singapore Pte. Ltd.	Singapore	Registered capital of USD1 (equivalent to RMB7) and paid-up capital of nil	100%	–	Investment holding
Indirectly held:					
CStone Suzhou	The PRC *(Note)*	Registered capital of USD197,761,363 (equivalent to RMB1,337,882,387) and paid-up capital of USD118,761,363 (equivalent to RMB810,605,387)	100%	100%	Research and development and sales of drugs
拓石藥業(上海)有限公司	The PRC *(Note)*	Registered capital of RMB4,080,000 and paid-up capital of RMB4,011,600	100%	100%	Research and development
創石(北京)醫藥科技有限公司	The PRC *(Note)*	Registered capital of RMB1,200,000 and paid-up capital of RMB1,050,000	100%	100%	Research and development

None of the subsidiaries had issued any debt securities at the end of the year.

Note: CStone Suzhou is a foreign invested limited liability company. 拓石藥業(上海)有限公司 and 創石(北京)醫藥科技有限公司 are domestic owned limited liability companies.

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 RMB'000	2019 RMB'000
Non-current assets		
Investments in subsidiaries	**3,722,081**	2,164,696
Amounts due from subsidiaries	**6,236**	6,450
	3,728,317	2,171,146
Current assets		
Other receivables	**498**	533
Debt instruments at FVTOCI	**–**	4,811
Time deposits	**358,870**	1,599,431
Cash and cash equivalents	**2,845,222**	1,072,558
	3,204,590	2,677,333
Current liabilities		
Other payables and accrued expenses	**341,271**	133,330
Amounts due to subsidiaries	**29,953**	6,563
	371,224	139,893
Net current assets	**2,833,366**	2,537,440
Net assets	**6,561,683**	4,708,586
Capital and reserves		
Ordinary share capital	**787**	687
Reserves	**6,560,896**	4,707,899
Total equity	**6,561,683**	4,708,586

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

The movement of the reserves of the Company is as follows:

	Share premium *RMB'000*	Investment revaluation reserve *RMB'000*	Share-based payment reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At January 1, 2019	2,685,871	350	221,940	(1,467,974)	1,440,187
Loss and total comprehensive expense for the year	–	(350)	–	(1,008,258)	(1,008,608)
Recognition of equity-settled share-based payment (note 25)	–	–	410,717	–	410,717
Exercise of share options (note 25)	34,192	–	(30,332)	–	3,860
Automatic conversion of Preferred Shares upon IPO	1,772,112	–	–	–	1,772,112
Capitalisation Issue (note 24(d))	(381)	–	–	–	(381)
Shares issued upon IPO and over-allotment (note 24)	2,193,513	–	–	–	2,193,513
Transaction costs attributable to repurchase and cancellation of shares	(103,501)	–	–	–	(103,501)
At December 31, 2019	6,581,806	–	602,325	(2,476,232)	4,707,899
Profit and total comprehensive income for the year	–	–	–	157,928	157,928
Recognition of equity-settled share-based payment (note 25)	–	–	356,023	–	356,023
Subscription of new shares by Pfizer Corporation Hong Kong Limited	1,355,841	–	–	–	1,355,841
Exercise of share options (note 25)	43,536	–	(38,533)	–	5,003
Transaction costs attributable to repurchase and cancellation of shares	(21,798)	–	–	–	(21,798)
At December 31, 2020	**7,959,385**	**–**	**919,815**	**(2,318,304)**	**6,560,896**

Definitions

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

"Agios"	means	Agios Pharmaceuticals, Inc., a corporation incorporated on August 7, 2007 and existing under the laws of the State of Delaware, U.S., whose shares are listed on NASDAQ (ticker symbol: AGIO)
"AGM"	means	annual general meeting of the Company
"Articles" or "Articles of Association"	means	the fourth amended and restated articles of association of the Company adopted on January 30, 2019 with effect from Listing, as amended, supplemented or otherwise modified from time to time
"Audit Committee"	means	the audit committee of the Board
"Board", "our Board" or "Board of Directors"	means	the board of Directors
"Board Committees"	means	the Audit Committee, the Nomination Committee, the Compensation Committee, and the Strategy Committee
"CAGR"	means	compound annual growth rate
"CDE"	means	Center for Drug Evaluation
"CG Code"	means	The Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Chairman"	means	the chairman of the Board
"China" or "PRC"	means	the People's Republic of China, for the purposes of this report only, excluding Hong Kong and Macau SAR and Taiwan
"Companies Ordinance"	means	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "CStone" or "our Company"	means	CStone Pharmaceuticals (Stock code: 2616), an exempted company with limited liability incorporated under the laws of the Cayman Islands on December 2, 2015, the Shares of which are listed on the Main Board of the Stock Exchange
"Compensation Committee"	means	the compensation committee of the Board
"Consolidated Financial Statements"	means	the audited consolidated financial statements of the Group

"Corporate Governance Report"	means	the corporate governance report of the Group for the year ended December 31, 2020
"CRO(s)"	means	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"CStone Suzhou"	means	CStone Pharmaceuticals (Suzhou) Co., Ltd. (基石藥業(蘇州)有限公司), a company established under the laws of the PRC on April 21, 2016 and one of the Company's subsidiaries
"CTA"	means	clinical trial application
"Director(s)"	means	the director(s) of our Company
"General Mandate"	means	the mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on June 23, 2020 to issue, allot and deal with up to 20% of the then issued share capital of the Company as at the date of annual general meeting of 2020
"GIST"	means	gastrointestinal stromal tumor, a type of tumor that occurs in the gastrointestinal tract, most commonly in the stomach or small intestine
"Group", "our Group", "the Group", "we", "us", or "our"	means	the Company and its subsidiaries from time to time
"HCC"	means	hepatocellular carcinoma, a type of cancer arising from hepatocytes in predominantly cirrhotic liver
"HKD" or "HK$" or "HK dollars"	means	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	means	the Hong Kong Special Administrative Region of the PRC
"IND"	means	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia
"Independent Auditor" or "Deloitte"	means	Deloitte Touche Tohmatsu
"INED(s)"	means	the independent non-executive Director(s)
"IO"	means	immuno-oncology
"IPO"	means	the initial public offering of the Company on the Stock Exchange

"Listing"	means	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	means	February 26, 2019, being the date on which the Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	means	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	means	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the GEM
"Memorandum" or "Memorandum of Association"	means	the fourth amended and restated memorandum of association of the Company adopted on January 30, 2019 with effect from Listing, as amended, supplemented or otherwise modified from time to time
"Pfizer"	means	Pfizer Inc., a company incorporated in Delaware and listed on the New York Stock Exchange (NYSE: PFE)
"Pfizer Corporation"	means	Pfizer Corporation Hong Kong Limited, a company incorporated in Hong Kong with limited liability, an indirectly wholly-owned subsidiary of Pfizer
"Model Code"	means	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"NDA"	means	new drug application
"NMPA"	means	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"Nomination Committee"	means	the nomination committee of the Board
"Post-IPO ESOP"	means	the Company's post-IPO employee share option plan
"Post-IPO RSU Scheme"	means	the Company's post-IPO restricted share award scheme
"Preferred Share(s)"	means	preferred share(s) in the share capital of the Company prior to the Listing
"Pre-IPO Incentivization Plan"	means	the Company's pre-IPO employee equity plan
"Prospectus"	means	the prospectus of the Company, dated February 14, 2019, in relation to its global offering

"Reporting Period"	means	the one-year period from January 1, 2020 to December 31, 2020
"RET"	means	rearranged during transfection
"RMB" or "Renminbi"	means	Renminbi Yuan, the lawful currency of China
"Securities Transactions Code"	means	the code of conduct of the Company regarding securities transactions, namely the Policy on Management of Securities Transactions by Directors
"SFO"	means	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	means	ordinary share(s) of US$0.0001 each in the issued share capital of our Company
"Share Incentivization Schemes"	means	the Pre-IPO Incentivization Plan, Post-IPO ESOP and Post-IPO RSU Scheme
"Share Subscription Agreement"	means	the Share Subscription Agreement dated September 30, 2020 entered into between the Company and Pfizer Corporation in respect of the Subscription
"Shareholder(s)"	means	holder(s) of Shares
"SM"	means	systemic mastocytosis, a form of mastocytosis, in which mast cells accumulate in internal tissues and organs such as the liver, spleen, bone marrow, and small intestines
"Stock Exchange"	means	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	means	the strategy committee of the Board
"Subscription"	means	the subscription of the Subscription Shares under the Share Subscription Agreement
"Subscription Price"	means	US$1.725 per Share (equivalent to approximately HK$13.37 per Share) as set out in the Share Subscription Agreement
"Subscription Shares"	means	a total of 115,928,803 new Shares to be allotted and issued by the Company to Pfizer Corporation under the Share Subscription Agreement
"TGA"	means	Therapeutic Goods Administration of Australia
"U.S. FDA" or "FDA"	means	U.S. Food and Drug Administration
"USD" or "US$" or "US dollars"	means	United States Dollars, the lawful currency of the United States of America

"Zhengze Yuanshi"	means	Suzhou Industrial Park Zhengze Yuanshi Venture Capital L.P. (蘇州工業園區正則原石創業投資企業(有限合夥))
"%"	means	per cent.

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