EVEREST MEDICINES
云顶新耀

Everest Medicines Limited
雲頂新耀有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1952

Better Medicines,
Better Life

2020 Annual Report

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wei Fu (傅唯) *(Chairman of the Board)*
Dr. Kerry Levan Blanchard
Mr. Ian Ying Woo (何穎)
Mr. Xiaofan Zhang (張曉帆)

Non-Executive Directors

Mr. Yubo Gong (龔聿波)
Ms. Lan Kang (康嵐)

Independent Non-executive Directors

Mr. Shidong Jiang (蔣世東)
Mr. Yifan Li (李軼梵)
Mr. Bo Tan (譚擘)

AUDIT COMMITTEE

Mr. Yifan Li *(Chairman)*
Mr. Shidong Jiang
Mr. Bo Tan

REMUNERATION COMMITTEE

Mr. Bo Tan *(Chairman)*
Mr. Wei Fu
Mr. Shidong Jiang

NOMINATION COMMITTEE

Mr. Wei Fu *(Chairman)*
Mr. Yifan Li
Mr. Bo Tan

JOINT COMPANY SECRETARY

Ms. Yin Yin
Ms. Yee Wa Lau

AUTHORISED REPRESENTATIVES

Mr. Ian Ying Woo
Ms. Yee Wa Lau

COMPLIANCE ADVISER

Somerley Capital Limited
20th Floor, China Building
29 Queen's Road Central
Central, Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman
KY1-1104, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Plaza 66, Tower 1, Units 6601–6606
1266 West Nanjing Road
Shanghai, 200040, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

LEGAL ADVISORS

As to Hong Kong law and United States law

Skadden, Arps, Slate, Meagher & Flom
42/F, Edinburgh Tower, The Landmark
15 Queen's Road Central, Hong Kong

As to PRC law

Zhong Lun Law Firm
6/10/11/16/17F, Two IFC, 8 Century Avenue
Pudong New Area, Shanghai 200120, PRC

As to Cayman Islands law
Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Silicon Valley Bank
3003 Tasman Drive, Santa Clara, CA 95054
United States of America

STOCK CODE

1952

COMPANY WEBSITE

www.everestmedicines.com

Chairman's Statement

Dear Everest Medicines Shareholders,

2020 was a truly transformational year for Everest Medicines. Even against the backdrop of a global pandemic and mounting uncertainties, we were able to enhance our clinical and operational capabilities, expand our geographic footprint, strengthen our balance sheet, and achieve multiple significant value accretive milestones.

To highlight a few of these milestones, we completed a US$310 million Series C financing, which led to the successful pricing of our initial public offering on the Stock Exchange. We were subsequently named a constituent stock in select Hang Seng Indexes within the first six months of becoming a public company. We received our first New Drug Application approval in Singapore, received our first Breakthrough Therapy Designation in China and completed our first phase 3 registrational trial in China. 2020 has truly been a year of many "firsts" for our Company.

Beyond these exciting milestones, our team continued to show great enthusiasm and drive across all aspects of the business. We have made tremendous progress in advancing our robust portfolio of eight potential first-in-class or best-in-class drug candidates, forming strong strategic partnerships, building on our existing capabilities and growing our organization in a number of meaningful ways, including the appointment of CEO, Dr. Kerry Levan Blanchard.

As I reflect on everything we have accomplished in the past year, despite so much uncertainty around the world, I am immensely optimistic about our future. We are guided by a clear vision to connect and accelerate biopharmaceutical innovation to address critical unmet medical needs, initially in the Asia Pacific emerging markets, and eventually around the world.

At Everest Medicines, we have become who we are today by being forward thinking, entrepreneurial and persistent. Looking ahead, we will continue to build on our momentum by harnessing our demonstrated strengths in business development and clinical execution, and by maintaining focus on our transition to become a commercial stage company.

Strategic Priorities for 2021

2021 is already well underway and we are working to advance transformation in three key areas — commercialization, manufacturing and discovery — all of which will enable strategic and long-term growth for our business, positioning us to become a leading integrated biopharmaceutical company. In parallel to those areas of transformation, we remain focused on progressing our 2021 strategic priorities:

- With a number of significant late-stage clinical and regulatory milestones planned across the Company's pipeline this year, we are advancing our clinical candidates from late-stage data read-outs, to approvals and product launches. These important advances will transition us into our next stage of growth as a commercial organization.

- We are positioning the Company and our portfolio for long-term organic and inorganic growth with both late- and early-stage innovative drug candidates with the potential to address areas of high unmet medical need, including the establishment of a robust discovery organization.

- Operational excellence has always been a strong pillar of the Company's work and success. We will continue to implement and grow this thoughtful approach across all aspects of our work as we drive rapid and meaningful change for patients and the industry.

Culture and People

We have our sights set high for 2021, yet we are confident in our ability to accomplish our goals. The key to achieving this next stage of long-term growth, we believe, is our people.

Everest Medicines is a young company that is growing quickly. We understand that the efforts we make today will foster a culture of individual growth, learning and development, empower and enable people to achieve their full potential. In turn, this also makes it possible for the Company to achieve its greatest potential as a whole.

We are committed to creating and nurturing a supportive community for our teams by building productive partnerships, encouraging collaboration and risk taking and investing in and developing young talent. With a passionate and driven team of exceptional healthcare professionals, we are poised to grow rapidly, advance innovation for patients and continue to find ways to create social impact for our patients, employees, shareholders and society at large.

At Everest Medicines, we are united by our common values – Patient First, Science Driven, Collaboration, Respect and Care, and Ownership – but our ultimate purpose is to improve the lives of more patients and bring healthier lives to more families.

All of our efforts and planning today will lay a solid foundation for sustained corporate growth, not just for tomorrow, but for the many years to come. Everest Medicines has great prospects ahead of us, and we look forward to achieving our ambitious goals this year, and beyond, with highest quality, integrity and excellence.

Mr. Wei Fu
Chairman

Hong Kong
22 March 2021

Financial Highlights

IFRS NUMBERS:

- Research and development expenses increased by RMB226.5 million to RMB377.4 million for the year ended 31 December 2020, from RMB150.9 million for the year ended 31 December 2019, primarily due to additional clinical trials of our drug candidates and the expansion of our research and development headcount.

- General and administrative expenses increased by RMB223.9 million to RMB277.8 million for the year ended 31 December 2020, from RMB53.9 million for the year ended 31 December 2019, primarily due to IPO costs and the increase in employee remuneration in connection with organization expansion.

- The loss from fair value change in financial instruments issued to investors increased by RMB4,901.5 million to RMB4,938.0 million for the year ended 31 December 2020, from RMB36.5 million for the year ended 31 December 2019, primarily attribute to significant increase in the per share fair value upon the completion of the IPO of the Company when re-measuring convertible redeemable preferred shares previously issued to the investors before conversion into the Company's ordinary shares.

- Net loss for the year ended 31 December 2020 increased to RMB5,658.2 million, from RMB214.5 million for the year ended 31 December 2019, primarily due to the loss of RMB4,938.0 million in fair value change in financial instruments issued to investors, which was a non-cash and one-time adjustment upon the listing as required under IFRS.

NON-IFRS MEASURE:

- Adjusted loss for the year[1] was RMB602.9 million for the year ended 31 December 2020, representing an increase of RMB439.8 million from RMB163.1 million for the year ended 31 December 2019, primarily due to the increase in research and development expenses and general and administrative expenses.

The table below sets forth a reconciliation of the loss for the year attributable to the equity holders of the Company to adjusted loss for the year during the periods indicated:

	Years Ended 31 December	
	2020	2019
	(RMB in thousands)	
Loss for the year attributable to the equity holders of the Company	**(5,658,165)**	(214,512)
Added:		
Loss on fair value changes in financial instruments issued to investors	**4,937,983**	36,453
Share-based compensation expenses	**117,270**	14,945
Adjusted loss for the year	**(602,912)**	(163,114)

1 Adjusted loss for the year represents the loss for the year attributable to the equity holders of the Company excluding the effect of certain non-cash items and one-time events, namely the loss on fair value changes of preferred shares (non-current financial liabilities measured at fair value through profit or loss) and share-based compensation loss. For the calculation and reconciliation of this non-IFRS measure, please refer to paragraph numbered 13 under the heading "Financial Review" below.

Business Highlights

Since the Listing of the Company on 9 October 2020, the Group has made significant progress with respect to its drug pipeline and business operations, including the following milestones and achievements:

Sacituzumab govitecan-hziy (Trodelvy™), *our anchor drug candidate in oncology therapeutic area, is a first-in-class TROP-2 directed antibody-drug conjugate ("ADC").*

- New drug application ("NDA") for sacituzumab govitecan-hziy for the treatment of metastatic triple negative breast cancer ("mTNBC") was submitted and accepted by the Health Sciences Authority ("HSA") of Singapore in January 2021.

- A Phase 2b registrational clinical trial for sacituzumab govitecan-hziy for mTNBC in China was initiated in November 2020, and is currently ongoing.

- A Phase 3 Asia study designed to assess and compare the efficacy and safety of sacituzumab govitecan-hziy versus Treatment of Physician's Choice ("TPC") in Asian patients with hormone receptor positive, HER2 negative metastatic breast cancer ("HR+/HER2- mBC") who have failed at least two prior chemotherapy regimens was initiated in December 2020, and is currently ongoing.

- Sacituzumab govitecan-hziy was included in the updated 2020 China Guidelines for the Standardized Diagnosis and Treatment of Advanced Breast Cancer, compiled by the Breast Cancer Expert Committee of the National Cancer Control Center, the Breast Cancer professional Committee of the Chinese Anti-Cancer Association, and the Cancer Drug Clinical Research Professional Committee of the Chinese Anti-Cancer Association, in October 2020.

- China Clinical Trial Application ("CTA") approval for TROPiCS-04, a global Phase 3 registration clinical trial of sacituzumab govitecan-hziy for metastatic urothelial cancer ("mUC") was granted by the China National Medical Products Administration ("NMPA") in January 2021.

Nefecon, *our anchor drug candidate in cardio-renal therapeutic area, is a novel oral formulation of budesonide in the development for the treatment of IgA nephropathy ("IgAN").*

- Nefecon was granted Breakthrough Therapy Designation ("BTD") for the treatment of IgAN by the China Center for Drug Evaluation ("CDE") of the NMPA in December 2020.

Eravacycline (Xerava™), *is a novel, fully synthetic fluorocycline intravenous antibiotic developed for use as first-line empiric monotherapy for the treatment of multidrug resistance ("MDR") infections, including MDR Gram-negative infections.*

- China NMPA accepted a NDA for eravacycline for the treatment of complicated intra-abdominal infections ("cIAI") in March 2021.

- A Phase 3 bridging clinical trial of eravacycline for the treatment of cIAI in China was completed in October 2020.

OTHER KEY BUSINESS ACTIVITIES:

- We initiated construction of our global manufacturing site in the Jiashan Economic and Technological Development Zone. This facility is expected to comply with the U.S. Food and Drug Administration ("US FDA"), the European Medicines Agency and NMPA good manufacturing practice standards to meet demands in both China and the global market.

- Mr. Kevin Guo joined as the Chief Commercial Officer in February 2021 to lead commercial planning and execution across the pipeline, helping to transition the Company into a commercial organization.

- Effective 15 March 2021, the Company's stock was included as a constituent stock of the Hang Seng Composite Index, the Hang Seng Healthcare Index and the Hang Seng Hong Kong-Listed Biotech Index and fulfilled the eligibility criteria for Southbound Trading under the Stock Connect scheme.

For details of any of the foregoing, please refer to the rest of this annual report and, where applicable, the Company's prior announcements.

Management Discussion and Analysis

OVERVIEW

We are a biopharmaceutical company that integrates licensing, clinical development and commercialization of potentially novel or differentiated therapies to address critical unmet medical needs in Greater China and other emerging Asia Pacific markets. We believe our productive business development, clinical development and regulatory teams and integrated commercial platform position us to accelerate developmental timelines for our drug candidates and to benefit from China's new regulatory and reimbursement policies.

Since our Company was founded in July 2017, we have created a scalable platform, assembled an experienced and visionary management team, and built a portfolio of eight promising clinical-stage drug candidates across oncology, immunology, cardio-renal disease, and infectious disease. We have targeted these four therapeutic areas because of the significant unmet medical needs, the substantial number of patients in each area, and the availability of innovative products globally. Leveraging a broad and experienced business development team in the United States and Europe with a local presence in four cities, we have built strong relationships with global biopharmaceutical companies, and systematically screened and evaluated assets within each therapeutic area of focus that are differentiated and late-stage, and that we believe have significant commercial potential in Greater China and emerging Asia Pacific markets. To develop our drug candidates, we have assembled a senior leadership team with an extensive track record of successfully developing novel therapies, navigating the evolving regulatory environment, and commercializing innovative medicines in China. An entrepreneurial culture is the backbone of our Company: our subject-matter experts in each therapeutic area are focused on net value creation and their incentives are tied closely to performance. We endeavor to build a leadership position in each of our chosen therapeutic areas through anchor assets in each of our four initial areas of focus and we have demonstrated our ability to successfully advance our drug development projects.

PRODUCT PIPELINE

Our product pipeline includes eight potentially first-in-class or best-in-class assets in our four therapeutic areas of focus: oncology, immunology, cardio-renal disease and infectious disease.

The following table summarizes our pipeline and the development status of each drug candidate as of the date of this annual report:

	Molecule (Modality)	Partner	Commercial Right (In-licensing time)	Indication	IND Approval	China Ph3 / Pivotal		Clinical Status	
						Planning	Enrollment	Global	APAC
Oncology	Trodelvy™/ Sacituzumab govitecan-hziy (ADC)	GILEAD / Immunomedics	Greater China, South Korea, Mongolia, SE Asia (Apr 2019)	mTNBC (3L)	✓			BLA approved in US	Seek BLA approval based on US approval; include South Korea and Taiwan in multi-regional trials; NDA submitted in Singapore
				HR+ / HER2- (3L)	✓			Phase 3	
				mUC (2/3L)	✓			Phase 3	
				Asia basket trial				-	
				mTNBC (1L)				Phase 2	
	FGF401 (Small Molecule)	NOVARTIS	Worldwide (Jun 2018)	HCC	✓			Phase 1/2	
Immunology	Etrasimod (Small Molecule)	ARENA	Greater China, South Korea (Dec 2017)	Ulcerative Colitis	✓			Phase 3	South Korea and Taiwan included in regional trial
				Other autoimmune disease (CD and AD)				Phase 2/3[1]	
Cardio-renal	Nefecon (Small Molecule)	calliditas	Greater China, Singapore (Jun 2019)	IgA nephropathy	✓			Phase 3	Seek NDA approval based on US approval
	Ralinepag (Small Molecule)	United Therapeutics	Greater China, South Korea (Dec 2017)	PAH	✓			Phase 3	
Infectious Disease	Xerava™ (eravacycline) (Small Molecule)	La Jolla / Tetraphase	Greater China, South Korea, SE Asia (Feb 2018)	cIAI	✓			NDA approved in US and Singapore	NDA approved in Singapore; NDA filed and accepted in China
	Taniborbactam (Small Molecule)	VenatoRx	Greater China, South Korea, SE Asia (Sep 2018)	cUTI	✓			Phase 3	
	SPR206 (Small Molecule)	SPERO	Greater China, South Korea, SE Asia (Jan 2019)	Gram negative infections	✓			Phase 1	

Abbreviations: mTNBC = metastatic triple-negative breast cancer; HR+/HER2- = hormone receptor-positive/human epidermal growth factor receptor 2-negative; mUC = metastatic urothelial cancer; HCC = hepatocellular carcinoma; CD = Crohn's disease; AD = atopic dermatitis; IgA = immunoglobulin A; PAH = pulmonary arterial hypertension; cIAI = complicated intra-abdominal infections; cUTI = complicated urinary tract infections; IND = investigational new drug; BLA = biologics license application; NDA = new drug application; 1L = first-line of treatment; 2L = second-line of treatment; 3L = third-line of treatment; SE Asia = Southeast Asia; US = United States; Greater China = PRC, Hong Kong SAR, Macau SAR and Taiwan.

Note:

(1) Arena is conducting a Phase 2/3 program for CD and is planning on initiating a Phase 3 development program for AD.

Business Review

The Company was successfully listed on the Stock Exchange on the Listing Date. Since then, the Group has made significant progress advancing its product pipeline and enhancing its business operations.

Sacituzumab govitecan-hziy

- Development achievements during the Reporting Period:

  — On 2 November 2020, the China NMPA approved a CTA for sacituzumab govitecan-hziy for a regional Phase 3 registration clinical trial, EVER-132-002, designed to assess and compare the efficacy and safety of sacituzumab govitecan-hziy versus TPC in Asian patients with HR+/HER2-mBC who received at least two, and no more than four, systemic chemotherapy regimens. The trial will enroll approximately 330 HR+/HER2- mBC patients in Mainland China, Taiwan and South Korea. On 9 December 2020, the first patient was dosed in this Phase 3 study.

  — On 3 November 2020, the first patient was dosed in China into our EVER-132-001 Phase 2b registration clinical trial evaluating sacituzumab govitecan-hziy for the treatment of patients with mTNBC who have received at least two prior therapies for metastatic disease. EVER-132-001 will enroll approximately 80 mTNBC patients in China. It is worth mentioning that sacituzumab govitecan-hziy has also been included in the newly updated 2020 Guidelines for the Standardized Diagnosis and Treatment of Advanced Breast Cancer, compiled by the Breast Cancer Expert Committee of the National Cancer Control Center, the Breast Cancer professional Committee of the Chinese Anti-Cancer Association, and the Cancer Drug Clinical Research Professional Committee of the Chinese Anti-Cancer Association.

- Post-Reporting Period (expected) milestones and achievements:

  — On 6 January 2021, we submitted a NDA to the HSA of Singapore for sacituzumab govitecan-hziy for the treatment of patients with mTNBC who have received at least two prior therapies for metastatic disease.

- On 6 January 2021, the CDE of the China NMPA approved a CTA for sacituzumab govitecan-hziy for the treatment of patients with mUC. With this CTA, we plan to enroll patients in China as part of the Phase 3, global, multicenter, open-label randomized controlled TROPiCS-04 trial. The trial will evaluate sacituzumab govitecan-hziy compared with standard of care chemotherapeutic options in subjects with metastatic or locally advanced unresectable urothelial cancer who have progressed after prior therapy with a platinum-based regimen and anti-programmed cell death protein 1 ("PD1")/programmed death-ligand 1 ("PD-L1") therapy. Subjects will be randomized to receive either sacituzumab govitecan-hziy or TPC, including paclitaxel, docetaxel, and vinflunine.

- In the second half of 2021, we expect to read-out topline results of the China EVER-132-001 Phase 2b registration clinical trial for mTNBC and initiate patient enrollment in China as part of the Phase 3, global, multicenter, open-label TROPiCS-04 clinical trial for mUC.

- Our partner Gilead Sciences, Inc. ("Gilead") anticipates obtaining full US FDA approval for mTNBC and accelerated US FDA approval for mUC in the first half of 2021, as well as releasing topline results from the global Phase 3 TROPiCS-02 study HR+/HER2-mBC in the second half of 2021. TROPiCS-03 basket study continues to progress, Gilead expects to provide an update, particularly in non-small cell lung cancer, in the second half of 2021.

Nefecon

- Development achievements during the Reporting Period:

  - On 10 November 2020, our licensing partner, Calliditas, reported positive topline results from Part A of the global Phase 3 clinical trial NefIgArd, which analyzed the effect of Nefecon versus placebo in 199 patients with primary IgAN. The trial met its primary objective of demonstrating a statistically significant reduction in urine protein creatinine ratio, or proteinuria, after 9 months of treatment, with significant continued improvement at 12 months. The trial also met the key secondary endpoint showing a statistically significant difference in estimated glomerular filtration rate or eGFR after 9 months of treatment compared to placebo. The efficacy data indicated a significant and beneficial effect on key factors correlated to the progression to end stage renal disease for IgAN patients. In addition, results showed that Nefecon was generally well-tolerated.

  - On 2 December 2020, the China CDE of the NMPA recommended and subsequently granted BTD for Nefecon for the treatment of IgAN. We are currently enrolling patients as part of the Phase 3 global registrational study NefIgArd to support approval for IgAN patients in China.

- Post-Reporting Period (expected) milestones and achievements:

  - We expect to complete patient enrollment in China into the NefIgArd Phase 3 global registration study for IgAN in the first half of 2021.

Eravacycline

- Development achievements during the Reporting Period:
  - On 27 October 2020, we completed a Phase 3 bridging clinical trial of eravacycline which enrolled a total of 144 treated patient, for the treatment of cIAI in China.
- Post-Reporting Period (expected) milestones and achievements:
  - China NMPA accepted a NDA for eravacycline for the treatment in cIAI in China in March 2021 as our first NDA submission in China.

Other assets

- Post-Reporting Period (expected) milestones and achievements:
  - We expect to announce topline results in the Phase 3 global clinical trial for Taniborbactam for complicated urinary tract infections ("cUTI") in 2021.
  - We plan to initiate Phase 2 clinical trial for FGF401 for the treatment of hepatocellular carcinoma in China in the second half of 2021.

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules. The Company cannot guarantee that it will be able to develop, or ultimately market, any of the above drug candidates successfully. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

Corporate Development

— In January 2021, we entered into an amended license agreement with Spero Therapeutics under which the relevant patents for SPR206 will be assigned to us in Greater China, South Korea and certain Southeast Asian countries. SPR206 is in clinical development as an innovative option for the treatment of MDR Gram-negative bacterial infections.

— On 18 February 2021, we appointed Mr. Kevin Guo as our Chief Commercial Officer. Mr. Guo has more than 22 years of commercial leadership and business management experience across a number of multinational pharmaceutical companies.

— We have been selected as a constituent stock of the Hang Seng Composite Index, the Hang Seng Healthcare Index and the Hang Seng Hong Kong-Listed Biotech Index in accordance with the latest index series release by Hang Seng Indexed Company Limited, with effect from 15 March 2021. Being selected as a constituent stock of the above Hang Seng Indexes fulfills the eligibility criteria for Southbound Trading under the Stock Connect Scheme, which is a channel that facilitates stock trading and investment between Hong Kong and a broader base of China investors.

Future Development

We will continue to build a leading biopharmaceutical company focused on the development and commercialization of globally innovative therapies, initially in Greater China and other Asia Pacific markets. To achieve the goal, we will strive to advance our existing drug candidates into and through registrational trials and will seek the most efficient approval pathways. In the meantime, we will continue to expand our innovative drug portfolio in areas of high unmet medical needs across our chosen therapeutic areas through in-licensing and building organic discovery capabilities. To support our anticipated commercial launch of multiple late-stage products, we have commenced building a commercial team with deep knowledge of sales, marketing and market access strategies across a range of therapeutical areas. In addition, we are building our own GMP/GSP manufacturing facilities in China in order to ensure stable and sufficient long term drug supply and to optimize the cost of goods.

Financial Review

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

	Years Ended 31 December	
	2020	2019
	(RMB in thousands)	
General and administrative expenses	**(277,833)**	(53,851)
Research and development expenses	**(377,411)**	(150,888)
Distribution and selling expenses	**(33,246)**	—
Other income	**1,084**	29,253
Other losses	**(1,051)**	(626)
Operating loss	**(688,457)**	(176,112)
Finance costs — net	**(31,725)**	(1,947)
Fair value change in financial instruments issued to investors	**(4,937,983)**	(36,453)
Loss before income tax	**(5,658,165)**	(214,512)
Income tax expense	**—**	—
Loss for the year attributable to the equity holders of the Company	**(5,658,165)**	(214,512)
Total comprehensive loss for the year attributable to the equity holders of the Company	**(5,246,910)**	(229,826)
Non-IFRS measure:		
Adjusted loss for the year	**(602,912)**	(163,114)

1. Overview

For the year ended 31 December 2020, the Group recorded a loss of RMB5,658.2 million. The general and administrative expenses were RMB277.8 million for the year ended 31 December 2020 as compared with RMB53.9 million for the year ended 31 December 2019. The research and development expenses of the Group were RMB377.4 million for the year ended 31 December 2020, as compared with RMB150.9 million for the year ended 31 December 2019.

2. General and Administrative Expenses

Our general and administrative expenses increased significantly from RMB53.9 million for the year ended 31 December 2019 to RMB277.8 million for the year ended 31 December 2020. The increase was primarily attributable to IPO listing costs and increase in employee remuneration in connection with organization expansion.

3. Research and Development Expenses

Our research and development expenses increased significantly from RMB150.9 million for the year ended 31 December 2019 to RMB377.4 million for the year ended 31 December 2020. The increase was primarily attributable to additional clinical trials of our drug candidates and the expansion of our research and development headcount.

4. Distribution and Selling Expenses

We recorded nil distribution and selling expenses for the year ended 31 December 2019 and RMB33.2 million distribution and selling expenses for the year ended 31 December 2020. The increase was primarily attributable to the commencement of commercial activities including market research expense and remuneration to commercial team.

5. Other Income

Our other income decreased from RMB29.3 million for the year ended 31 December 2019 to RMB1.1 million for the year ended 31 December 2020. The decline of our other income was primarily attributable to reduced consultancy service to related parties.

6. Other Losses

Our other losses increased from RMB626 thousands for the year ended 31 December 2019 to RMB1.1 million for the year ended 31 December 2020, primarily attributable to foreign exchange losses from operating activities.

7. Operating Loss

Operating loss increased significantly from RMB176.1 million for the year ended 31 December 2019 to RMB688.5 million for the year ended 31 December 2020. The increase primarily attributable to increased employee remuneration in connection with organization expansion and increased research and development activities, as well as IPO listing cost.

8. Finance Costs — Net

Finance costs increase from RMB1.9 million for the year ended 31 December 2019 to RMB31.7 million for the year ended 31 December 2020, primarily attributable to interest expenses on borrowings from Jiashan Shanhe Equity Investment Company (“Jiashan Shanhe”).

9. Fair Value Change in Financial Instruments Issued to Investors

We recorded a loss from fair value change of financial instruments issued to investors of RMB36.5 million for the year ended 31 December 2019 and RMB4,938.0 million for the year ended 31 December 2020. The change in 2020 was primarily attribute to significant increase in the per share fair value upon the completion of the IPO of the Company when re-measuring convertible redeemable preferred shares previously issued to the investors before conversion into the Company's ordinary shares.

10. Loss for the Year Attributable to the Equity Holders of the Company

The loss for the year attributable to equity holders of the Company increased by RMB5,443.7 million to RMB5,658.2 million for the year ended 31 December 2020 from RMB214.5 million for the year ended 31 December 2019, primarily attributable to the losses of RMB4,938.0 million in fair value change in financial instruments issued to investors and increased business activities.

11. Income Tax Expense

For the years ended 31 December 2020 and 2019, the Company did not incur any income tax expense as the Company did not generate taxable income in both years.

12. Loss for the Reporting Period

As a result of the above factors, the loss of the Company increased by RMB5,017.1 million to RMB5,246.9 million for the year ended 31 December 2020 from RMB229.8 million for the year ended 31 December 2019.

13. Non-IFRS Measure

To supplement the Group's consolidate financial statements, which are presented in accordance with the IFRS, the Company also uses adjusted loss for the year, which is not required by, or presented in accordance with the IFRS. The Company believes that the adjusted loss for the year provides useful information to shareholders and potential investors in understanding and evaluating the Group's consolidated results of operations.

Adjusted loss for the year represents the loss for the year attributable to the equity holders of the Company excluding the effect of certain non-cash items and one-time events, namely the loss on fair value changes in financial instruments issued to investors and share-based compensation expenses. The term adjusted loss for the year is not defined under the IFRS. The use of this non-IFRS measures have 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 measure is a reflection 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 extend applicable.

The table below sets forth a reconciliation of the loss for the year attributable to the equity holders of the Company to adjusted loss for the year during the periods indicated:

	Years Ended 31 December	
	2020	2019
	(RMB in thousands)	
Loss for the year attributable to the equity holders of the Company	**(5,658,165)**	(214,512)
Added:		
Loss on fair value changes in financial instruments issued to investors	**4,937,983**	36,453
Share-based compensation expenses	**117,270**	14,945
Adjusted loss for the year	**(602,912)**	(163,114)

14. Liquidity and Source of Funding

As of 31 December 2020, the Group's cash and cash equivalents increased to RMB4,481.1 million from RMB106.1 million as of 31 December 2019. The increase primarily resulted from the proceeds of the Company's series C financing and the IPO.

As of 31 December 2020, the current assets of the Group were RMB4,496.4 million, including bank balances and cash of RMB4,481.1 million and other current assets of RMB15.3 million. As of 31 December 2020, the current liabilities of the Group were RMB186.9 million, including trade payable of RMB167.5 million, lease liabilities of RMB19.0 million and amounts due to related party of RMB440 thousands. As of 31 December 2020, the Group has borrowings from Jiashan Shanhe of RMB369.4 million.

Details of cash and cash equivalents are set out in Note 20 to the consolidated financial statements.

Operating Activities

Net cash used in our operating activities for the year ended 31 December 2020 was RMB471.9 million. Our net loss was RMB5,658.2 million for the same period. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to (i) the fair value loss of financial instruments in the amount of RMB4,938.0 million and (ii) increased share-based compensation to employees in the amount of RMB102.4 million.

Net cash used in our operating activities for the year ended 31 December 2019 was RMB88.7 million. Our net loss was RMB214.5 million for the same year. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to (i) the fair value loss of financial instruments in the amount of RMB36.5 million and (ii) changes in the working capital. Changes in the working capital mainly include decrease in trade and other receivables of RMB26.5 million and increase in trade and other payables of RMB51.2 million.

Investing Activities

Net cash used in investing activities for the year ended 31 December 2020 was RMB520.0 million, attributable to our purchase of intangible assets of RMB475.9 million in connection with our milestone payment for sacituzumab govitecan-hziy primarily.

Net cash used in investing activities for the year ended 31 December 2019 was RMB47.4 million, primarily attributable to (i) our purchase of intangible assets of RMB86.2 million in connection with our milestone payments for etrasimod, eravacycline and ralinepag and (ii) our payment for the collaboration agreement with I-Mab in the amount of RMB52.5 million, partially offset by cash received as part of the Merger with Everest II in the amount of RMB98.4 million.

Financing Activities

Net cash generated from financing activities for the year ended 31 December 2020 was RMB5,637.9 million, primarily attributable to initial global offering and Series C financing.

Net cash generated from financing activities for the year ended 31 December 2019 was RMB62.0 million, primarily attributable to the borrowing from Everest II in the amount of RMB70.3 million.

15. Treasury Policy

Majority of our cash arises from equity funding. Such cash can only be invested in relatively liquid and low-risk instruments such as bank deposits or money market instruments. The primary objective of our investments is to generate finance income at a yield higher than the interest rate of current bank deposits, with an emphasis on preserving principal and maintaining liquidity.

16. Key Financial Ratios

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

	As at 31 December	
	2020	2019
Current ratio[1]	**24.06**	0.26

Note:

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

Gearing ratio is calculated using interest-bearing borrowings less bank balances and cash, divided by total equity and multiplied by 100%. As at 31 December 2020, the Group was in a net cash position and thus, gearing ratio is not applicable.

17. Significant Investments

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5 percent or more of the Company's total assets as at 31 December 2020) during the year ended 31 December 2020.

18. Material Acquisitions and Disposals

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

19. Future plans for material investments or capital asset

We have completed the design phase of our Jiashan manufacturing facility and will continue the build out of the facility in 2021.

20. Pledge of Assets

As at 31 December 2020, the land for our Jiashan manufacturing facility has been pledged to Jiashan Shanhe.

21. Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2020 (as at 31 December 2019: nil).

22. Foreign Exchange Exposure

During the year ended 31 December 2020, the Group mainly operated in China and the majority of the transactions were settled in Renminbi, the functional currency of the operating entities. Our financial assets and liabilities are subject to foreign currency risk as a result of certain bank deposits and trade and other payables denominated in non-functional currency. Therefore, the fluctuations in the exchange rate of functional currency against non-functional currency could affect our results of operations. We have not entered into any hedging transactions to manage the potential fluctuation in foreign currency as at 31 December 2020.

23. Employees and Remuneration

As of 31 December 2020, we employed a total of 149 full-time employees, 137 based in China, 10 based in the United States, 1 based in France and 1 based in Singapore, including a total of 24 employees with a Ph.D. degree or an M.D. degree.

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

Function	Number	% of Total
Clinical Development	83	56
Business Development	6	4
Commercialization	10	7
Operations and Administrative	50	33
Total	**149**	**100**

The total remuneration cost incurred by the Group for the year ended 31 December 2020 was RMB309.3 million, as compared to RMB152.6 million for the year ended 31 December 2019.

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

Report of Directors

The Board of the Company is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended 31 December 2020.

DIRECTORS

The Directors who held office during the year ended 31 December 2020 and up to the date of this annual report are:

Executive Directors:

Mr. Wei Fu (傅唯) *(Chairman of the Board)*
Dr. Kerry Levan Blanchard
Mr. Ian Ying Woo (何穎)
Mr. Xiaofan Zhang (張曉帆)

Non-Executive Directors:

Mr. Yubo Gong (龔聿波)
Ms. Lan Kang (康嵐)

Independent Non-Executive Directors:

Mr. Shidong Jiang (蔣世東)
Mr. Yifan Li (李軼梵)
Mr. Bo Tan (譚擘)

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 40 to 46 of this annual report.

In accordance with Article 16.19 of the Article of Association, Mr. Wei Fu, Mr. Ian Ying Woo and Mr. Xiaofan Zhang shall retire at the AGM. In addition Ms. Lan Kang who was appointed by the Board on 22 December 2020 shall hold office until the AGM pursuant to Article 16.2 of the Company's Articles of Association. All of the above Directors, being eligible, will offer themselves for re-election at the AGM.

A CHANGE IN DIRECTOR'S INFORMATION

A change in Director's information is set out below pursuant to Rule 13.51(B) of the Listing Rules:

Name of Director	Details of Change
Mr. Shidong Jiang	He has been appointed as the Head of Hospital & Specialty Care Business Unit & Founding Partner of Astellas Pharmaceutical (China) Co., Ltd. since January 2021.

Save as disclosed above, the Company is not aware of other changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 14 July 2017 as an exempted limited liability company. The Company's Shares were listed on the Main Board of the Stock Exchange on 9 October 2020.

ADOPTION OF DUAL FOREIGN NAME

By a special resolution passed on 21 September 2020, the Company adopted the Chinese name 雲頂新耀有限公司 as part of its legal name. The Certification of Incorporation on adoption of Dual Foreign Name was issued by the Registrar of Companies in the Cayman Islands on 21 September 2020 certifying the dual foreign name of the Company. The Certificate of Registration of Alteration of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 6 October 2020 confirming the registration of the name of the Company has been changed from "Everest Medicines Limited" to "Everest Medicines Limited 雲頂新耀有限公司" in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

PRINCIPAL ACTIVITIES

We are a biopharmaceutical company that integrates licensing, clinical development and commercialization of potentially novel or differentiated therapies to address critical unmet medical needs in Greater China and other emerging Asia Pacific markets.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of comprehensive loss on page 82 of this annual report.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

- the financial position and need for additional capital;
- uncertain outcomes of clinical development of our drug candidates;
- its ability to identify, discover or in-license new drug candidates;
- all material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated;
- commercialization of our drug candidates;
- reliance on our business partners and third parties;
- the patent and other intellectual property protection for our drug candidates; and
- risks related to industry, business and operations.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 149 (2019: 117) employees. The following table sets forth the total number of employees by function as of 31 December 2020:

Function	Number of employees	% of total
Clinical Development	83	56%
Business Development	6	4%
Commercialization	10	7%
Operations and Administrative	50	33%
Total	**149**	**100%**

The remuneration of the employees of the Group comprises salaries, bonuses, 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.

Employees are important resources for the Group's sustainable operation and steady development. The Company has formulated policies related to employees' remuneration, rights and interests and conducted various staff training, details of which are further set out in the "Environmental, Social and Governance Report" in this annual report.

The Company has also adopted the Share Schemes to provide incentives for the Group's employees. Please refer to the sections headed "Pre-IPO Share Incentive Plans" and "Post-IPO Share Incentive Plans" in this report for further details.

The total remuneration cost incurred by the Group for the year ended 31 December 2020 was RMB309.3 million, as compared to RMB152.6 million for the year ended 31 December 2019.

During the year ended 31 December 2020, the Group did not experience any significant labour arbitration or litigation or any difficulty in recruiting employees.

MAJOR CUSTOMERS AND SUPPLIERS

We have not generated any revenue from product sales during the Reporting Period and do not expect to generate any revenue from product sales before the commercialization of one or more of our drug candidates.

For the year ended 31 December 2020, purchases from the Group's five largest suppliers accounted for approximately 33.9% (2019: 46.0%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended 31 December 2020 accounted for approximately 10.2% (2019: 20.4%) of the Group's total purchase amount for the same year.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest suppliers.

During the year ended 31 December 2020, the Group did not experience any significant disputes with its customers or suppliers.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last three financial years, as extracted from the audited consolidated financial statements, is set out on page 181 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUBSIDIARIES

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2020 are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended 31 December 2020 and details of the Shares issued during the year ended 31 December 2020 are set out in Note 25 to the consolidated financial statements.

DONATION

During the year ended 31 December 2020, the Group made charitable donations of approximately RMB0.1 million (2019: Nil).

DEBENTURE ISSUED

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

EQUITY-LINKED AGREEMENTS

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

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2020. No dividend was paid or declared by the Company or other members of the Group during the year ended 31 December 2019.

No shareholder has waived or agreed to waive any dividends for the year ended 31 December 2020.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the year ended 31 December 2020. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

The Company may pay dividends out of the share premium account, retained earnings and any other reserves provided that immediately following the payment of such dividends, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

As at 31 December 2020, the Company had distributable reserves for share premium of Nil (2019: Nil).

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity on page 169 and in Note 27 to the consolidated financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2020 are set out in Note 23 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from the date of their service contracts or until the third annual general meeting of the Company since the Listing Date (whichever is sooner), upon which their service contracts will be automatically renewed for successive periods of three years. Either party has the right to give not less than three months' written notice to terminate the contract.

Each of the non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the date of his/her letter of appointment or until the third annual general meeting of the Company since the Listing Date (whichever is sooner), upon which their appointments will be automatically renewed for successive periods of three years. Either party has the right to give not less than three months' written notice to terminate the contract.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the date of the Prospectus until the third annual general meeting of the Company the Listing Date (whichever is sooner) unless terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' notice in writing.

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

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 9 to the consolidated financial statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 December 2020.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

CBC Group is the Controlling Shareholders of our Company. Save as disclosed in the Prospectus and in this annual report, to the best knowledge and belief of our Directors, CBC Group has no contracts of significance with us apart from their interest in our Company.

MANAGEMENT CONTRACTS

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

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

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

Name of Director	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding[1]	Long position/ Short position
Mr. Wei Fu[1]	Founder of a discretionary trust who can influence how the trustee exercises his discretion	131,872,215	44.97%	Long position
Dr. Kerry Levan Blanchard[2]	Beneficial owner	3,250,000	1.11%	Long position
Mr. Ian Ying Woo[3]	Beneficial owner	110,000	0.04%	Long position
Mr. Xiaofan Zhang[4]	Beneficial owner	2,353,902	0.80%	Long position

Notes:

(1) The sole shareholder of C-Bridge Investment Everest Limited is C-Bridge Healthcare Fund II, L.P. while its General Partner is C-Bridge Healthcare Fund GP II, L.P.. The General Partner of C-Bridge Healthcare Fund GP II, L.P. is C-Bridge Capital GP, Ltd. while TF Capital, Ltd. and TF Capital II, Ltd. ("TF Capital II") jointly have controlling interest in it. Nova Aqua Limited has a controlling interest in TF Capital II. The controlling shareholder of C-Bridge IV Investment Two Limited is C-Bridge Healthcare Fund IV, L.P. ("CBH IV") and C-Bridge IV Investment Nine Limited is wholly owned by CBH IV. The General Partner of CBH IV is C-Bridge Healthcare Fund GP IV, L.P. which is under the management by its General Partner C-Bridge Capital GP IV, Ltd. ("CBC IV"). The controlling shareholder of CBC IV is TF Capital IV, Ltd. which is wholly owned by Nova Aqua Limited. Everest Management Holding Co., Ltd. is owned as to 78.32% by C-Bridge Value Creation Limited. C-Bridge Value Creation Limited is wholly-owned by Nova Aqua Limited. The sole shareholder of C-Bridge IV Investment Sixteen Limited is Nova Aqua Limited. The entire interest in Nova Aqua Limited is held by Vistra Trust (Singapore) Pte. Limited as trustee for a trust established by Mr. Wei Fu (as settlor) for the benefit of Mr. Wei Fu and his family.

(2) Mr. Kerry Levan Blanchard's entitlement to receive up to 3,250,000 shares pursuant to the exercise of options under the Pre-IPO Share Schemes, subject to the conditions of those options. The exercise price of these options are USD2.26 or USD3.24.

(3) Mr. Ian Ying Woo's entitlement to receive up to 110,000 shares pursuant to the exercise of options under the Pre-IPO Share Schemes, subject to the conditions of those options. The exercise price of these options is USD2.26.

(4) Mr. Xiaofan Zhang's entitlement to receive up to 2,353,902 shares pursuant to the exercise of options under the Pre-IPO Share Schemes. The exercise price of these options is USD0.18.

(5) The calculation is based on the total number of 293,222,389 Shares in issue as at 31 December 2020.

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

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

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

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding	Long position/ Short position
VISTRA TRUST (SINGAPORE) PTE. LIMITED[1]	Trustee and other	131,872,215	44.97%	Long position
Nova Aqua Limited[1]	Interest in a controlled corporation	131,872,215	44.97%	Long position
C-Bridge Capital GP IV, Ltd.[1]	Interest in a controlled corporation	53,639,823	18.29%	Long position
C-Bridge Healthcare Fund GP IV, L.P.[1]	Interest in a controlled corporation	53,639,823	18.29%	Long position
C-Bridge Healthcare Fund IV, L.P.[1]	Interest in a controlled corporation	53,639,823	18.29%	Long position
TF Capital IV Ltd.[1]	Interest in a controlled corporation	53,639,823	18.29%	Long position
C-Bridge Capital GP, Ltd.[1][2]	Interest in a controlled corporation	50,000,000	17.05%	Long position
C-Bridge Healthcare Fund GP II, L.P.[1]	Interest in a controlled corporation	50,000,000	17.05%	Long position
C-Bridge Healthcare Fund II, L.P.[1]	Interest in a controlled corporation	50,000,000	17.05%	Long position
C-Bridge Investment Everest Limited[1]	Beneficial owner	50,000,000	17.05%	Long position
TF Capital II Ltd.[1]	Interest in a controlled corporation	50,000,000	17.05%	Long position
TF Capital, Ltd.[2]	Interest in a controlled corporation	50,000,000	17.05%	Long position
Dan Yang[2]	Interest in a controlled corporation	50,000,000	17.05%	Long position
Kang Hua Investment Company Limited[2]	Interest in a controlled corporation	50,000,000	17.05%	Long position

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding	Long position/ Short position
C-Bridge IV Investment Two Limited[1]	Beneficial owner	38,362,045	13.08%	Long position
C-Bridge Value Creation Limited[1]	Interest in a controlled corporation	24,005,392	8.19%	Long position
Everest Management Holding Co., Ltd.[1]	Beneficial owner	24,005,392	8.19%	Long position
Anna Inge Leonore Haas Kolchinsky[3]	Interest of spouse	22,744,611	7.76%	Long position
Peter Kolchinsky[3]	Beneficiary of a trust (other than a discretionary interest)	22,744,611	7.76%	Long position
RA Capital Management, L.P.[3]	Investment manager	22,744,611	7.76%	Long position
Janchor Partners Limited	Investment manager	17,421,444	5.94%	Long position
RA Capital Healthcare Fund GP, LLC[3]	Interest in a controlled corporation	17,334,329	5.91%	Long position
RA Capital Healthcare Fund, L.P.[3]	Beneficial owner	17,334,329	5.91%	Long position
C-Bridge IV Investment Nine Limited[1]	Beneficial owner	15,277,778	5.21%	Long position

Notes:

(1) The sole shareholder of C-Bridge Investment Everest Limited is C-Bridge Healthcare Fund II, L.P. while its General Partner is C-Bridge Healthcare Fund GP II, L.P.. The General Partner of C-Bridge Healthcare Fund GP II, L.P. is C-Bridge Capital GP, Ltd. while TF Capital, Ltd. and TF Capital II, Ltd. ("TF Capital II") jointly have controlling interest in it. Nova Aqua Limited has a controlling interest in TF Capital II. The controlling shareholder of C-Bridge IV Investment Two Limited is C-Bridge Healthcare Fund IV, L.P. ("CBH IV") and C-Bridge IV Investment Nine Limited is wholly owned by CBH IV. The General Partner of CBH IV is C-Bridge Healthcare Fund GP IV, L.P. which is under the management by its General Partner C-Bridge Capital GP IV, Ltd. ("CBC IV"). The controlling shareholder of CBC IV is TF Capital IV, Ltd. which is wholly owned by Nova Aqua Limited. Everest Management Holding Co., Ltd. is owned as to 78.32% by C-Bridge Value Creation Limited. C-Bridge Value Creation Limited is wholly-owned by Nova Aqua Limited. The sole shareholder of C-Bridge IV Investment Sixteen Limited is Nova Aqua Limited. The entire interest in Nova Aqua Limited is held by Vistra Trust (Singapore) Pte. Limited as trustee for a trust established by Mr. Wei Fu (as settlor) for the benefit of Mr. Wei Fu and his family.

(2) TF Capital, Ltd. has controlling interest in C-Bridge Capital GP, Ltd.. Kang Hua Investment Capital Limited has controlling interest in TF Capital, Ltd. Mr. Dan Yang is the sole shareholder of Kang Hua Investment Capital Limited.

(3) The investment manager of RA Capital Healthcare Fund, L.P., RA Capital Nexus Fund, L.P. and Blackwell Partners LLC-Series A is RA Capital Management L.P. ("RAC Management"). Mr. Peter Kolchinsky has controlling interest in RAC Management. Ms. Anna Inge Leonore Kolchinsky is Mr. Peter Kolchinsky's spouse. RA Capital Healthcare Fund, GP, LLC is the general partner of RA Capital Healthcare Fund, L.P.

Save as disclosed above, as at the date 31 December 2020 based on publicly available information, no other person (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept under section 336 of the SFO.

PRE-IPO SHARE INCENTIVE PLANS

1. Pre-IPO MSOP

The purpose of the Pre-IPO MSOP is to advance the interests of the Company by providing for the grant to participants of the options, and to motivate the selected participants to contribute to the Company's growth and development. The Pre-IPO MSOP, which will be in the form of options, will enable the Company to recruit, incentivize and retain key employees.

Further details of the Pre-IPO MSOP are set out in the Prospectus and Note 26 to the consolidated financial statements.

A summary of the principal terms of the Pre-IPO MSOP is set out below:

Eligible Participants
Those eligible to participate in the Pre-IPO MSOP include employees, officers, directors, contractors, advisors or consultants of the Group as determined, authorized and notified by the Board or a committee authorized by the Board (the "Committee"). The Board or the Committee may, from time to time select from among all eligible individuals ("Participants") to whom awards in the form of options ("Options") will be granted ("Grantees") and will determine the nature and amount of each grant.

Maximum Number of Shares Available for Issue under the Pre-IPO MSOP
The maximum number of Shares in respect of which Options may be granted under this Pre-IPO MSOP shall not exceed 5,048,779 Shares in the aggregate, subject to any adjustments in the event of any alteration in the capital structure of the Company.

No Employee shall be granted an Option which, if exercised in full, would result in such Employee becoming entitled to subscribe for an aggregate number of Shares (including all previous Options) exceeding 10% of the aggregate number of Shares for the time being issued and issuable under the Pre-IPO MSOP.

Price
The strike price of the Options shall be US$0.18.

Life of the Pre-IPO MSOP
The term of the Pre-IPO MSOP commenced on 23 November 2017 (the "Adoption Date") and will expire on the tenth anniversary of the Adoption Date. Upon expiry of the Pre-IPO MSOP, no further Options will be granted but any Option that is outstanding shall remain in force according to the terms of the Pre-IPO MSOP and the Options shall be exercised in accordance with the terms upon which the Options are granted.

2. Pre-IPO ESOP

The purpose of the Pre-IPO ESOP is to advance the interests of the Company by providing for the grant to participants of the Awards (defined below), and to motivate the selected participants to contribute to the Company's growth and development. The Pre-IPO ESOP, which will be in the form of Options (defined below) and RSU (defined below), will enable the Company to recruit, incentivize and retain key employees.

Further details of the Pre-IPO ESOP are set out in the Prospectus.

A summary of the principal terms of the Pre-IPO ESOP is set out below:

Eligible Participants

Those eligible to participate in the Pre-IPO ESOP include employees, officers, directors, contractors, advisors or consultants of the Group as determined, authorized and notified by the Board or a committee authorized by the Board (the "Committee"). The Board or the Committee may, from time to time select from among all eligible individuals ("Participants") to whom awards ("Awards") in the form of options ("Options") and restricted stock units ("RSU"), will be granted ("Grantees") and will determine the nature and amount of each grant.

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

The maximum number of Shares in respect of which Awards may be granted under this Pre-IPO ESOP shall not exceed 22,932,908 Shares in the aggregate, subject to any adjustments in the event of any alteration in the capital structure of the Company.

No employee shall be granted an Award which, if exercised in full, would result in such employee becoming entitled to subscribe for an aggregate number of Shares (including all previous Awards) exceeding 10% of the aggregate number of Shares for the time being issued and issuable under the Pre-IPO ESOP.

The Pre-IPO Employee Share Option Plan may be altered in any respect by the prior approval of the Board provided that no such alteration shall operate to affect adversely the terms of issue of any Award granted or agreed to be granted prior to such alteration, except with the consent or sanction of such majority of the Grantees as would be required of the shareholders of the Company under the Memorandum and Articles for the time being of the Company for a variation of the rights attached to the Shares.

Price

The strike price of the Options and RSUs shall be approved by the Board and shall be set out in the offer letter.

Life of the Pre-IPO Employee Share Option Plan

The term of the Pre-IPO ESOP commenced on 25 December 2018 and will expire on the tenth anniversary (being 25 December 2028). Upon expiry of the Pre-IPO Employee Share Option Plan, no further Awards will be granted but any Award that is outstanding shall remain in force according to the terms of the Pre-IPO ESOP and the Awards shall be exercised or settled in accordance with the terms upon which the Awards are granted.

Outstanding Share Options and RSU under Pre-IPO Share Incentive Plans

As of 31 December 2020, the Company had share options outstanding under the Pre-IPO Share Schemes to subscribe for an aggregate of 21,381,176 shares granted to 105 grantees (including Directors, senior management, other connected persons of the Company and other employees of the Company). The exercise price of the share options under the Pre-IPO Share Schemes is between US$0.18 to US$3.24.

The table below shows the details of share options granted to the Directors and other employees under the Pre-IPO Share Schemes:

Name	Date of Grant	Vesting Period	Exercise Price (USD)	Number of Shares underlying options outstanding as of the Listing Date	Number of options exercised before the Listing Date and the exercise price	Number of options exercised from the Listing Date to 31 December 2020 and the exercise price	Number of options lapsed during the period from the Listing Date to 31 December 2020	Number of options cancelled during the period from the Listing Date to 31 December 2020 and the exercise price	Number of Shares underlying option outstanding as of 31 December 2020
Kerry Levan Blanchard	16 July 2020	4 years[1]	2.26–3.24	3,250,000	–	–	–	–	3,250,000
Ian Ying Woo	16 July 2020	4 years[2]	2.26	110,000	–	–	–	–	110,000
Xiaofan Zhang	6 March 2020; 16 July 2020	4 years[1]	0.18	2,353,902	–	–	–	–	2,353,902
Other 102 individuals	Between 23 November 2017 to 31 July 2020	4 years[1]	0.18–3.24	15,816,349	297,248 (USD 0.18–1.21)	–	149,075	–	15,667,274

Notes:

(1) A portion of options granted subject to immediate vesting upon Listing.

(2) All options granted subject to immediate vesting upon Listing.

As of 31 December 2021, the Company had RSU with an aggregate of 3,328,000 underlying Shares outstanding pursuant to the Pre-IPO Share Schemes.

POST-IPO SHARE INCENTIVE PLANS

1. Post-IPO Share Option Scheme

The purpose of the Post-IPO Share Option Scheme is to provide Eligible Persons (defined below) with the opportunity to acquire proprietary interests in our Company and to encourage the Eligible Person to work towards enhancing the value of our Company and our Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to Eligible Persons.

Further details of the Post-IPO Share Option Scheme are set out in the Prospectus.

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

Eligible Participants

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of our Group or any of our Group's affiliates who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options ("Eligible Person(s)").

However, no individual who is resident in a place where the grant, acceptance, vesting or exercise of options pursuant to the Post-IPO Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

Maximum Number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of our Company is 28,369,038, being no more than 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes) (the "Option Scheme Mandate Limit"). Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of our Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall 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 Share Option Scheme and any other share option schemes of our Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the "Option Scheme Limit"). No options may be granted under any schemes of our Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

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

Our Company may also seek separate approval of our Shareholders in general meeting for granting options beyond the Option Scheme Mandate Limit, provided such grant is to Eligible Person specifically identified by our Company before the aforesaid Shareholders' meeting where such approval is sought.

Limit of Each Participant

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company to each Eligible Person (including both exercised and outstanding options) in any 12 month period shall not exceed 1% of the total number of Shares in issue (the "Individual Limit"). Any further grant of options to an Eligible Person which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Person (including exercised, canceled and outstanding options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders in general meeting (with such Eligible Persons and his associates abstaining from voting).

Duration

The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted), but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Post-IPO Share Option Scheme.

Option Period

Option period (a period within which an option may be exercised) is to be determined and notified by the Board to each grantee at the time of making an offer, and shall not expire later than 10 years from the grant of the option.

Grant of Option

The Board or its delegates shall be entitled to make an offer, which shall specify the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part.

Exercise Price
The exercise price of each option will be determined by the Board or its delegate(s). Options, once granted, may be repriced only in accordance with the applicable requirements of the Post-IPO Share Option Scheme and the Grant Agreement.

Consideration
An amount of HKD1.00 is payable by the grantees upon acceptance of the awards granted under the Post-IPO Share Option Scheme.

2. Post-IPO Share Award Scheme

The purpose of the Post-IPO Share Award Scheme is to align the interests of eligible persons with those of our Group through ownership of Shares, dividends and other distributions paid on Shares and/ or the increase in value of the Shares, and to encourage and retain eligible persons to make contributions to the long-term growth and profits of our Group. Further details of the Post-IPO Share Award Scheme are set out in the Prospectus. A summary of the principal terms of the Post-IPO Share Award Scheme is set out below:

Eligible Participants
Any individual, being an employee, director, officer, consultant, adviser, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of our Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them) who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to our Group is eligible to receive an Award (as defined below). However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Post-IPO Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO Share Award Scheme.

Maximum Number of Shares
The maximum aggregate number of Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding Shares which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 14,184,519 Shares (representing approximately 5% of the total issued Shares immediately after completion of the global offering, assuming the Over-allotment Option is not exercised and no Share are issued pursuant to the Share Schemes) without further Shareholders' approval (the "Share Award Scheme Limit"), subject to an annual limit of 1% of the total number of issued Shares of the relevant times.

Limit of Each Participant
Save as otherwise restricted by the Share Award Scheme Limit or the Listing Rules, there shall be no limit on the total number of non-vested Shares that may be granted to a selected participant under the Scheme.

Duration

The Post-IPO Share Award Scheme shall be valid and effective for ten years from the Listing Date (the "Award Period") (after which no Awards will be granted), and thereafter for so long as there are any non-vested Shares granted prior to the expiration of the Post-IPO Share Award Scheme, in order to give effect to the vesting of such Shares or otherwise as may be required in accordance with the rules of the Post-IPO Share Award Scheme. Subject to the foregoing, the Post-IPO Share Award Scheme shall terminate on the earlier of: (i) the end of the Award Period except in respect of any non-vested Shares granted prior to the expiration of the Post-IPO Share Award Scheme, for the purpose of giving effect to the vesting of such Shares or otherwise as may be required in accordance with the provisions of the Post-IPO Share Award Scheme; and (ii) such date of early termination as determined by our Board provided that such termination shall not affect any subsisting rights in respect of the Shares granted to a selected participant under the Post-IPO Share Award Scheme.

Consideration

An amount of HKD1.00 is payable by the grantees upon acceptance of the awards granted under the Post-IPO Share Award Scheme.

There is no grants under the Post-IPO Share Schemes until 31 December 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

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

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with Rule 3.25 of the Listing Rules and the CG 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 each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Equity Plans. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 9 to the consolidated financial statements.

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

For the year ended 31 December 2020, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances, and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors was approximately RMB85.55 million (as set out in Note 9 to the consolidated financial statements) including discretionary bonuses of a total sum of RMB17.39 million.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2020, none of our Directors control a business similar to principal business of our Group that competes or is likely to compete, either directly or indirectly, with our Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Save as disclosed in the Prospectus and in this annual report, the Group has not entered into any non-exempt continuing connected transactions (the "Continuing Connected Transactions") from the Listing Date to 31 December 2020. Details of related party transactions of the Group for the year ended 31 December 2020 are set out in Note 29 to the consolidated financial statements, none of which fall under the definition of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules for which disclosure is required following the Listing. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules since the Listing Date.

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

Other than the global offering, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the period from the Listing Date to 31 December 2020.

MATERIAL LITIGATION

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

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company's shares were listed on the Stock Exchange on 9 October 2020 with a total of 73,079,000 offer shares (including shares issued as a result of the full exercise of the over-allotment option) issued and the net proceeds raised during the global offering were approximately HK$3,795 million. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus. The Company will gradually apply the unutilised net proceeds in the manner set out in the Prospectus.

Set out below is the status of use of proceeds from the global offering as at 31 December 2020.

Purpose	% of use of proceeds	Net proceeds (HK$ million)	Utilised for the year ended 31 December 2020 (HK$ million)	Unutilised amount as at 31 December 2020 (HK$ million)
Funding ongoing and planned clinical trials (including any potential clinical studies for new indications if appropriate), preparation for registration filings and other steps or activities related to commercialization (including provision of scientific and clinical support by medical affairs team, key opinion leader development, strategic planning and market access analysis) of eravacycline, one of our Core Drug Candidates	15%	569	22	547
Funding ongoing and planned clinical trials (including any potential clinical studies for new indications if appropriate), preparation for registration filings and other steps or activities related to commercialization (including provision of scientific and clinical support by medical affairs team, key opinion leader development, strategic planning and market access analysis) of etrasimod, one of our Core Drug Candidates	15%	569	13	556
Funding ongoing and planned clinical trials, preparation for registration filings and potential commercialization of sacituzumab govitecan-hziy	20%	759	13	746
Funding ongoing and planned clinical trials, preparation for registration filings and potential commercialization of Nefecon	10%	380	43	336
Funding ongoing and planned clinical trials, preparation for registration filings and potential commercialization of other drug candidates in our pipeline	15%	569	31	538

Purpose	% of use of proceeds	Net proceeds (HK$ million)	Utilised for the year ended 31 December 2020 (HK$ million)	Unutilised amount as at 31 December 2020 (HK$ million)
Funding our business development activities and the expansion of our drug pipeline. To further expand our portfolio, we will continue to bring in high value and differentiated innovative assets with attractive risk-return profiles for our four current core therapeutic areas	15%	569	0	569
Working capital and general and administrative purposes	10%	380	49	331
Total	**100%**	**3,795**	**171**	**3,624**

PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers, Certified Public Accountants and Registered Public Interest Entity Auditor, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this annual report, no important events affecting the Company occurred since the end of the Reporting Period and up to the date of this annual report.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

We have completed the design phase of our Jiashan manufacturing facility and will continue the build out of the facility in 2021.

By the order of the Board
Mr. Wei Fu
Chairman
Hong Kong
22 March 2021

Directors and Senior Management

The Board consists of four executive Directors, two non-executive Director and three independent non-executive Directors.

DIRECTORS

Executive Directors

Mr. Wei Fu (傅唯), aged 38, is an executive Director of our Company, chairman of the Board, chairperson of the nomination committee and member of the remuneration committee. Mr. Fu was appointed as our Director in July 2017 and was re-designated as an executive Director in July 2020. Mr. Fu is also a director of Everest Medicines II (BVI) Limited, Everest Medicines II (HK) Limited, EverOnc Medicines Inc., EverOnc Medicines Limited, Everest Medicines II Limited and Everest Medicines (Singapore) Pte. Ltd..

Mr. Fu has served as the chief executive officer and managing director of CBC Group, a healthcare dedicated private equity firm, since April 2014. From August 2011 to December 2013, Mr. Fu served as the general manager of the investment department at a wholly-owned subsidiary of Far East Horizon Limited, a financial services organization listed on the Stock Exchange (HKEX: 3360). From March 2008 to April 2010, Mr. Fu worked as an associate director at Standard Chartered Business Consulting (Beijing) Co., Ltd., where he was mainly responsible for private equity investments in infrastructure projects. From July 2006 to March 2008, Mr. Fu worked at Macquarie Capital (Singapore) Pte. Limited, where his last position was as a business analyst.

Mr. Fu received his bachelor's degree in electrical and electronic engineering from Nanyang Technological University in Singapore in February 2005.

Mr. Fu has been a director of I-Mab (NASDAQ: IMAB) since June 2018, and was a non-executive director of Ascletis Pharma Inc. (HKEX: 1672) from April 2018 to December 2018.

Mr. Kerry Levan Blanchard, M.D., Ph.D., aged 65, was appointed as our Director in February 2020, was re-designated as an executive Director in July 2020, and was appointed as our chief executive officer in February 2020. Dr. Blanchard is also a director of Everest Medicines II Limited, EverNov Medicines (Zhuhai Hengqin) Co., Ltd., Everest China and Everstar Medicines (Shanghai) Limited.

Dr. Blanchard is an operating partner of CBC Group and most recently served as chief scientific officer at a subsidiary of Innovent Biologics, Inc. (HKEX: 1801), from January 2018 to June 2019. He was a senior executive at Eli Lilly (NYSE: LLY) and its subsidiaries from 2000 to December 2017, playing multiple roles including senior vice president of Lilly China and co-chairman of the Lilly Asia Venture investment committee. Dr. Blanchard's scientific and leadership positions in Eli Lilly included Oncology Discovery Biology Research, Lilly Singapore Systems Biology, Discovery operations, and Tailored Therapeutics in Indianapolis.

Dr. Blanchard worked at the Feist-Weiller Cancer Center, Department of Medicine, Louisiana State University Medical Center from 1992 to 1999, including as an associate professor of Louisiana State University, and was a research fellow, a clinical fellow and an instructor in Medicine at the Brigham and Women's Hospital in Boston, Massachusetts, United States, and at Harvard Medical School in Massachusetts, United States from 1985 to 1992.

Dr. Blanchard received his bachelor's degree in chemistry in August 1977, Ph.D. in biochemistry in September 1982 and M.D. in April 1985, each from Indiana University in the United States.

During the past three years, Dr. Blanchard has not been a director of any listed companies.

Mr. Ian Ying Woo (何穎), aged 48, is an executive Director of our Company and our president and chief financial officer. Mr. Woo was appointed as our Director in December 2018 and was re-designated as an executive Director in July 2020. Mr. Woo is also a director of Everest Medicines II Limited and Everest Medicines (US) Limited.

Mr. Woo is an operating partner of CBC Group and served as a managing director of CBC Group from June 2018 to June 2019. Prior to joining our Company in June 2018, Mr. Woo served as a managing director in the healthcare advisory team at Lazard Frères & Co. LLC ("LFNY"), a subsidiary of the financial advisory and asset management firm Lazard Ltd (NYSE: LAZ). Mr. Woo joined LFNY in March 2005 and was based in New York until June 2018, other than from January 2012 to June 2016 during which period he worked at Lazard Asia (Hong Kong) Limited, LFNY's Hong Kong office and an SFC licensed corporation.

Mr. Woo received his bachelor's degree in biology from Tufts University in the United States in May 1994, his master's degree in cellular, molecular and biomedical studies from the Columbia University Graduate School of Arts and Sciences in the United States in May 1998 and his master of business administration degree from the Columbia University Graduate School of Business in the United States in May 2003.

During the past three years, Mr. Woo has not been a director of any listed companies.

Mr. Xiaofan Zhang (張曉帆), aged 37, was appointed as our Director in November 2017, was re-designated as an executive Director in July 2020, and was appointed as our chief operating officer in November 2017. Mr. Zhang is also a director of Everest Medicines II (HK) Limited, Everest Medicines II Limited, Everest Medicines (Singapore) Pte. Ltd., Everstar Therapeutics Limited, EverID Medicines (Beijing) Limited, Everstar Medicines (Shanghai) Limited, EverNov Medicines Limited, EverNov Medicines (HK) Limited, EverNov Medicines (Zhuhai Hengqin) Co., Ltd., Everest Medicines (Suzhou) Inc. and Everest China.

Mr. Zhang has been with CBC Group since January 2014, most recently serving as a director and responsible for the fund's investments in pharmaceutical and biotech industry prior to joining the Company. Prior to joining CBC Group, Mr. Zhang worked in various capacities in private equity and investment banking, including as a private equity investment officer at Capital International, Inc., a private equity arm of Capital Group, from March 2011 to February 2013, at Morgan Stanley Asia Limited, a subsidiary of Morgan Stanley (NYSE: MS), from May 2007 to March 2011 where his last position held was associate, and at BOCI Research Limited and BOCI Securities Limited from 2006 to 2007.

Mr. Zhang received his bachelor's degree in mathematics with honors from The University of Hong Kong in December 2006.

During the past three years, Mr. Zhang has not been a director of any listed companies.

Non-executive Directors

Mr. Yubo Gong (龔聿波), aged 35, was appointed as our Director in June 2020 and was re-designated as a non-executive Director in July 2020.

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Mr. Gong has been an industrialist investor at Janchor Partners Limited, a company licensed by the SFC to conduct asset management, focusing on investments in China and the healthcare sector, since 2014. Prior to joining Janchor Partners Limited, he was an associate at TPG Capital, Limited in Hong Kong from August 2009 to February 2014. Prior to that, Mr. Gong worked as an analyst in the investment banking division of a subsidiary of Morgan Stanley (NYSE: MS) in New York.

Mr. Gong received his bachelor's degree in economics and biomedical engineering in May 2007 from Duke University in the United States.

During the past three years, Mr. Gong has not been a director of any listed companies.

Ms. Lan Kang (康嵐), aged 52, was appointed as a non-executive Director in December 2020.

Ms. Kang has served at Fosun in multiple roles from 2010 to 2019, including as Executive Board Director and Senior Vice President of Fosun International, responsible for Fosun's insurance business, as well as chief Human Resource officer at Fosun. She also held the role of non-executive Board Director at a number of healthcare related companies, including Fosun Pharma and Fosun United Health Insurance. Prior to joining Fosun, Ms. Kang spent five years at McKinsey & Company in China, in addition to working as an oncology research scientist in her early career. She is currently a managing director at C-Bridge Value Creation Limited of CBC Group.

Ms. Kang was a non-executive director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (HKEX: 2196) from June 2013 to March 2018 and an executive director of Fosun International Limited (HKEX: 0656) from March 2017 to November 2018.

Ms. Kang obtained her Bachelor's degree in Biological Science and Technology from Zhejiang University in China, her MBA degree in Healthcare Management from The Wharton School of the University of Pennsylvania, and her Master's degree in Biochemistry from Tulane University, Louisiana, USA.

Independent Non-executive Directors

Mr. Shidong Jiang (蔣世東), aged 53, was appointed as an independent non-executive Director and a member of the audit and remuneration committees of our Company in September 2020.

Mr. Jiang has over a decade of experience in the pharmaceutical industry. He has been appointed as the Head of Hospital & Specialty Care Business Unit & Founding Partner of Astellas Pharmaceutical (China) Co, Ltd. since January 2021. He was previously the general manager of Hemony Pharma Co., Ltd., a private pharmaceuticals business in China, including in 2017, the chief executive officer of Hisun-Pfizer Pharmaceuticals Ltd., a joint venture between Pfizer Inc. (NYSE: PFE) and Zhejiang Hisun Pharmaceuticals Co., Ltd. (SSE: 600267), in 2015, the president of St. Jude Medical (Shanghai) Limited, St. Jude Medical, Inc.'s (NYSE: STJ, delisted) Chinese subsidiary, including in 2012, and employed by the Pfizer Inc. (NYSE: PFE) pharmaceutical group including as general manager for specialty/anti-infectives in 2010 and 2011.

Mr. Jiang received his bachelor's degree in power engineering from the Dalian University of Technology in Dalian, China in July 1989.

During the past three years, Mr. Jiang has not been a director of any listed companies.

Mr. Yifan Li (李軼梵), aged 53, was appointed as an independent non-executive Director, chairperson of the audit committee and member of the nomination committee of our Company in September 2020.

Mr. Li has been a vice president of Zhejiang Geely Holding Group Co., Ltd. since October 2014. He served as chief financial officer of Sanpower Group Limited from May 2014 to September 2014, and of China Zenix Auto International Limited (NYSE: ZXAIY) from December 2010 to February 2014.

Mr. Li received his bachelor's degree of economics in world economy from Fudan University in China in July 1989, his master's degree in management and administrative sciences from the University of Texas at Dallas in the United States in May 1994 and his master of business administration from the University of Chicago in the United States in June 2000.

Mr. Li is a certified public accountant in the United States and a chartered global management accountant with the American Institute of Certified Public Accountants.

Mr Li has been an independent non-executive director of ZhongAn Online P & C Insurance Co., Ltd. (HKEX: 6060) since December 2016, Frontage Holdings Corporation (HKEX: 1521) since April 2018 and Xinyuan Property Management Service (Cayman) Ltd. (HKEX: 1895) since September 2019. He has also been an independent director of Heilongjiang Interchina Water Treatment Co., Ltd. (SSE: 600187) since May 2015, Shanghai International Port Group Co., Ltd. (SSE: 600018) since September 2015, Xinyuan Real Estate Co., Ltd. (NYSE: XIN) since February 2017, Qudian Inc. (NYSE: QD) since October 2017, Zhejiang Tiantie Industry Co., Ltd. (SZSE: 300587) since December 2017, Sunlands Technology Group (formerly known as Sunlands Online Education Group) (NYSE: STG) since July 2019, and 36Kr Holdings Inc. (NASDAQ: KRKR) since November 2019. Mr. Li was a director of Zhejiang Qianjiang Motocycle Co., Ltd. (SZSE: 000913) from November 2016 to April 2018.

Mr. Bo Tan (譚擘), aged 47, was appointed as an independent non-executive Director, chairperson of the remuneration committee and member of the audit and nomination committees of our Company in September 2020.

Mr. Tan has extensive experience within the financial and pharmaceutical industries, and has worked in private equity, equity research and commercial sectors. He served in various capacities at 3SBio Inc. (HKEX: 1530) from February 2009 to December 2019, including as its vice president, chief financial officer, and executive director. He worked at Lehman Brothers Asia Limited from March 2006 to March 2007 and as a senior analyst at Macquarie Securities Asia from October 2004 to February 2006.

Mr. Tan received his bachelor's degree in economics from Renmin University of China in July 1994, his master's degree in economics from the University of Connecticut, in the United States in December 1996 and his master of international management from the American Graduate School of International Management (now known as Thunderbird School of Global Management) in Arizona, United States in August 1998.

Mr. Tan has served as an independent non-executive director of Globe Metals & Mining (ASX: GBE) since October 2013 and Akeso, Inc. (HKEX: 9926) since April 2020.

SENIOR MANAGEMENT

Mr. Jason Brown, Ph.D., aged 49, has served as our chief business officer since August 2019. Dr. Brown joined us as our senior vice president, business development in July 2017.

Dr. Brown served as a managing director of CBC Group from October 2016 to July 2018 and now serves as an operating partner of CBC Group. From July 2007 to June 2016, Dr. Brown held multiple positions at Thomas, McNerney & Partners, a healthcare venture firm that invests in life science and medical technology companies, and his last position held was partner. From June 2003 to June 2007, Dr. Brown was employed by Forward Ventures, a life science venture capital firm located in San Diego, California, and his last position held was associate.

Dr. Brown received his bachelor's degree in biochemistry and molecular biology from Purdue University in the United States in May 1993 and his Ph.D. in biology from the University of California, San Diego in the United States in June 2000.

During the past three years, Dr. Brown has not been a director of any listed companies.

Ms. Yang Shi (時陽), aged 45, has served as our chief medical officer, oncology since February 2019. Ms. Shi is also a director of EverNov Medicines (Zhuhai Hengqin) Co., Ltd..

Before joining our Company, Ms. Shi was the head of China clinical development at Merck Serono (Beijing) Pharmaceutical Research and Development Co., Ltd. (默克雪蘭諾(北京)醫藥研發有限公司) in China from February 2015 to February 2019. Ms. Shi was the oncology project development director in the medical department at Boehringer Ingelheim International Trading (Shanghai) Co., Ltd. in China and Germany from September 2010 to February 2015. Ms. Shi worked as a product physician, medical advisor and senior manager in oncology consecutively at Pfizer Investment Co., Ltd. in China, a subsidiary of Pfizer Inc. (NYSE: PFE), from September 2005 to September 2010.

Ms. Shi received her bachelor's degree in medicine from the Capital University of Medical Sciences, China in July 1998 and her master's degree in oncology from the Academy of Military Medical Sciences, China in July 2002.

During the past three years, Ms. Shi has not been a director of any listed companies.

Ms. Sunny Xu Zhu (朱煦), aged 50, has served as our chief medical officer, infectious disease since October 2017. Ms. Zhu is also a director of EverID Medicines Limited.

Before joining our Company, Ms. Zhu served as a global clinical leader in the anti-infective therapeutic area of general medicine at Bayer Healthcare Company Limited from April 2013 to October 2017. Ms. Zhu held multiple positions at AstraZeneca Pharmaceutical Technology (Beijing) Co., Ltd., a subsidiary of AstraZeneca plc (LSE: AZN), in China and the United Kingdom from January 2003 to April 2013 and her last position held was executive director of drug development project and portfolio management. Ms. Zhu held multiple positions at MSD China from October 1995 to January 2003 and her last held position was clinical research manager.

Ms. Zhu received her bachelor's degree in preventive medicine from Beijing Medical University (now the Peking University Health Science Center), in July 1994 and her master's degree of medicine in public health and epidemiology and statistics from the Peking University Health Science Center in July 2009.

During the past three years, Ms. Zhu has not been a director of any listed companies.

Ms. Zhengying Zhu, M.D., Ph.D. (朱正纓), aged 48, has served as our chief medical officer, internal medicine since November 2017. Dr. Zhu is also a director of Everstar Therapeutics Inc., Everstar Therapeutics Limited and Everstar Medicines (Shanghai) Limited.

Before joining our Company, Dr. Zhu served as chief medical officer and head of the business development at Luoxin Biological Technology (Shanghai) Co., Ltd. (羅欣生物科技(上海)有限公司) (now known as Luoxin Pharmaceuticals (Shanghai) Co., Ltd (羅欣藥業(上海)有限公司)), a wholly owned subsidiary of Shandong Luoxin Pharmaceutical Group Stock Co., Ltd. (HKEX: 8058, delisted), from October 2014 to October 2017. From November 2006 to October 2014, Dr. Zhu held multiple positions at Sino-American Shanghai Squibb Pharmaceuticals Limited, a subsidiary of Bristol-Myers Squibb (NYSE: BMY), and her last position held was senior medical director. Dr. Zhu worked as a physician at AstraZeneca Pharmaceutical Co., Ltd. in China from April 2005 to November 2006.

Dr. Zhu received her M.D. in clinical medicine in July 1996 and her Ph.D. in clinical medicine and internal medicine in July 2001, both from Shanghai Medical University (now known as Fudan University, School of Medicine). Dr. Zhu completed her post-doctoral fellowship training at the Division of Nephrology, University of Texas Southwestern Medical Center in Dallas, Texas, United States in December 2004.

During the past three years, Dr. Zhu has not been a director of any listed companies.

Mr. Steven Xinhui Hu, Ph.D. (胡新輝), aged 47, served as our senior vice president, chemistry, manufacturing and controls since September 2018 prior to his promotion to chief technology officer.

Dr. Hu served as the senior director and head of chemistry, manufacturing and controls in Roche R&D Center (China) Ltd. from July 2013 to October 2018, director of new product development in GlaxoSmithKline (China) Investment Co., Ltd., a subsidiary of GlaxoSmithKline plc (NYSE: GSK), from July 2010 to July 2013, and senior scientist research pharmacy in Merck & Co, Inc. (NYSE: MRK) from March 2008 to July 2010.

Dr. Hu received his Ph.D. in science mechanics from Brown University in the United States in May 2004 and was a postdoctoral associate in the Chemical Engineering Department at Massachusetts Institute of Technology in the United States from December 2003 to June 2005.

During the past three years, Dr. Hu has not been a director of any listed companies.

Mr. Kevin Guo (郭永), aged 51 has served as chief commercial officer of the Company since 18 February 2021. Mr. Guo has more than 22 years of commercial leadership and business management experience across a number of multinational pharmaceutical companies. Mr. Guo joins the Company after holding leadership positions at Eisai, where he most recently served as vice president and deputy global brand lead for LENVIMA, driving the development and execution of global product launch strategies, including in markets such as China, Japan and other Asia regions. Prior to this, he was vice president and head of the pharmaceutical business division of Eisai China Inc., where he managed several key business functions and was also appointed as chairman of the Board and president of Eisai (Suzhou) Trading Co., Ltd. In addition, Mr. Guo was the vice president of Oncology Business Unit 1 in Shanghai Roche Pharmaceutical Ltd., among other key commercial and business development positions at prominent global pharmaceutical companies, including GlaxoSmithKline plc, Wyeth Pharmaceutical Co., Ltd. (now part of Pfizer Inc.), Sino-American Shanghai Squibb Pharmaceutical Limited and Eli Lilly Asia Inc..

Mr. Guo obtained his Bachelor's degree in clinical medicine from Fourth Military University in China and his Executive MBA from China Europe International Business School.

During the past three years, Mr. Guo has not been a director of any listed companies.

JOINT COMPANY SECRETARY

Ms. Yin Yin (印茵), aged 49, is our joint company secretary, head of investor relations and head of our US operations.

She was formerly employed as company secretary and senior director of investor relations for, and by a subsidiary of, Trip.com Group Limited (NASDAQ: TCOM) from October 2004 to October 2007. Ms. Yin was a manager at Capgemini America from August 1999 to July 2003.

Ms. Yin received her bachelor's degree in biomedical engineering from Duke University in the United States in May 1994 and her master of business administration from New York University in May 1999.

Ms. Yee Wa Lau (劉綺華), aged 48, is our joint company secretary and a senior manager of corporate services of Tricor Services Limited. She is a chartered secretary, a corporate governance professional and an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators (now known as The Charter Governance Institute). Ms. Lau received her bachelor's degree in business administrative management from the University of South Australia.

Ms. Lau has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Lau is currently the named company secretary of four listed companies on the Stock Exchange, namely, BAIOO Family Interactive Limited (HKEX: 2100), Meituan (HKEX: 3690), Transmit Entertainment Limited (HKEX: 1326) and Jiayuan International Group Limited (HKEX: 2768).

The Board of Directors is pleased to present the corporate governance report for the Company for the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieve high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

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

The Company was listed on the Main Board of the Stock Exchange on the Listing Date. Since the Listing Date to 31 December 2020, the Company has complied with all applicable code provisions set out in the CG Code except for the following deviations:

Pursuant to code provision A.1.1 of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was listed on 9 October 2020, only one Board meeting was held during the period from the Listing Date to 31 December 2020.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own to regulate all dealings by Directors and relevant employees in securities of the Company and other matters covered by the Model Code.

Specific enquiry has been made to all the Directors and they have confirmed that they have complied with the Model Code during the period from the Listing Date to 31 December 2020. No incident of non-compliance of the Model Code by the relevant employees has been noted by the Company during the period from the Listing Date to 31 December 2020.

BOARD OF DIRECTORS

Board Composition

As at the date of this annual report, the Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors

Mr. Wei Fu (傅唯) *(Chairman of the Board)*
Dr. Kerry Levan Blanchard *(Chief executive officer)*
Mr. Ian Ying Woo (何穎) *(President, Chief financial officer)*
Mr. Xiaofan Zhang (張曉帆) *(Chief operating officer)*

Non-executive Director

Mr. Yubo Gong (龔聿波)
Ms. Lan Kang (康嵐)

Independent non-executive Directors

Mr. Shidong Jiang (蔣世東)
Mr. Yifan Li (李軼梵)
Mr. Bo Tan (譚擘)

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 40 to 46 of this annual report.

None of the members of the Board is related to one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman and Chief Executive Officer are held by Mr. Wei Fu and Dr. Kerry Levan Blanchard, respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and the daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETINGS

Code provision A.1.1 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication.

As the Company was listed on 9 October 2020, only one Board meeting was held during the period from the Listing Date to 31 December 2020. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

A summary of the attendance record of the Directors at Board meetings and committee meetings during the period from the Listing Date to 31 December 2020 is set out in the following table below:

NUMBER OF MEETING(S) ATTENDED/NUMBER OF MEETING(S) HELD DURING THE PERIOD FROM THE LISTING DATE TO 31 DECEMBER 2020

Name of Director	Board	Remuneration Committee	Nomination Committee
Executive Directors:			
Mr. Wei Fu	1/1	1/1	1/1
Dr. Kerry Levan Blanchard	1/1	–	–
Mr. Ian Ying Woo	1/1	–	–
Mr. Xiaofan Zhang	1/1	–	–
Non-executive Directors:			
Mr. Yubo Gong	1/1	–	–
Ms. Lan Kang	1/1	–	–
Independent Non-executive Directors:			
Mr. Shidong Jiang	1/1	1/1	–
Mr. Yifan Li	1/1	–	1/1
Mr. Bo Tan	1/1	1/1	1/1

No meeting of the Audit Committee and meeting of the Chairman with the independent non-executive Directors without the presence of executive Directors was held during the period from the Listing Date to 31 December 2020.

No annual general meeting was held during the period from the Listing Date to 31 December 2020.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from the Listing Date to 31 December 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date (whichever is sooner).

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

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. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. The retiring Directors shall be eligible for re-election.

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 management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

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

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

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

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of the Company arising out of corporate activities.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee, and the Nomination Committee for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference.

AUDIT COMMITTEE

The Company 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 comprises of three independent non-executive Directors, namely, Mr. Yifan Li, Mr. Shidong Jiang and Mr. Bo Tan. Mr. Yifan Li (being the independent non-executive Director with the appropriate professional qualifications) is the chairman of the Audit Committee.

The primary duties of the Audit Committee include, without limitation to, the following:

- monitoring the integrity of our financial statements, annual reports, accounts, half-yearly reports and our compliance with the Listing Rules and legal requirements in relation to financial reporting;

- making recommendations to the Board on the appointment, reappointment and removal of external auditor, approving the remuneration and terms of engagement of external auditor, and monitoring the independence and objectivity of external auditors and the effectiveness of the audit process in accordance with applicable standards; and

- reviewing our financial controls, risk management and internal control systems; and dealing with other matters that are authorized by the Board.

The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee will hold two meetings to review the interim and annual financial results and reports for the year 2021 and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee will also meet the external auditors twice without the presence of the executive Directors.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee consists of three Directors, namely Mr. Bo Tan, Mr. Wei Fu and Mr. Shidong Jiang. Mr. Wei Fu is an executive Director, Mr. Bo Tan and Mr. Shidong Jiang are both independent non-executive Directors. Mr. Bo Tan is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, among other things:

- making recommendations to the Board on the Company's policy and structure for the executive Directors and senior management remuneration and on the compensation of non-executive Directors;
- evaluating the performance of Directors and senior management of our Company;
- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- establishing formal and transparent procedures for developing remuneration policy; and
- dealing with other matters that are authorized by the Board.

The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

During the period from the Listing Date to 31 December 2020, the Remuneration Committee met once to review to the Board on the remuneration packages of individual executive directors and senior management.

Details of the Directors' remuneration for the year ended 31 December 2020 are set out in Note 9 to the consolidated financial statements.

The remuneration of the senior management (other than Directors) of the Group by band for the year ended 31 December 2020 is set out below:

Remuneration bands (HKD)	Number of persons
HK$5,000,001–HK$6,000,000	–
HK$6,000,001–HK$7,000,000	–
HK$13,000,001–HK$14,000,000	–
HK$14,000,001–HK$15,000,000	2
HK$27,000,001–HK$28,000,000	1
HK$28,000,001–HK$29,000,000	1
HK$38,000,001–HK$39,000,000	1
Total	5

NOMINATION COMMITTEE

The Company established the Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee consists of three members, namely, Mr. Wei Fu, Mr. Bo Tan and Mr. Yifan Li. Mr. Wei Fu is an executive Director, Mr. Yifan Li and Mr. Bo Tan are both independent non-executive Directors. Mr. Wei Fu is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession.

The primary duties of the Nomination Committee include, among other things:

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

- assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment or reappointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive of the Company; and

- performing tasks as assigned by the Board from time to time.

The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

During the period from the Listing Date to 31 December 2020, the Nomination Committee held one meeting to consider the appointment of a non-executive Director of the Company.

BOARD DIVERSITY POLICY

Our Company has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the nomination committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the Board Diversity Policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

The Company have been taking, and will continue to take, steps to promote gender diversity at the Board and management levels. In particular, all of our chief medical officers, who are each responsible for specific therapeutic areas, are female and form part of our senior management team. Going forward, we will continue to work to enhance gender diversity of the Board. Our Board appointed a female director, Ms. Kang on 22 December 2020 to our Board after the Listing (keeping in mind the importance of management continuity and the timeline for retirement and reappointment of Directors under the Articles) and our nomination committee will continue to use its best endeavors and on suitable basis to, within three years after the Listing, identify and recommend multiple suitable female candidates to our Board for its consideration on appointment of a Director. At present, all of the Company's chief medical officers, namely Ms. Sunny Xu Zhu, Dr. Zhengying Zhu and Ms. Yang Shi, are female and each are responsible for clinical development of the Company's products in their respective therapeutic areas. The Company will continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of the Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

DIRECTOR NOMINATION POLICY

The Company has adopted a director nomination policy (the "Director Nomination Policy") in accordance with the CG Code. The Director Nomination Policy sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee shall identify, consider and recommend to the Board appropriate candidates to serve as Directors and to make recommendations to the Shareholders. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

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

- reputation for integrity;
- professional qualifications and skills;
- accomplishment and experience in the private education sector;
- commitment in respect of available time and relevant interest;
- independence of proposed independent non-executive Directors; and
- diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

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

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

CORPORATE GOVERNANCE FUNCTION

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

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in its Corporate Governance Report.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company may from time to time and as the circumstances require provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends in accordance with code provision E.1.5 of the amended the CG Code.

The Company do not have any pre-determined dividend payout ratio. According to the Dividend Policy, payment of dividends depends on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. Dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The statement of the independent auditor of the Company, PricewaterhouseCoopers, about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 75 to 81 of this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

Every newly appointed Director should receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

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

During the year ended 31 December 2020 and prior to the Listing, all of the Directors participated in a training session conducted by Skadden, Arps, Slate, Meagher & Flom, our legal adviser as to Hong Kong law, on directors' duties, responsibilities and obligations under the Listing Rules and the SFO.

AUDITORS' RESPONSIBILITY AND REMUNERATION

The Company appointed PricewaterhouseCoopers ("PwC") as the external auditor for the year ended 31 December 2020. A statement by PwC about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 75 to 81.

Fees for auditing and non-auditing services provided by PwC for the year ended 31 December 2020 are included in Note 5 to the consolidated financial statements. The major non-audit services provided by our external auditor for the year ended 31 December 2020 mainly include services in relations to internal controls assessment.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. During the Reporting Period, the Board had conducted a review of the effectiveness of the risk management internal control system of the Company and considered the system effective and adequate.

RISK MANAGEMENT

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

The Company 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 the strategic objectives on an on-going basis. The Audit Committee, and ultimately the Directors, supervise the implementation of 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 by the Group and reported to the Directors.

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

- The executive committee which is comprised of senior management and functional heads will oversee and manage the overall risks associated with the business operations, including (i) reviewing and approving the risk management policy to ensure that it is consistent with the corporate objectives; (ii) reviewing and approving the corporate risk tolerance; (iii) monitoring the most significant risks associated with the business operation and the management's handling of such risks; (iv) reviewing the corporate risk in the light of corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of risk management framework across the Group.

- The chief operating officer, Mr. Xiaofan Zhang, is responsible for (i) formulating and updating risk management policy and target; (ii) reviewing and approving major risk management issues of the Company; (iii) promulgating risk management measures; (iv) providing guidance on risk management approach to the relevant departments in the Company; (v) reviewing the relevant departments' reporting on key risks and providing feedbacks; (vi) supervising the implementation of risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competencies are in place across the Group; and (viii) reporting to the executive committee on the material risks.

- The relevant departments in the Company, including but not limited to the finance department, the legal department and the human resources department, are responsible for implementing risk management policy and carrying out day-to-day risk management practice. In order to formalize risk management across the 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 the chief executive officer'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 risk management framework.

The Company consider that the Directors and members of the senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control. See "Directors and Senior Management" for details of their qualification and experiences.

INTERNAL CONTROL

The Board is responsible for establishing the internal control system and reviewing its effectiveness. In preparation for the Listing, the Group engaged an independent third-party consultant (the "Internal Control Consultant") to perform a review over selected areas of internal controls over financial reporting in May 2020 (the "Internal Control Review"). The selected areas of internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, including procurement, accounts payable and payment, R&D management, fixed assets management, human resources and payroll management, intellectual property management, intangible assets, cash and treasury management, insurance management, financial reporting and disclosure controls, tax management, and general controls of information technology.

The Internal Control Consultant conducted follow-up reviews in July 2020 and September 2020 (the "Follow-up Review") to review the status of the management actions taken by the Group to address the findings of the Internal Control Review. The Internal Control Consultant did not have any further recommendation in the Follow-up Review other than that some of the Group's policies were published in early July 2020 and September 2020, and no samples were available during the Follow-up Review for the Internal Control Consultant to conduct testing procedures.

The Internal Control Review and the Follow-up Review were conducted based on information provided by the Group, and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Given the implementation of enhanced measures and the results of the Follow-up Review, the Directors were satisfied that the internal control system is adequate and effective for the current operational environment.

The Company established an internal control function to develop and maintain an appropriate internal control framework. A dedicated workforce was hired in January 2021 to build up internal control metrics, which includes both entity-level and business process level controls. In addition, an internal audit function was also established to perform independent monitoring responsibilities.

The Company regularly reviewed and enhanced the internal control system. Below is a summary of the internal control policies, measures and procedures the Company have implemented:

- The Company have adopted various measures and procedures regarding each aspect of the business operation, such as contract management policy, segregation of duty conflicts management, financial closing process, risk management and protection of intellectual property. They provide periodic training about these measures and procedures to the employees as part of the employee training program. The internal audit team conducts audit field work to monitor the implementation of the internal control policies, reports the weakness identified to the management and audit committee and follows up on the rectification actions.

- The Directors (who are responsible for monitoring the corporate governance of the Group) with help from the legal advisers, also periodically reviewed the compliance status with all relevant laws and regulations after the Listing.

- The Company have established an audit committee which (i) makes recommendations to the Directors on the appointment and removal of external auditors; and (ii) reviews the financial statements and renders advice in respect of financial reporting as well as oversees internal control procedures of the Group.

- The Company have engaged Somerley Capital Limited as the compliance adviser to provide advice to the Directors and management team until the end of the first fiscal year after the Listing regarding matters relating to the Listing Rules. The compliance adviser is expected to ensure the use of funding complies with the section entitled “Future Plans and Use of Proceeds” in the Prospectus after the Listing, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

- The Company have engaged the PRC Legal Adviser to advise us on and keep us abreast with PRC laws and regulations after the Listing. The Company continue to arrange various trainings to be provided by external legal advisers from time to time when necessary and/or any appropriate accredited institution to update the Directors, senior management, and relevant employees on the latest PRC laws and regulations.

The Group has adopted an information disclosure management system (the "system") which sets out comprehensive guidelines in respect of handling and dissemination of material non-public information ("MNPI"). The Board and senior management of the Group are responsible for monitoring and implementing the procedural requirements in the system. Release of MNPI shall be overseen by the Board. Except for designated persons, no person of the Group is permitted to disseminate MNPI relating to the Group to any external parties and to respond to media or public which may materially affect the trading price or volume of the Shares on the market.

JOINT COMPANY SECRETARY

Ms. Yin Yin (印茵) and Ms. Yee Wa Lau (劉綺華) have been appointed as the Company's joint company secretaries. Ms. Yee Wa Lau is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services, to assist Ms. Yin to discharge her duties as a company secretary of the Company. Ms. Lau's primary contact person at the Company is Ms. Yin.

For the year ended 31 December 2020, Ms. Yin and Ms. Lau have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings ("EGM") by Shareholders

Pursuant to article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

Putting Forward Proposals at General Meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Act of Cayman Islands (as revised and amended from time to time) or the Articles of Association. However, shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an extraordinary general meeting following the procedures set out in paragraph above.

As regards the procedures for shareholders to propose a candidate for election as a Director, they are available on the Company's website at www.everestmedicines.com.

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company,for the attention of the Board by mail to Plaza 66, Tower 1, Units 6601–6606, 1266 West Nanjing Road, Shanghai, 200040, China. The Company will not normally deal with verbal or anonymous enquiries.

Communication with Shareholders and Investors Relations

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

To promote effective communication, the Company maintains a website at www.everestmedicines.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

Changes in Constitutional Documents

During the period from the Listing Date to 31 December 2020, the Company did not make any significant changes to its constitutional documents.

A latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Everest Medicines Limited ("We", the "Company" or "Everest Medicines") is pleased to present our Environmental, Social and Governance ("ESG") report, covering our ESG management approach and performance for the 2020 calendar and financial year. This report has summarized measures undertaken by the Company and its subsidiaries (collectively, the "Group") in its pursuit of sustainability and the evaluation of the environmental and social impact as a result of these actions.

REPORTING PERIOD

This report covers Everest Medicines' ESG management approach and performance for the period from 1 January 2020 to 31 December 2020 ("the Reporting Period").

SCOPE OF THIS REPORT

The scope of this report primarily covers our core business and includes the key offices located in major cities around the world, namely Beijing, Shanghai, New York, Boston[2] and San Diego.

REPORTING FRAMEWORK

This report is compiled in accordance with the ESG Reporting Guide under Appendix 27 of the Main Board Listing Rules issued by the Stock Exchange of Hong Kong Limited ("HKEX"), meeting the "comply or explain" provision of the ESG Reporting Guide. This report summaries the initiatives, quantitative data, and approaches that the Company undertakes to manage its material ESG issues, as well as discloses environmental quantitative information related to its sustainability performance and involvement which aims to provide the transparency and accountability of the Company's actions to stakeholders. For more information relating to the Company's business and its corporate governance practices, please refer to the Corporate Governance Report section in this Annual Report.

ENDORSEMENT AND APPROVAL

The Board of Directors is responsible for overseeing the statutory compliance, stakeholder engagement, ESG performance and risk management. The Board approved this ESG report on 21 March 2021.

FEEDBACK FOR THIS REPORT

We value your feedback as we set the direction of our development and seek to address your concerns wherever possible. Please share your comments on our sustainability performance with us at IR@everestmedicines.com.

[2] Our Boston office is a shared office where environmental data (e.g. waste, water and electricity consumption) are unavailable.

ENVIRONMENTAL PROTECTION

The Company strictly follows the national and local laws and regulations on environmental protection, including the Environmental Protection Law of the People's Republic of China (the "PRC"), the Law of the PRC on the Prevention and Control of Air Pollution, the Law of the PRC on the Prevention and Control of Water Pollution and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste.

Due to the nature of our business, the majority of our operations are conducted in office environments with limited environmental impact. During the Reporting Period, the Company complied with relevant environmental laws and regulations of the countries where we operate.

EMISSIONS AND ENERGY USE

Everest Medicines advocates the philosophy of environmental protection and energy conservation in daily operations at the offices. We strive to cultivate an awareness among our employees so that we can reduce energy use and the associated costs in our daily operations. Employees are encouraged to turn off their computers and monitors after working hours. Our printers are switched into energy-saving mode automatically when not in use to reduce energy usage.

The Company's energy use mainly comes from electricity consumption at our offices. Details of electricity consumption at our offices for the year are summarized in the table[3] below.

	Unit	2020
Electricity consumption		
Shanghai	kWh	**109,814**
Beijing	kWh	**21,909**
Overall	kWh	**131,723**
Intensity of electricity consumption		
Shanghai	kWh/m^2	**106.83**
Beijing	kWh/m^2	**41.96**
Overall	kWh/m^2	**84.98**

In view of our business nature and operations, emissions including air and greenhouse gas are not considered to be material and disclosed.

3 The data of electricity consumption at our San Diego and New York offices are not available.

WATER RESOURCE MANAGEMENT

We endeavor to minimize water consumption and consume water responsibly throughout our operations. Water in our office is managed by property management. We did not encounter any significant issue in water sourcing. Details of water usage at our offices are summarized in the table[4] below.

	Unit	2020
Water usage		
Shanghai	tons	**1,860**
San Diego	tons	**62**
New York	tons	**25**
Overall	tons	**1,947**
Intensity of water use		
Shanghai	tons/m^2	**1.81**
San Diego	tons/m^2	**0.03**
New York	tons/m^2	**0.08**
Overall	tons/m^2	**0.55**

WASTE MANAGEMENT

The Company promotes recycling of waste from the offices to achieve waste reduction. Non-hazardous wastes are collected by authorized third-party contractors for proper processing and disposal according to environmental protection regulatory requirements. In view of our business nature, we do not generate a significant amount of hazardous waste as the majority of our business is conducted in office. Details of non-hazardous waste disposal are summarized in the table below.

	Unit	2020
General waste disposed		
Shanghai	tons	**7.7**
Beijing	tons	**5.3**
San Diego	tons	**0.3**
New York	tons	**0.7**
Overall	tons	**14.0**

4 The data of water usage at our Beijing office are not available as the water meter is shared with other building tenants.

SOCIAL RESPONSIBILITY

Employment

	Unit	2020
Total number of employees	No.	**149**
By employment type		
Contracted and full-time employees	No.	**149**
Non-contracted and part-time employees	No.	**0**
By gender		
Male	No.	**49**
Female	No.	**100**
By age group		
Below 30	No.	**23**
30–50	No.	**115**
Above 50	No.	**11**
By employment category		
Senior managers or above	No.	**8**
Managers	No.	**107**
General employees	No.	**34**
Turnover		
Total number of resigned employees	No.	**28**
Turnover rate	%	**18.8**

Everest Medicines relies heavily on its dedicated employees to execute its corporate strategies and deliver product and service excellence. As such, the Company endeavors to create an inclusive and supportive workplace, free of harassment, intimidation, bias and discrimination on the grounds of age, gender, disability, religion, family status and obligations, race and color. The Code of Conduct and Business Ethics (the “Code”) is communicated to all new employees and is refreshed periodically. Any employment-related decisions such as recruitment, compensation, promotion, and performance evaluation are conducted solely based on employees’ merits and qualifications. The Company has zero tolerance towards any forms of discrimination or harassment in the workplace.

The Company has a specific procedure detailed in the separate Policy Against Harassment, Discrimination and Retaliation that should be applied to any reported concerns or complaints related to any forms of harassment, discrimination, or retaliation based on a protected category.

Separately, the Company has an Open Door Policy that encourages employees to participate in decisions affecting them and their daily professional responsibilities. Employees who have job-related concerns or complaints are encouraged to discuss them with their line manager or any other management representative with whom they feel comfortable.

We strictly abide by local legislations such as the Employment Ordinance of Hong Kong, Labor Contract Law and Labor Law of the PRC. Our Chinese Employee Handbook is accessible to all employees in Shanghai and Beijing, and it covers policies related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. We are preparing the English Employee Handbook which will be launched in 2021.

During the Reporting Period, there was no regulatory non-compliance that has a significant impact on the Company related to remuneration and dismissal, recruitment and promotion, working hours, leave and holidays, equal opportunities, anti-discrimination and other matters related to staff benefits. In addition, no regulatory non-compliance related to child labor or forced labor prevention was recorded during the Reporting Period.

Employee Welfare

Our employees enjoy a wide range of benefits. For example, paid leave, family leave, disability leave, basic medical insurance, employment injury insurance, unemployment insurance, and maternity insurance and annual body check-up. The Company recognizes the importance of birthdays and other celebratory events. We will arrange for celebrations to celebrate these special occasions. Moreover, the Company provides vacation benefits to eligible employees to enable them to take paid time off for rest and recreation. We believe that this time is valuable for employees in order to enhance their productivity and make their work experience with the Company personally more satisfying.

To help with recruiting efforts, the Company's hiring team has designed a Referral Bonus Plan and encourages all employees to participate. A referral bonus is an award to provide incentives and recognition to current employees who bring new talent into the Company by referring candidates for specific positions. Once the candidate is successfully placed and successfully completes his or her Probationary Period, the referrer may be eligible for a referral bonus.

Occupational Health and Safety

The wellbeing of employees is of paramount importance to Everest Medicines and ensuring their safety at the workplace is our priority. Occupational health and safety rules are covered in the Employee Handbook to ensure compliance with applicable occupational health and safety laws and regulations.

Regular review of the internal occupational health and safety management is performed, and employees' feedback is taken into consideration to drive continuous improvement on safeguarding the health and safety of employees. We encourage employees to take positive actions to maintain high standards of health and safety within the Company. Any potential safety risks should be reported to the responsible personnel. All employees should be familiar with safety measures and emergency procedures.

During the COVID-19 pandemic, we have adopted a thorough disease prevention scheme to protect our workers from contracting COVID-19. The measures we have implemented include, among others regularly sterilizing and ventilating our offices, checking the body temperature of our employees, keeping track of the travel history and health conditions of employees and their immediate family members, providing face masks to employees attending the office, minimizing in-person meetings to the extent possible and requesting employees to wear masks at all times during working hours.

Safety training for operational staff is performed to raise safety awareness and minimize the risks of potential hazards at work. Fire drills are also organized to prepare employees to respond effectively in case of any accident. During the Reporting Period, there were no occupational fatalities or injuries.

Development and Training

We believe the investment in employee training and development can build and retain professional talents, and contribute to the success of the Company. In support of our learning culture, we encourage our employees at all levels to acquire professional knowledge to support their career growth and the Company's business needs.

Tailored on-the-job training and self-learning programs are offered to improve employees' knowledge and skill sets in the industry. The Company offers a wide spectrum of learning opportunities on an ongoing basis, including courses in areas such as risk management skills, quality control, information technology, language proficiency and legal requirements.

Approximately 1,420 hours of training were conducted during the Reporting Period with each employee receiving an average of about 10 hours of training.

To motivate employees to deliver high performance, an effective performance assessment mechanism is adopted. Performance management is a critical process that helps Everest Medicines achieve sustained success of its business in a rapidly changing and increasingly competitive market. The process drives a high-performance culture by setting high standards for all employees and recognizing and rewarding their accomplishments. The performance of our employees is managed through regular monitoring and performance reviews which are conducted twice a year. This enables the Company to evaluate employees' performance and plan relevant training and development programs effectively. Also, the performance review provides an opportunity for all staff members to discuss career planning, identify areas for further development and maximize career potential with their managers or supervisors.

Labor Standards

Everest Medicines respects the human rights of our people. We firmly oppose employing child labor and uphold high labor standards. In the recruitment process, identity checks are performed by the human resource department to ensure all recruited employees are above the legal working age. Forced labor is also not tolerated by the Company, in which reasonable arrangement of working hours is made and employees should follow the working hours as stipulated in the employment contract.

During the Reporting Period, the Company was not found with nor involved in any non-compliance in employment and labor or employment of any child labor or forced labor.

Supply Chain Management

Everest Medicines demands high ethical and environmental standards throughout its global business operations and within its supply chain. We verify the qualifications of our suppliers and contracted service providers, assess their performance and ensure they meet our internal environmental and social standards. Those who fail to meet the standard and show no improvement after remedial actions were communicated will be terminated. The Procurement Standard Operating Procedure (SOP) defines the framework, the responsibilities and the process for purchasing of goods and services in compliance with the relevant regulatory requirement and encompasses current regulatory requirements and expectations where applicable.

We use a limited number of highly reputable Contract Research Organizations (CROs) to support our clinical studies in China. We select our CROs by considering their academic qualifications, industry reputation, compliance with relevant regulatory agencies and cost competitiveness. In addition, we believe that adequate alternative sources for such supplies available and we have developed alternative sourcing strategies for these supplies. We will establish necessary relationships with alternative sources based on supply continuity risk assessment. Other than the agreements with certain CROs, we order supplies and services on a purchase basis and do not enter into long-term dedicated capacity or minimum supply arrangements.

Prior to engaging third party vendors, we will evaluate the vendors' risk level and conduct compliance due diligence for the identified high-risk vendors, especially those local vendors having interactions with government agency or officials on behalf of us, or providing us with relatively sensitive services such as patient recruiting, external meeting organization vendors, etc.

We conduct audit for the CRO once every three years. We may conduct ad hoc audit or quality visit as per business needs based on identified risks or for Centre for Food and Drug Inspection's (CFDI) inspection preparation needs. The routine oversight includes quality issue escalated corrective and preventive action (CAPA) follow up, quality risk assessment remediation action, key quality indicators (KQI) and Quality Control (QC) team's oversight activities, such as trial master file (TMF) QC review, Co-Monitoring, and others.

Product Responsibility

High-quality products and services are the key to business success. We have established an independent quality management system (QMS) and devoted significant attention to quality control and assurance for the clinical development, manufacturing and testing of our drug candidates. Our quality management team monitors and drives our quality performance, allocates sufficient resources to implement the quality management system and sets the quality governance mechanism. The quality team is led by the Senior Vice President of Quality Management Department, who reports directly to the Chief Executive Officer.

The primary responsibilities of our quality management team include the following:

- establishing a robust quality management system for our line functions to ensure that all our activities conform with global and local regulatory requirements;
- adopting and implementing audit plans for investigator site audits, system audits and vendor audits to ensure our compliance with applicable regulatory requirements;
- maintaining quality control policy and standard operating procedures and coordinating and performing risk evaluations for our Company and individual projects to ensure adequate quality metrics and timely reporting to our senior management team;
- maintaining our vendor management system, which includes establishing appropriate processes for the assessment of vendors, monitoring their performance, reviewing and approving quality agreements and other duties; and
- ensuring patient safety and well-being during our clinical trials and the credibility of our clinical trial data.

Our Quality Manual describes the quality organization and QMS and provides quality policies and principles to all employees in Everest Medicines, including all therapeutic areas (TAs) and contracted service providers. The Quality Manual applies to all TAs for all GxP, including Good Clinical Practice (GCP), Good Manufacture Practice (GMP), Good Laboratory Practice (GLP), Good Supplying Practice (GSP) and Good Pharmacovigilance Practice (GPvP), related activities throughout medical product life cycle stage.

All our clinical study and manufacturing activities, including outsourced activities (such as CROs), are in full compliance with China GxP requirements and The International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use (ICH) standards, as well as other local health regulation requirements as applicable. Everyone in our management team commits to put quality first to ensure the study subjects' privacy and rights being protected, the patients' safety being guaranteed, and the clinical data integrity being sustained. The high-quality levels in our operations enable us to supply patients with high quality, safe and effective products.

We clearly request CROs and other clinical-related vendors to comply with all relevant laws and regulations, including but not limited to privacy, data protection and data integrity, both in the service contract and in the detailed operations.

Intellectual Property and Data Protection

Intellectual property is at the core of the success of Everest Medicines' commercial development and enterprise value. Protection of our intellectual policy is crucial to maintaining a competitive advantage in the biopharmaceutical marketplace. We have established an Intellectual Property Policy which includes practices regarding confidentiality, copyright and trademarks protection, and trade secret protection. It provides a basic overview of common types of intellectual property and identifies the basic duties and responsibilities of our employees with respect to intellectual property. In addition, our Employee Handbook lays out high-level standards for the use of confidential data and outlines specific security controls to protect this data. We are now developing a more concrete Data Protection and Privacy Policy which will be announced soon. It is critical for the Company to preserve and protect its confidential information, as well as the confidential information of investors, portfolio companies, suppliers, and third parties. All employees are responsible for ensuring that proper security is maintained at all times. Everest Medicines ensures all marketing strategies and associated advertisements are in full compliance with relevant local, national and global regulations. During the Reporting Period, the Company complied with the laws and regulations that have a significant impact on it relating to advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Anti-Corruption

At Everest Medicines, we are committed to high standards of integrity and ethical business conduct. In November 2017, we adopted the first version of our Anti-Corruption Policy to ensure that we comply with the relevant laws and regulations, such as the Criminal Law of the PRC, the Anti-Unfair Competition Law of the PRC, the U.S. Foreign Corrupt Practices Act and the United Kingdom Bribery Act. We expect all Everest Medicines employees and representatives to conduct business in a fair, ethical and legal manner. Every new employee must participate in orientation training organized by the Human Resources (HR) Department including the compliance and anti-corruption section conducted by the Legal Department. The HR Department will keep training attendance records.

The Code, including the related "Company Compliance Policies, Procedures, and Forms", is in place to ensure proper conduct across all aspects of the Company's operations. It includes the policies, procedures and guidelines relating to the prevention of bribery and fraud, conflict of interest and entertainment from third parties. In order to prepare the forthcoming commercialization, the Company has been developing a couple of internal policies for guiding the basic promotion and marketing activities in near future, such as sponsorship, partnership, grant & donation, etc.

We have established whistleblowing channels for employees or other stakeholders to report any ethical violations and possible illegal or fraudulent activity. Any employee having information or knowledge of any potential, suspected, or actual violation of, or conduct inconsistent with, the Code must promptly report such matter by our compliance hotline, the employee's line manager, the Compliance Officer and/or through email. Upon receipt of the report, the Company will leverage internal and/or external resources to investigate promptly in a manner intended to protect confidentiality as much as practicable.

The Company has no known material instances of non-compliance with relevant laws and regulations regarding bribery, extortion, fraud, or money laundering in its countries of employment during the Reporting Period.

Community Investment

We are committed to our social obligations towards the communities where we operate. We realize the importance of the various socio-economic factors that have contributed to our success, and strive to support the development of the communities and various stakeholders and make a positive impact in their lives. During the COVID-19 pandemic, we donated personal protective equipment and various medical items to support local communities, hospitals and medical schools. These included masks, face shields, goggles, gowns, gloves, shoe covers and glasses.

APPENDIX I: HKEX ESG REPORTING GUIDE INDEX

	Aspects	Section
A	Environmental	
A1	**Emissions** Policies relating to air and greenhouse gas emissions, discharges into water and land and generation of hazardous and non-hazardous waste. Compliance with relevant laws and regulations that have a significant impact on the issuer.	Environmental Protection
A1.1	The types of emissions and respective emission data.	Air emissions are not identified as material to the Company and the data are not tracked.
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse gas emissions are not identified as material to the Company. We will continue to observe any regulatory changes and review our disclosure on an ongoing basis.
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Due to our business nature, no significant amount of hazardous waste is generated.
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
A1.5	Description of measures to mitigate emissions and result achieved.	While we advocate the principle of environmental protection and energy conservation, we do not consider emissions including air and greenhouse gas to be material in view of our business nature.
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management
A2	**Use of Resources** Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	Emissions and Energy Use

	Aspects	Section
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Resource Management
A2.3	Description of energy use efficiency initiatives and result achieved.	Emissions and Energy Use
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Resource Management Measures to improve water efficiency (e.g. installation of appliances with low water consumption) would need to be planned and implemented by the property management. Thus, we are not in the position to plan for improving water efficiency.
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Due to our business nature, we do not involve packaging materials used for finished product.
A3	**The Environment and Natural Resources** Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environmental Protection
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	Environmental Protection

	Aspects	Section
B	**Social**	
B1	**Employment** Policies on employment and compliance with local laws and regulations that have a significant impact on the issuer regarding the following: • Compensation and dismissal • Recruitment and promotion • Working hours and rest periods • Equal opportunity and anti-discrimination • Diversity • Other benefits and welfare	Employment
B2	**Health and Safety** Policies on providing a safe working environment and protecting employees from occupational hazards and compliance with relevant laws and regulations.	Occupational Health and Safety
B3	**Development and Training** Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
B4	**Labour Standards** Policies and compliance with laws and regulations on preventing child and forced labour.	Labor Standards
B5	**Supply Chain Management** Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
B6	**Product Responsibility** Policies and compliance with relevant laws and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility; Intellectual Property and Data Protection
B7	**Anti-corruption** Policies and compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.	Anti-corruption
B8	**Community Investment** Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

To the Shareholders of Everest Medicines Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Everest Medicines Limited (the "Company") and its subsidiaries (the "Group") set out on pages 82 to 180, which comprise:

- the consolidated statement of comprehensive loss for the year ended 31 December 2020;
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of changes in equity for the year ended 31 December 2020;
- the consolidated statement of cash flows for the year ended 31 December 2020; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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 identified in our audit are summarised as follows:

- Impairment assessment of intangible assets
- Accrued service fees to contract research organizations ("CROs")
- Share-based compensation expenses

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of intangible assets *Refer to Note 2.6(a), Note 4(b) and Note 15 to the consolidated financial statements.* As at 31 December 2020, the Group had intangible assets of RMB2,006.1 million, which were significant to the consolidated financial statements. Such intangible assets included in-licenses and acquired in-process research and development of drug products which are not ready for use. These intangible assets are subject to impairment assessment annually, or when there are indicators that these intangible assets might be impaired. The impairment assessment is based on the recoverable amount of each individual asset. Impairment assessment of intangible assets was considered a key audit matter because it involves significant management estimates and judgements, including assumptions relating to the expected achievement of drug development milestones and the outcome of new drug development, revenue growth rate and discount rate.	Our procedures performed in relation to management's impairment assessment of intangible assets mainly included the following: • Understanding and evaluating key controls relating to management's impairment assessment of intangible assets, including the significant estimates and judgements applied; • Inquiring management and inspecting the relevant supporting documents about the expected achievement of drug development milestones and the outcome of new drug development for each drug candidate; • Evaluating, with the assistance of our valuation specialist, the appropriateness of the discounted cash flow model used by management to determine the fair value of intangible assets in the impairment assessment and the reasonableness of key assumptions used, including revenue growth rate and discount rate by comparing with the Group's business plan and market data; • Performing retrospective review by evaluating the outcome of prior period forecast to assess the effectiveness of management's estimation process; • Assessing sensitivities over the key assumptions including revenue growth rate and discount rate in the discounted cash flow model to consider the sufficiency of headroom between recoverable amount and carrying amount of each individual asset; • Evaluating the adequacy of disclosure of key assumptions used in the impairment assessment in the consolidated financial statement. Based on the audit procedures performed, we found management's estimates and judgements in impairment assessment of intangible assets to be supportable by the available evidences.

Key Audit Matter	How our audit addressed the Key Audit Matter
Accrued service fees to contract research organizations ("CROs") *Refer to Note 2.6(b), Note 4(c) and Note 24 to the consolidated financial statements.* As at 31 December 2020, the Group had accrued service fees to third party CROs of RMB37.8 million related to the clinical trials services provided by CROs that are payable as of 31 December 2020. Management applies estimates and judgment in the measurement of the progress of activities and milestones of services provided by CROs on a contract-by-contract basis, which is the basis of assessing service fees to CROs that had incurred and therefore should be accrued as at 31 December 2020. Accrued service fees to CROs was considered a key audit matter because significant efforts were spent on auditing management's measurement of the progress of services provided by CROs due to multiple CROs involved and different contract terms with each CRO.	Our procedures performed in relation to accrued service fees to CROs mainly included the following: • Understanding and evaluating key controls relating to management's measurement of the progress of activities and milestones of services provided by CROs; • Inspecting the terms of CRO contracts and testing the reasonableness of management's measurement of the progress of each activity and milestone of services provided by CROs by examining relevant supporting documents prepared by management and/ or CROs; • Discussing with project managers to understand the phases of clinical trials and their progress of services provided by CROs; • Sending confirmation to CROs, on a sample basis, to check the information used by management to measure the progress of activities and milestones of services provided by CROs; • Comparing billings received from and/or payments made to CROs subsequently with the year end balances of accrued service fee to CROs, on a sample basis. Based on the audit procedures performed, we found management's estimates and judgements in accruing service fee to CROs to be supportable by the available evidences.

Key Audit Matter	How our audit addressed the Key Audit Matter
Share-based compensation expenses *Refer to Note 2.19, Note 4(e) and Note 26 to the consolidated financial statements.* Prior to the listing of the Company and during the year ended 31 December 2020, the Group granted restricted share units and stock options ("share-based awards") to the Group's management and employees. Share-based compensation expenses of RMB117.3 million was recognized in the consolidated statement of comprehensive loss for the year ended 31 December 2020. Share-based compensation expenses was considered a key audit matter because of the valuation techniques and the significant assumptions used in the determination of the fair value of share-based awards and vesting period. A discounted cash flow model was used to determine the fair value of Company's ordinary shares prior to the listing of the Company and based on this fair value, the Company used binominal model or Monte Carlo Simulation model to determine the fair value of the stock options as of the grant date, and in the case of stock option with market condition, the determination of vesting period. The significant management estimates and judgements involved include revenue growth rate, discount rate and expected volatility.	Our procedures performed in relation to the share-based compensation expenses mainly included the following: • Understanding and evaluating key controls relating to management's estimation of fair values of share-based awards at each grant date, including the valuation techniques and the significant assumptions used; • Examining the key terms of relevant agreements of the share-based awards; • Evaluating, with the involvement of our valuation specialist, the appropriateness of valuation techniques used by management and the reasonableness of significant assumptions used, including revenue growth rate, discount rate and expected volatility by comparing with the business plan and market data; • Performing retrospective review by evaluating the outcome of prior period forecast to assess the effectiveness of management's estimation process. Based on the audit procedures performed, we found management's estimates and judgements in determining share-based compensation expenses to be supportable by the available evidences.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Report of Directors, Directors and Senior Management, Corporate Governance Report and Environmental, Social and Governance Report (but does not include the consolidated financial statements and our auditor's report thereon), which are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

When we read the Management Discussion and Analysis, Report of Directors, Directors and Senior Management, Corporate Governance Report and Environmental, Social and Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action considering our legal rights and obligations.

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 and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors 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 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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 this independent auditor's report is Jack Li.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2021

Consolidated Statements of Comprehensive Loss

(Expressed in thousands of RMB unless otherwise stated)

	Note	Years ended 31 December 2020 RMB'000	2019 RMB'000
General and administrative expenses	5	**(277,833)**	(53,851)
Research and development expenses	5	**(377,411)**	(150,888)
Distribution and selling expenses	5	**(33,246)**	—
Other income	6	**1,084**	29,253
Other losses	7	**(1,051)**	(626)
OPERATING LOSS		**(688,457)**	(176,112)
Finance costs — net	8	**(31,725)**	(1,947)
Fair value change in financial instruments issued to investors	21	**(4,937,983)**	(36,453)
LOSS BEFORE INCOME TAX		**(5,658,165)**	(214,512)
Income tax expense	10	**—**	—
LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		**(5,658,165)**	(214,512)
OTHER COMPREHENSIVE INCOME/(LOSS):			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:			
Change in foreign currency translation adjustments		**(160,396)**	(15,314)
Change in fair value of financial assets at fair value through other comprehensive income ("FVOCI")	16	**571,651**	—
OTHER COMPREHENSIVE INCOME/(LOSS)		**411,255**	(15,314)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		**(5,246,910)**	(229,826)
BASIC LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	12	**(66.29)**	(41.04)
DILUTED LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	12	**(66.29)**	(41.04)

(The accompanying notes are an integral part of these consolidated financial statements.)

Consolidated Statements of Financial Position

(Expressed in thousands of RMB unless otherwise stated)

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	**11,411**	7,725
Right-of-use assets	14	**110,563**	38,352
Intangible assets	15	**2,006,056**	1,663,449
Investments	16	**845,697**	293,000
Other non-current assets	17	**7,045**	3,261
		2,980,772	2,005,787
CURRENT ASSETS			
Amounts due from related parties	29	**—**	18,616
Prepayments and other current assets	19	**15,287**	6,476
Cash and cash equivalents	20	**4,481,122**	106,061
		4,496,409	131,153
TOTAL ASSETS		**7,477,181**	2,136,940
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial instruments issued to investors	21	**20,880**	2,463,933
Lease liabilities	22	**58,878**	30,216
Other non-current liabilities	23	**369,438**	—
		449,196	2,494,149
CURRENT LIABILITIES			
Financial instruments issued to investors	21	**—**	395,318
Lease liabilities	22	**19,015**	10,543
Trade and other payables	24	**167,459**	80,779
Amounts due to related parties	29	**440**	17,233
		186,914	503,873
TOTAL LIABILITIES		**636,110**	2,998,022

Consolidated Statements of Financial Position

(Expressed in thousands of RMB unless otherwise stated)

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
EQUITY			
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY			
Share capital	25	**198**	17
Reserves	27	**13,392,531**	443,649
Accumulated deficit	27	**(6,916,016)**	(1,257,851)
Accumulated other comprehensive income/(losses)	27	**364,358**	(46,897)
TOTAL EQUITY/(DEFICIT)		**6,841,071**	(861,082)
TOTAL EQUITY AND LIABILITIES		**7,477,181**	2,136,940

(The accompanying notes are in integral part of these consolidated financial statements.)

The financial statements on pages 82 to 180 were approved by the board of directors on 21 March 2021 and were signed on its behalf.

Kerry Levan Blanchard
Chief Executive Officer

Ian Ying Woo
President & Chief Financial Officer

Consolidated Statements of Changes in Equity

(Expressed in thousands of RMB unless otherwise stated)

	Share capital RMB'000 (Note 25)	Capital reserve RMB'000 (Note 27)	FVOCI reserve RMB'000 (Note 27)	Exchange reserve RMB'000 (Note 27)	Accumulated deficit RMB'000 (Note 27)	Total equity/ (deficit) RMB'000
Balance at 1 January 2020	17	443,649	–	(46,897)	(1,257,851)	(861,082)
COMPREHENSIVE LOSS						
Loss for the year	–	–	–	–	(5,658,165)	(5,658,165)
Foreign currency translation	–	–	–	(160,396)	–	(160,396)
	–	–	–	(160,396)	(5,658,165)	(5,818,561)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Issuance of ordinary shares, net of transaction costs	181	12,758,488	–	–	–	12,758,669
Exercise of stock options	–	1,318	–	–	–	1,318
Cancellation of warrants	–	71,806	–	–	–	71,806
Change in fair value of financial assets at FVOCI	–	–	571,651	–	–	571,651
Share-based compensation	–	117,270	–	–	–	117,270
	181	12,948,882	571,651	–	–	13,520,714
Balance at 31 December 2020	198	13,392,531	571,651	(207,293)	(6,916,016)	6,841,071

Consolidated Statements of Changes in Equity

(Expressed in thousands of RMB unless otherwise stated)

	Share capital RMB'000 (Note 25)	Capital reserve RMB'000 (Note 27)	FVOCI reserve RMB'000 (Note 27)	Exchange reserve RMB'000 (Note 27)	Accumulated deficit RMB'000 (Note 27)	Total equity/ (deficit) RMB'000
Balance at 1 January 2019	2	127,351	—	(31,583)	(1,043,339)	(947,569)
COMPREHENSIVE LOSS						
Loss for the year	—	—	—	—	(214,512)	(214,512)
Foreign currency translation	—	—	—	(15,314)	—	(15,314)
	—	—	—	(15,314)	(214,512)	(229,826)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Issuance of ordinary shares	15	297,979	—	—	—	297,994
Exercise of stock options	—	3,374	—	—	—	3,374
Share-based compensation	—	14,945	—	—	—	14,945
	15	316,298	—	—	—	316,313
Balance at 31 December 2019	17	443,649	—	(46,897)	(1,257,851)	(861,082)

(The accompanying notes are an integral part of these consolidated financial statements.)

Consolidated Statements of Cash Flows

(Expressed in thousands of RMB unless otherwise stated)

	Note	Years ended 31 December 2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(5,658,165)**	(214,512)
Adjustments for:			
Depreciation of property, plant and equipment	13	**4,481**	2,797
Depreciation of right-of-use assets	14	**15,914**	7,207
Recovery of research and development prepayment related to TJ202	16	**—**	(23,042)
Fair value change in financial instruments issued to investors	21	**4,937,983**	36,453
Share-based compensation	26	**117,270**	14,945
Interest income	8	**(2,040)**	(55)
Unrealized foreign exchange losses		**847**	632
Interest expense		**23,820**	2,002
Issuance cost of Series C Convertible Redeemable Preferred Shares financing	8	**10,046**	—
Changes in working capital:			
— Prepayment and other current assets		**(8,812)**	26,471
— Amounts due from related parties		**18,616**	5,477
— Trade and other payables		**86,678**	51,246
— Amounts due to related parties		**(16,793)**	3,710
— Other non-current assets		**(3,784)**	(2,043)
Interest received	8	**2,040**	55
Net cash used in operating activities		**(471,899)**	(88,657)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(8,599)**	(7,083)
Prepayment for the collaboration agreement with I-Mab		**—**	(52,533)
Purchase of land use right		**(35,397)**	—
Purchase of intangible assets		**(475,934)**	(86,191)
Cash received from the acquisition of Everest II	31	**—**	98,442
Net cash used in investing activities		**(519,930)**	(47,365)

Consolidated Statements of Cash Flows

(Expressed in thousands of RMB unless otherwise stated)

	Note	Years ended 31 December 2020 RMB'000	2019 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal elements of lease liabilities		**(19,463)**	(8,302)
Proceeds from initial global offering		**3,385,233**	—
Proceeds from issuance of Series C convertible redeemable preferred shares (net of issuance cost of 10,046)		**1,922,206**	—
Proceeds from borrowings from a related party		**—**	70,298
Proceeds from Jiashan Shanhe Equity Investment Company ("Jiashan Shanhe") borrowing	23	**348,590**	—
Proceeds from exercise of stock option	27	**1,318**	—
Net cash generated from financing activities		**5,637,884**	61,996
Effect of exchange rate changes on cash and cash equivalents		**(270,994)**	(3,416)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**4,375,061**	(77,442)
Cash and cash equivalents at the beginning of the year		**106,061**	183,503
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20	**4,481,122**	106,061

(The accompanying notes are an integral part of these consolidated financial statements.)

(Expressed in thousands of RMB unless otherwise stated)

1. GENERAL INFORMATION

Everest Medicines Limited (the "Company" or "Everest") was incorporated under the law of Cayman Islands as an exempted company with limited liability on 14 July 2017. The Company and its subsidiaries (collectively referred to as the "Group") engages primarily in license-in, development and commercialization of innovative therapies in Greater China and other emerging Asia Pacific markets.

The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company listed its shares on the Main Board of the Stock Exchange of Hong Kong Limited on 9 October 2020 (the "Listing").

As at 31 December 2020, the Company has direct or indirect interests in the following subsidiaries:

Subsidiaries	Place of incorporation	Date of incorporation/ acquisition (Note 31)	Issued and paid up capital	Effective interests held by the Group At 31 December 2020	2019	Principal activities
Directly held by the Company						
Everest Medicines (US) Limited	The United States of America	15 September 2017	USD500	100%	100%	Business development and administrative office
Everonc Medicines Inc.	British Virgin Islands	19 April 2017	USD50,000	100%	100%	Holding company
EverID Medicines Limited	Cayman Islands	15 February 2018	USD50,000	100%	100%	Holding company
Everstar Therapeutics Inc.	Cayman Islands	31 October 2017	USD50,000	100%	100%	Holding company
Everest Medicines (Singapore) Pte. Limited	Singapore	22 November 2018	USD50,000	100%	100%	International activities
EverNov Medicines Limited ("EverNov")	Cayman Islands	14 June 2018	USD50,000	100%	100%	Holding company

(Expressed in thousands of RMB unless otherwise stated)

1. GENERAL INFORMATION (CONTINUED)

Subsidiaries	Place of incorporation	Date of incorporation/ acquisition (Note 31)	Issued and paid up capital	Effective interests held by the Group At 31 December 2020	2019	Principal activities
Directly held by the Company (continued)						
Everest Medicines II Limited ("Everest II")	Cayman Islands	25 November 2019	USD50,000	100%	100%	Holding company
Indirectly held by the Company						
Everonc Medicines Limited	Hong Kong	12 May 2017	HKD10,000	100%	100%	Holding company
EverSun Medicines Limited	Hong Kong	28 February 2018	HKD1	100%	100%	Holding company
Everstar Therapeutics Limited	Hong Kong	3 January 2018	HKD1	100%	100%	Holding company
EverNov Medicines (HK) Limited	Hong Kong	13 December 2018	HKD1	100%[a]	100%[a]	Holding company
Everest Medicines II (BVI) Limited	British Virgin Islands	25 November 2019	USD50,000	100%	100%	Holding company
Everest Medicines II (HK) Limited ("Everest II HK")	Hong Kong	25 November 2019	HKD1	100%	100%	Holding company
Everest Medicines (Suzhou) Inc.[c]	People's Republic of China ("PRC")	11 October 2017	USD5,000,000	100%[b]	100%	Research and development of innovative therapies

(Expressed in thousands of RMB unless otherwise stated)

1. GENERAL INFORMATION (CONTINUED)

Subsidiaries	Place of incorporation	Date of incorporation/ acquisition (Note 31)	Issued and paid up capital	Effective interests held by the Group At 31 December 2020	2019	Principal activities
Indirectly held by the Company (continued)						
EverID Medicines (Beijing) Limited[c]	PRC	30 March 2018	USD5,000,000	100%[b]	100%	Research and development of innovative therapies
Everstar Medicines (Shanghai) Limited[c]	PRC	16 April 2018	USD5,000,000	100%[b]	100%	Research and development of innovative therapies
EverNov Medicines (Zhuhai Hengqin) Limited[d]	PRC	13 February 2019	USD500,000	100%[a]	100%[a]	Research and development of innovative therapies
Everest Medicines (China) Co., Ltd.[e]	PRC	3 April 2020	USD50,000,000	100%	–	PRC holding company

Notes:

(a) The equity interest legally held by the Company in EverNov and its subsidiaries was 92% as at 31 December 2020 and 2019. See Note 21(b) for details.

(b) The equity interest legally held by the Company in Everest Medicines (China) Co., Ltd. was 62.96% in April 2020. See Note 21 for details.

(c) These entities are limited liability company (wholly owned by a foreign invested enterprise).

(d) This entity is a limited liability company (wholly owned by Hong Kong, Macau and Taiwan enterprise).

(e) This entity is a limited liability company (not wholly owned by Hong Kong, Macau and Taiwan enterprise).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial instruments issued to investors which are carried at fair value.

The consolidated financial statements have been prepared on a going concern basis. The Group is in the development phase and has not generated revenue from sales of drugs and has been incurring losses from operations since incorporation. The Group incurred net loss of RMB5,658,165 thousand for the year ended 31 December 2020 (for the year ended 31 December 2019: RMB214,512 thousand), and net cash used in operating activities was RMB602,590 thousand for the year ended 31 December 2020 (for the year ended 31 December 2019: RMB88,657 thousand). As disclosed in Note 1 and Note 25, the Company completed the Listing on 9 October 2020. Management believes that its cash and cash equivalents are sufficient to fund its operating expenses and capital expenditure requirements and meet its payment obligations for the next twelve months from 31 December 2020.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) New standards and interpretations that are effective for the current year

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

Standards	Key requirements	Effective for accounting periods beginning on or after
IAS 1 and IAS 8 (Amendment)	Definition of Material	1 January 2020
IFRS 9, IAS 39 and IFRS 7 (Amendment)	Interest Rate Benchmark Reform	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
IFRS 16 (Amendment)	COVID-19-related Rent Concessions	1 June 2020

The standards and amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(Expressed in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to existing standards and interpretations that are relevant to the Group have been issued but are not yet effective for all the years presented and have not been early adopted by the Group. These new standards and amendments are set out below:

Standards	Key requirements	Effective for accounting periods beginning on or after
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IAS 16 (Amendment)	Property, plant and equipment — proceeds before intended use	1 January 2022
IFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January 2022
IAS 37 (Amendment)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
IAS 1 (Amendment)	Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between entities within the Group are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

2.2.1 Business combinations

(a) Business combinations not under common control

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Business combinations (continued)

(a) Business combinations not under common control (continued)

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net assets of the business acquired in the case of a bargain purchase, the difference is recognized directly in the profit or loss.

When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

The Group early adopted Amended IFRS 3, Business Combination to clarify the definition of a business. Among the amendment when no output are present, a workforce on access to a workflow must be obtained, at minimum, in order for a set to qualify as business.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities, with the amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

During all the years presented, the Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results including operating expenses and operating loss at a consolidated level only. The Group has been focusing on research and development of innovative drug candidate. Accordingly, the management considers that the Group is operated and managed as a single operating segment and hence no segment information is presented.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is United States Dollars ("USD"). However, the consolidated financial statements are presented in RMB. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statements of comprehensive income within other losses.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognized in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment include furniture and fixtures, office equipment, leasehold improvements and construction-in-progress and are stated at historical cost less depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

— Furniture and fixtures	3 years
— Office equipment	3 years
— Leasehold improvements	Over the shorter of the lease term or the estimated useful life

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statements of comprehensive income.

Construction-in-progress represents properties under construction and is stated at cost less impairment. This includes cost of construction, equipment and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

(a) In-licenses and In-Process Research and Development (IPR&D)

Intangible assets acquired separately are measured on initial recognition at cost.

Certain intangible assets are for in-licenses and IPR&D, with non-refundable upfront payment, milestone payment and royalty payment. Upfront payment is capitalized when paid. The milestone payment is capitalized as intangible assets when incurred, unless the payment is for outsourced research and development work which would follow the capitalization policy in Note 2.6(b). Royalty payment is accrued for in line with the underlying sales and recognized as a cost of sales. However, if the intangible asset is acquired in a business combination, it is measured at fair value at initial recognition.

IPR&D acquired is subsequently stated at cost less accumulated amortization and any impairment losses.

For research or development expenditures which are related to an IPR&D project acquired separately or in a business combination and incurred after the acquisition of that project, they are accounted for in accordance with the capitalization policy in Note 2.6(b).

The intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized when ready for use and over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Intangible assets with indefinite useful lives or not ready for use are not amortized but tested for impairment annually either individually or at the cash-generating unit level. The impairment test would compare the recoverable amount of the intangible asset to its carrying value. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

In-licenses and IPR&D with finite useful life are amortized using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (continued)

(b) Research and development expenditures

The Group incurs significant costs and efforts on research and development activities. Research expenditures are charged to the profit or loss as an expense in the period the expenditures incurred. Development costs are recognized as assets if they can be directly attributable to a newly developed drug products and all the following can be demonstrated:

(i) the technical feasibility of completing the development project so that it will be available for use or sale;

(ii) the Group's intention to complete the development project to use or sell it;

(iii) the Group's ability to use or sell the development project;

(iv) how the development project will generate probable future economic benefits for the Group;

(v) the Group's availability of adequate technical, financial and other resources to complete the development and to use or sell the development project; and

(vi) the ability to measure reliably the expenditures attributable to the development project.

The cost of an internally generated intangible asset is the sum of the expenditures incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalized in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads. The Group generally considers capitalization criteria for internally generated intangible assets is met when obtaining regulatory approval of new drug license.

Capitalized development expenditures are amortized using the straight-line method over the life of the related drug products. Amortization begins when the asset is available for use. Subsequent to initial recognition, internally generated intangible assets are reported as cost less accumulated amortization and accumulated impairment losses (if any).

Development expenditures not satisfying the above criteria are recognized in the profit or loss as incurred and development expenditures previously recognized as an expense are not recognized as an asset in a subsequent period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

Intangible assets of indefinite useful lives or not ready for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The intangible assets related to in-license and IPR&D are not ready for use and the Group is continuing research and development work, it is subject to an annual impairment test based on the recoverable amount of the cash generating unit to which the intangible asset is related to. Other non-financial assets including right-of-use assets and property and equipment and other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). The fair value was estimated using the discounted cash flow approach. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Investments and other financial assets

2.8.1 Classification

The Group classifies its financial assets in the following measurement categories:

(i) those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

(ii) those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this depends on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.8.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investments and other financial assets (continued)

2.8.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statements of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investments and other financial assets (continued)

2.8.3 Measurement (continued)

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.8.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.10 Prepayments and other current assets

Prepayments mainly represent upfront cash payments made to contract research organizations ("CROs"), which are organizations that provide support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis. During the ordinary course of business, the Group largely involves services from CROs as a cost-effective solution.

Prepayments to CROs will be subsequently recorded as research and development expenses in accordance with the applicable performance requirements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Prepayments and other current assets (continued)

Prepayments are generally due for settlement within one year or less and therefore are all classified as current assets.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

2.11 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.12 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.13 Financial instruments issued to investors

Financial instruments issued to investors consist of Preferred Shares and warrants for purchase of Preferred Shares. Accounting policies and other explanatory information of these financial instruments are elaborated as follows:

(a) Preferred Shares

Before the Listing, the Company entered into a series of share purchase agreements with financial investors and issued Series A-1, A-2, B-1, B-2, B-3, C-1 and C-2 Convertible Redeemable Preferred Shares (the "Preferred Shares"). Refer to Note 21(a) and Note 31 for details. In addition, EverNov entered into a license agreement with Novartis and issued Convertible Preferred Shares to Novartis accordingly. Refer to Note 21(b) for details.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments issued to investors (continued)

(a) Preferred Shares (continued)

The Preferred Shares issued by the Company or EverNov are redeemable upon occurrence of certain future events. These instruments can be converted into ordinary shares of the Company or EverNov at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering of the Company or EverNov.

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value.

Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognized in the consolidated statements of comprehensive loss.

If the Company's own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts.

Upon the completion of the Listing, the Preferred Shares issued by the Company were automatically converted to the Company's ordinary shares.

(b) Warrants

The Company issued warrants under which the holders have the rights to subscribe for the Company's Preferred Shares at a predetermined price during a specific period (Note 21).

Warrant liabilities are initially recognized at fair value on the date a warrant contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

(c) Convertible notes

The Company issued convertible notes to investors, which are considered bridge loans in nature that can be converted to the Preferred Shares to be issued by the Company at the conversion price to be agreed. The conversion feature is not considered as derivative and the convertible notes were subsequently measured at amortised cost. Refer to Note 21(c) for details.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Provision

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.15 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net off tax, from the proceeds.

2.16 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Also, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences (continued)

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Pension obligations

Employees of the Group are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leaves the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits (continued)

(b) Pension obligations (continued)

Employees of the Group in mainland China are entitled to participate in various government supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.19 Share-based compensation

(a) Equity-settled share-based payment transaction

The Company operates restricted share units and stock options plan for the Group's employees, under which the entity receives services from employees as consideration for equity instruments of the Company. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense in the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions;
- including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Share-based compensation (continued)

(a) Equity-settled share-based payment transaction (continued)

At the end of each reporting period, the Group revises its estimates of the number of stock options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive loss, with a corresponding adjustment to equity. For stock options include a market condition, the transactions are treated as vested irrespective of whether the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement date and grant date.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

(b) Share-based payment transaction among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

2.20 Other income

The Group provides consultancy services in the field of business development, clinical development, related platform support and general and administrative supports to related parties and third parties. The contract prices are determined based on the actual cost incurred plus a margin. Such income is recognized over time when services are performed and is presented net off related cost in other income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Interest income

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in the consolidated statements of comprehensive loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.22 Government grant

Grants from government are recognized at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

2.23 Leases and right-of-use assets as lessee

The Group leases properties for operation. The consideration paid for lease are treated as right-of-use assets, which are stated at cost less accumulative amortization and accumulated impairment losses, if any.

Rental contracts are typically made for fixed periods of 3 to 6 years, but may have extension options. The Group also obtained a land use right for usage of land for plant with the lease period of 50 years. Lease terms are negotiated on an individual basis and contain various terms and conditions.

Leases are recognized as right-of-use assets and the corresponding liabilities at the date of which the respective leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases and right-of-use assets as lessee (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payment:

(i) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(ii) variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

(iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the lease term on a straight-line basis. Right-of-use assets are subject to impairment (Note 2.7).

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets comprise small items of machinery.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective group entities' functional currency.

Certain bank balances and cash are denominated in foreign currencies of respective group entities that are exposed to foreign currency risk. The Group has entities operating in PRC and the United Stats of America, and the Group constantly reviews the economic situation and its foreign exchange risk profile, and considers appropriate hedging measures in the future, as may be necessary.

Most foreign exchange transactions were denominated in USD for the group companies that have functional currency in RMB. As at 31 December 2020, if the RMB strengthened/weakened by 5% against the USD with all other variables held constant, net loss for the year would have been RMB413 thousand higher/lower (As at 31 December 2019: RMB176 thousand higher/lower).

As at 31 December 2020, if the RMB strengthened/weakened by 5% against the HKD with all other variables held constant, net loss for the year would have been RMB122,842 thousand higher/lower, respectively.

(b) Credit risk

The Group has three types of financial assets that are subject to the expected credit loss model: amount due from related parties, other receivables and cash and cash equivalents. The carrying amounts of amount due from related parties, other receivables and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Management has assessed that during the years presented, amount due from related parties and other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The Group does not expect any losses from non-performance by the counterparties of amount due from related parties and other receivables and no loss allowance provision for amount due from related parties and other receivables was recognized.

The Group expects that there is no significant credit risk associated with cash and cash equivalents since they are substantially deposited at state-owned banks or reputable commercial banks which are high-credit-quality financial institutions. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents and the ability to raise funds through debt and equity financing. The Group historically financed its working capital requirements through issue of Preferred shares and convertible notes. After the listing, the Group has alternative financing through new shares issuance.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

The Group recognizes the financial instruments issued to investors at fair value through profit or loss. Accordingly, the financial instruments issued to investors are managed on a fair value basis rather than by maturing dates.

(Expressed in thousands of RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2020					
Trade and other payable	**167,459**	**–**	**–**	**–**	**167,459**
Amount due to related parties	**440**	**–**	**–**	**–**	**440**
Lease liabilities	**19,523**	**19,202**	**47,152**	**1,504**	**87,381**
	187,422	**19,202**	**47,152**	**1,504**	**255,280**
At 31 December 2019					
Trade and other payable	80,779	–	–	–	80,779
Amount due to related parties	17,233	–	–	–	17,233
Lease liabilities	10,893	9,189	23,750	3,222	47,054
	108,905	9,189	23,750	3,222	145,066

3.2 Capital risk management

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital and reserves) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. In the opinion of the directors of the Company, the Group's capital risk is low.

(Expressed in thousands of RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

(a) There are judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards:

Level 1: The fair values of financial instruments traded in active markets (such as trading and available-for-sale securities) are based on quoted market prices at the end of the reporting period.

Level 2: The fair values of financial instruments that are not traded in an active market are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The carrying amounts of the financial assets and liabilities, which are measured at amortised cost, approximated their fair value as at 31 December 2020 and 2019.

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2020:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Investment (Note 16)	813,072	–	32,625	845,697
Liabilities:				
Preferred Shares (Note 21)	–	–	20,880	20,880

(Expressed in thousands of RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(a) (continued)

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2019:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Investment (Note 16)	—	—	34,881	34,881
Liabilities:				
Preferred Shares (Note 21)	—	—	2,463,933	2,463,933
Warrant liabilities (Note 21)	—	—	116,270	116,270
	—	—	2,580,203	2,580,203

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for similar instruments or discounted cash flow analysis.

There were no changes in valuation techniques during the years ended 31 December 2020 and 2019.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2020 and 2019.

The changes in level 3 instruments for the years ended 31 December 2020 and 2019 are presented in Note 16 and Note 21.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Accounting estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that could cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Development expenditures

Development expenditures incurred on the Group's research and development activities, including conducting clinical trials and other activities related to regulatory filings for the Group's drug candidates, are capitalised as intangible assets only when meet the capitalisation criteria set out in Note 2.6(b). Expenditures that do not meet these capitalisation principle are recognised as research and development expenses. During the years ended 31 December 2020 and 2019, the Group's research and development expenditures incurred did not meet these capitalisation principle for any products and were expensed as incurred.

(b) Impairment testing of intangible assets not ready for use

Intangible assets not ready for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Group obtained in-licenses and IPR&D through acquisition for the purpose of continuing the research and development work and commercialisation of the products, which are classified as intangible assets not ready for use.

An impairment loss is recognised for the amount by which the intangible asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an intangible asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, each in-license and IPR&D is a cash-generating units. Key assumptions are disclosed in Note 15.

(c) Accrued service fees to third-party contract research organizations (CROs)

Research and development expenses primarily include costs related to clinical trials paid to CROs. The estimate of accrued service fees to CROs is complex because billing terms under contracts with CRO often do not coincide with the timing of when the work is performed, which in turn requires estimates of outstanding obligations as of period end. These estimates are based on a number of factors, including management's knowledge of the R&D programs and activities associated with timelines, invoicing to date, and the provisions in the contracts.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(d) Fair value of financial instruments issued to investors

The financial instruments issued by EverNov including Preferred Shares and warrant for purchase of Preferred Shares are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method was used to determine the total equity value of EverNov and the equity allocation model was adopted to determine the fair value of the financial instruments. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 21(b).

(e) Share-based compensation expenses

As disclosed in Note 26, the Company has granted restricted share units and stock options to the Group's employees. The Company has engaged an independent valuer to determine the grant date fair value of the restricted share units and stock options to employees, which is to be expensed over the vesting period. Share-based compensation in relation to the restricted share units is measured based on the fair value of the Company's ordinary shares at the grant date of the award. Prior to the Listing, estimation of the fair value of the Company's ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, including discount rate, and subjective judgments regarding projected financial and operating results, its unique business risks, and its operating history and prospects at the time the grants are made. In addition, the Company used binominal model or Monte Carlo Simulation model to determine the fair value of the stock options as of the grant date, and in the case of stock option with market condition, the determination of vesting period. The determination of the fair value is affected by the fair value of the ordinary shares as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, actual and projected employee stock option exercise behavior, risk-free interest rates and expected dividend yield.

(f) Deferred income tax

The Group recognizes deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses. During the years ended 31 December 2020 and 2019, deferred tax assets have not been recognised in respect of these accumulated tax losses and other deductible temporary differences based on the fact that there were several drug candidates of the Company and most of them were in clinical trial stage and the future taxable profits would be uncertain.

(Expressed in thousands of RMB unless otherwise stated)

5. EXPENSES BY NATURE

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Employee benefit expenses (Note 9)	**309,341**	152,642
Clinical trial expenses	**211,304**	86,641
Professional expenses	**121,806**	42,099
Office and travelling expenses	**19,681**	19,775
Depreciation	**20,395**	10,004
Auditors' remuneration:		
— Audit services	**7,646**	1,895
— Non-audit services	**682**	709
Others	**3,483**	9,226
Total general and administrative expenses, research and development, distribution and selling expenses and cost of other income	**694,338**	322,991

6. OTHER INCOME

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Gain from termination of collaboration agreement with I-Mab (Note 16)	**—**	23,042
Income from consultancy services (a)	**6,074**	124,463
Cost of other income (a)	**(5,848)**	(118,252)
Government grants	**858**	—
	1,084	29,253

(Expressed in thousands of RMB unless otherwise stated)

6. OTHER INCOME (CONTINUED)

(a) The Group provided consultancy services in the field of business development, clinical development, related platform support and general and administrative supports, mainly to Everest II, prior to the acquisition of Everest II, and to other parties including related parties, as below:

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Everest II	**–**	5,042
Others	**226**	1,169
	226	6,211

The contract prices were determined based on the actual cost incurred plus a margin. Such income was recognized over time when services were performed and was presented net off related cost in other income.

7. OTHER LOSSES

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net foreign exchange losses on operating activities	**(949)**	(632)
Others	**(102)**	6
	(1,051)	(626)

8. FINANCE COSTS — NET

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Bank interest income	**1,987**	55
Interest income form loan to a director	**52**	—
Interest expenses on lease liabilities	**(2,870)**	(2,002)
Issuance cost of Series C Convertible Redeemable Preferred Shares financing	**(10,046)**	—
Net exchange losses on foreign currency borrowings	**102**	—
Interest expenses on borrowings from Jiashan Shanhe	**(20,950)**	—
Finance costs — net	**(31,725)**	(1,947)

(Expressed in thousands of RMB unless otherwise stated)

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries, wages and bonuses	**185,559**	133,922
Social security costs and housing benefits	**6,512**	3,775
Share-based compensation	**117,270**	14,945
	309,341	152,642

(a) Five highest paid individuals

For the years ended 31 December 2020 and 2019, the five individuals whose emoluments were the highest in the Group include 3 and 1 directors respectively, whose emoluments are reflected in the analysis presented in Note 9(c). The emoluments to the remaining individuals were as follows:

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Basic salaries	**6,888**	11,953
Bonuses	**4,027**	5,825
Contributions to pension plans	**15**	135
Housing funds, medical insurance and other social insurance	**64**	489
Share-based compensation	**14,751**	3,937
	25,745	22,339

(Expressed in thousands of RMB unless otherwise stated)

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION) (CONTINUED)

(a) Five highest paid individuals (continued)

The number of five highest paid individuals whose remuneration during the years ended 31 December 2020 and 2019 fell within the following bands are as follows:

	Years ended 31 December	
	2020	2019
Emolument bands		
HK$5,000,001–HK$6,000,000	–	1
HK$6,000,001–HK$7,000,000	–	4
HK$13,000,001–HK$14,000,000	–	—
HK$14,000,001–HK$15,000,000	2	—
HK$27,000,001–HK$28,000,000	1	—
HK$28,000,001–HK$29,000,000	1	—
HK$38,000,001–HK$39,000,000	1	—

(Expressed in thousands of RMB unless otherwise stated)

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION) (CONTINUED)

(b) Details of emoluments in respect of the directors of the Company

The emoluments in respect of each of the directors paid/payable by the Group for the year ended 31 December 2020 are as follows:

	Director Fee RMB'000	Basic salaries and allowances (i) RMB'000	Bonus (ii) RMB'000	Retirement benefit costs RMB'000	Social security costs RMB'000	Share-based compensation RMB'000	Total RMB'000
Executive directors							
Mr. Sean Wuxiong Cao (iii)	–	1,154	444	29	58	–	1,685
Mr. Ian Ying Woo (iv)	–	2,792	7,806	27	300	13,504	24,429
Mr. Xiaofan Zhang (v)	–	4,517	7,359	–	4	13,049	24,929
Mr. Wei Fu (vi)	–	–	–	–	–	–	–
Mr. Kerry Levan Blanchard (vii)	–	4,795	11,515	–	30	17,888	34,228
	–	13,258	27,124	56	392	44,441	85,271
Non-executive directors							
Mr. Yubo Gong (viii)	–	–	–	–	–	–	–
Ms. Lan Kang (ix)	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Independent non-executive directors (x)							
Mr. Shidong Jiang	92	–	–	–	–	–	92
Mr. Yifan Li	92	–	–	–	–	–	92
Mr. Bo Tan	92	–	–	–	–	–	92
	276	–	–	–	–	–	276

(Expressed in thousands of RMB unless otherwise stated)

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION) (CONTINUED)

(b) Details of emoluments in respect of the directors of the Company (continued)

The emoluments in respect of each of the directors paid/payable by the Group for the year ended 31 December 2019 are as follows:

	Director Fee RMB'000	Basic salaries and allowances (i) RMB'000	Bonus (ii) RMB'000	Retirement benefit costs RMB'000	Social security costs RMB'000	Share-based compensation RMB'000	Total RMB'000
Directors							
Mr. Sean Wuxiong Cao (iii)	–	4,784	827	26	86	257	5,980
Mr. Ian Ying Woo (iv)	–	2,758	1,931	77	140	–	4,906
Mr. Xiaofan Zhang (v)	–	3,442	1,149	–	27	–	4,618
Mr. Wei Fu (vi)	–	–	–	–	–	–	–
Mr. Kerry Levan Blanchard (vii)	–	–	–	–	–	–	–
	–	10,984	3,907	103	253	257	15,504

(i) Salary paid to a director is generally an emolument paid in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries undertakings.

(ii) Bonus are determined based on the financial performance of the Group and the performance of each individual.

(iii) Mr. Sean Wuxiong Cao was appointed as director of the Group on 23 November 2017 and stepped down from executive director on 25 February 2020.

(iv) Mr. Ian Ying Woo was appointed as director of the Group on 31 December 2018 and re-designated as executive director of the Group on 15 July 2020.

(v) Mr. Xiaofan Zhang was appointed as director of the Group on 23 November 2017 and re-designated as executive director of the Group on 15 July 2020.

(vi) Mr. Wei Fu was appointed as director of the Group on 14 July 2017 and re-designated as executive director of the Group on 15 July 2020. Mr. Wei Fu did not receive any emolument during the years ended 31 December 2020 and 2019.

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION) (CONTINUED)

(b) Details of emoluments in respect of the directors of the Company (continued)

(vii) Mr. Kerry Levan Blanchard was appointed as director of the Group on 25 February 2020 and re-designated as executive director of the Group on 15 July 2020.

(viii) Mr. Yubo Gong was appointed as director of the Group on 3 June 2020 and re-designated as non-executive director of the Group on 15 July 2020.

(ix) Ms. Lan Kang was appointed as non-executive director of the Group on 22 December 2020.

(x) Mr. Shidong Jiang, Mr. Yifan Li and Mr. Bo Tan were appointed as independent non-executive directors of the Group on 25 September 2020.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 December 2020 and 2019.

(d) Consideration provided to third parties for making available directors' services

The Group did not pay consideration to any third parties for making available directors' services during the years ended 31 December 2020 and 2019.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

On 2 July 2020, the Company provided a loan to one director of the Company, at the total amount of USD 325 thousand. The loan has term of three years and a simple interest rate of 5.0% per annum. The principal and accrued interest will be paid on maturity date.

Other than the loan mentioned above, there are no other loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the years ended 31 December 2020 and 2019.

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION) (CONTINUED)

(f) Inducement or waiver of emoluments

No directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2020 and 2019. No directors waived or had agreed to waive any emoluments for the years ended 31 December 2020 and 2019.

(g) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2020 and 2019.

10. INCOME TAX EXPENSE

(i) Income tax expense

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company and Cayman Islands incorporated entities of the Group is not subject to tax on income or capital gains.

Hong Kong

The Group's subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5%. Since these companies did not have assessable profits during the years ended 31 December 2020 and 2019, no Hong Kong profits tax has been provided.

United States of America

Entities in the State of New York are subject to Federal Tax at a rate of 21% and State of New York Profits Tax at a rate of 6.5%. Operations in the United States of America have incurred net accumulated operating losses for income tax purposes and no income tax provisions are recorded during the years ended 31 December 2020 and 2019.

(Expressed in thousands of RMB unless otherwise stated)

10. INCOME TAX EXPENSE (CONTINUED)

(i) Income tax expense (continued)

Singapore

The Group's subsidiary in Singapore is subject to Singapore profits tax at the rate of 17%. The Group had no taxable income during the years ended 31 December 2020 and 2019.

Mainland China

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

The Group had no taxable income during the years ended 31 December 2020 and 2019.

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate in the PRC applicable to the Group as follows:

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss before income tax	**(5,658,165)**	(214,512)
Tax calculated at the applicable tax rate of 25%	**(1,414,541)**	(53,628)
Tax effect of:		
Difference in overseas tax rates	**1,326,453**	18,342
Tax losses not recognised as deferred tax assets	**74,379**	36,662
(Utilization of)/Deductible temporary differences not recognised as deferred tax assets	**(969)**	969
Super deduction in respect of research and development expenditures	**(14,221)**	(7,890)
Expenses not deductible for income tax purposes	**28,899**	5,545
Income tax expense	**—**	—

(Expressed in thousands of RMB unless otherwise stated)

10. INCOME TAX EXPENSE (CONTINUED)

(ii) Tax losses

The tax losses incurred from the Company's subsidiaries in Mainland China that are not recognised as deferred tax assets will expire in 5 years from the respective filing dates and are analysed as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Expire year		
2023	**1,628**	1,628
2024	**51,840**	51,840
2025	**117,069**	117,069
2026	**266,449**	—
	436,986	170,537

11. DIVIDEND

No dividend has been paid or declared by the Company or companies comprising the Group during the years presented.

(Expressed in thousands of RMB unless otherwise stated)

12. LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the years ended 31 December 2020 and 2019. In determining the weighted average number of ordinary shares in issue the unvested restricted share units are excluded:

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss for the year	**(5,658,165)**	(214,512)
Weighted average number of ordinary shares in issue	**85,350,487**	5,227,184
Basic loss per share (in RMB)	**(66.29)**	(41.04)
Diluted loss per share (in RMB)	**(66.29)**	(41.04)

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended 31 December 2020 and 2019, the Company had two categories of potential ordinary shares: convertible redeemable preferred shares and share-based awards granted to employees (Notes 21 and 26). For the years ended 31 December 2020 and 2019, the potential ordinary shares were not included in the calculation of loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2020 and 2019 are the same as basic loss per share.

(Expressed in thousands of RMB unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Furniture and fixtures RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2020					
Cost	734	959	7,901	—	9,594
Accumulated depreciation	(20)	(511)	(1,338)	—	(1,869)
Net book amount	714	448	6,563	—	7,725
Year ended 31 December 2020					
Opening net book amount	714	448	6,563	—	7,725
Additions	—	—	2,675	5,924	8,599
Depreciation charge (Note 5)	(245)	(228)	(4,008)	—	(4,481)
Currency translation differences	—	(83)	(349)	—	(432)
Closing net book amount	469	137	4,881	5,924	11,411
At 31 December 2020					
Cost	734	912	9,983	5,924	17,553
Accumulated depreciation	(265)	(775)	(5,102)	—	(6,142)
Net book amount	469	137	4,881	5,924	11,411
At 1 January 2019					
Cost	597	1,083	1,822	—	3,502
Accumulated depreciation	(50)	(242)	(207)	—	(499)
Net book amount	547	841	1,615	—	3,003
Year ended 31 December 2019					
Opening net book amount	547	841	1,615	—	3,003
Additions	726	195	—	6,529	7,450
CIP transfer out	—	—	6,529	(6,529)	—
Depreciation charge (Note 5)	(564)	(589)	(1,644)	—	(2,797)
Currency translation differences	5	1	63	—	69
Closing net book amount	714	448	6,563	—	7,725
At 31 December 2019					
Cost	734	959	7,901	—	9,594
Accumulated depreciation	(20)	(511)	(1,338)	—	(1,869)
Net book amount	714	448	6,563	—	7,725

(Expressed in thousands of RMB unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of property, plant and equipment has been charged to the consolidated statements of comprehensive income as follows:

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
General and administrative expenses	**1,538**	626
Research and development expenses	**2,660**	1,066
Distribution and selling expense	**283**	—
Cost of other income	**—**	1,105
	4,481	2,797

As of 31 December 2020, leasehold improvement includes decoration for the Group's lease of office in Hong Kong and Singapore charged from CBC Group Investment Management, Ltd, a related party, at the amount of RMB2,504 thousand (2019: nil).

(Expressed in thousands of RMB unless otherwise stated)

14. RIGHT-OF-USE ASSETS

	Leased equipment RMB'000	Leased properties RMB'000	Land use right(a) RMB'000	Total RMB'000
At 1 January 2020				
Cost	183	48,009	—	48,192
Accumulated depreciation	(27)	(9,813)	—	(9,840)
Net book amount	156	38,196	—	38,352
Year ended 31 December 2020				
Opening net book amount	156	38,196	—	38,352
Additions	—	53,381	35,397	88,778
Currency translation differences	—	(653)	—	(653)
Depreciation charge (Note 5)	(37)	(15,759)	(118)	(15,914)
Closing net book amount	119	75,165	35,279	110,563
At 31 December 2020				
Cost	183	101,137	35,397	136,717
Accumulated depreciation	(64)	(25,972)	(118)	(26,154)
Net book amount	119	75,165	35,279	110,563
At 1 January 2019				
Cost	—	20,458	—	20,458
Accumulated depreciation	—	(4,783)	—	(4,783)
Net book amount	—	15,675	—	15,675
Year ended 31 December 2019				
Opening net book amount	—	15,675	—	15,675
Additions	183	33,046	—	33,229
Disposal	—	(3,458)	—	(3,458)
Currency translation differences	—	113	—	113
Depreciation charge (Note 5)	(27)	(7,180)	—	(7,207)
Closing net book amount	156	38,196	—	38,352
At 31 December 2019				
Cost	183	48,009	—	48,192
Accumulated depreciation	(27)	(9,813)	—	(9,840)
Net book amount	156	38,196	—	38,352

(Expressed in thousands of RMB unless otherwise stated)

14. RIGHT-OF-USE ASSETS (CONTINUED)

(a) **As of 31 December 2020, the land use right for Jiashan manufacturing facility has been pledged to Jiashan Shanhe.**

Depreciation of right-of-use assets has been charged to the consolidated statements of comprehensive income as follows:

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
General and administrative expenses	**5,463**	1,037
Research and development expenses	**9,445**	1,765
Distribution and selling expenses	**1,006**	—
Cost of other income	**—**	4,405
	15,914	7,207

15. INTANGIBLE ASSETS

	In-licenses and IPR&D RMB'000
At 1 January 2020	
Cost	**1,663,449**
Accumulated amortisation and impairment	**—**
Net book amount	**1,663,449**
Year ended 31 December 2020	
Opening net book amount	**1,663,449**
Additions	**475,934**
Currency translation differences	**(133,327)**
Closing net book amount	**2,006,056**
At 31 December 2020	
Cost	**2,006,056**
Accumulated amortisation and impairment	**—**
Net book amount	**2,006,056**

(Expressed in thousands of RMB unless otherwise stated)

15. INTANGIBLE ASSETS (CONTINUED)

	In-licenses and IPR&D RMB'000
At 1 January 2019	
Cost	314,746
Accumulated amortisation and impairment	—
Net book amount	314,746
Year ended 31 December 2019	
Opening net book amount	314,746
Additions	86,191
Asset acquisitions (Note 31)	1,265,971
Currency translation differences	(3,459)
Closing net book amount	1,663,449
At 31 December 2019	
Cost	1,663,449
Accumulated amortisation and impairment	—
Net book amount	1,663,449

(a) Collaboration and License Agreement with Arena Pharmaceuticals, Inc. ("Arena") and United Therapeutics

In December 2017, the Group entered into a collaboration and license agreement with Arena regarding the development and commercialization of its proprietary products Ralinepag and Etrasimod in the territories of Mainland China, Taiwan, Hong Kong, Macau and South Korea. In January 2019, the Group and Arena entered into two separate agreements which superseded the previous agreement, one which relates to Ralinepag and the other relates to Etrasimod.

Etrasimod

The Group agreed to make development and regulatory milestone payments and commercial milestone payments, as well as tiered royalties on net sales to Arena.

In November 2019, the Group made the milestone payment of USD5 million (equivalent to RMB34.5 million) to Arena. which was capitalised.

15. INTANGIBLE ASSETS (CONTINUED)

(a) Collaboration and License Agreement with Arena Pharmaceuticals, Inc. ("Arena") and United Therapeutics (continued)

Ralinepag

In January 2019, Arena assigned all of its rights and obligations with respect to the Ralinepag program under the agreement to United Therapeutics. The Group agreed to make development and regulatory milestone payments and commercial milestone payments, as well as tiered royalties on net sales to United Therapeutics.

After assigning the agreement to United Therapeutics, the Group paid milestone payment of USD2.5 million (equivalent to RMB17.2 million) to United Therapeutics in September 2019 which was capitalised.

(b) License Agreement with Tetraphase Pharmaceuticals, Inc.

Eravacycline

In February 2018, the Group entered into a license agreement with Tetraphase, pursuant to which Tetraphase granted the Group an exclusive license to develop and commercialize Eravacycline in Mainland China, Taiwan, Hong Kong, Macau, South Korea and Singapore.

Under the terms of the agreement, the Group made an upfront payment and agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Tetraphase.

In May 2019, the Group made the milestone payment of USD3 million (equivalent to RMB20.7 million) to Tetraphase, and capitalised such payment.

In July 2019, the Group and Tetraphase entered into an amendment to the license agreement to expand the geographic coverage of the license to Malaysia, Thailand, Indonesia, Vietnam and the Philippines and paid an upfront payment of USD2 million (equivalent to RMB13.8 million) which was capitalised.

(c) Licensing Agreement with Novartis International Pharmaceutical Ltd. ("Novartis")

FGF401

In June 2018, the Group entered into an exclusive global licensing agreement with Novartis to develop and commercialize FGF401. Under this agreement, Novartis granted EverNov an exclusive license to develop, manufacture and commercialize Novartis' FGF4 inhibitor FGF401 and products containing FGF401 for all purposes worldwide.

15. INTANGIBLE ASSETS (CONTINUED)

(c) Licensing Agreement with Novartis International Pharmaceutical Ltd. ("Novartis") (continued)

Under the terms of the agreement, as discussed in Note 21, the total upfront fee was comprised of cash consideration of USD20 million (equivalent to RMB132.7 million) and 4,000,000 Series A-2 Convertible Preferred Shares issued by EverNov to Novartis Pharma AG, an affiliate entity of Novartis. The Group capitalised a total amount of USD22.4 million (equivalent to RMB148.3 million) based on cash payment and the fair value of the Series A-2 Convertible Preferred Shares. The Group also agreed to pay Novartis clinical development milestone payments, commercial milestone payments, as well as tiered royalties on worldwide net sales to Novartis.

(d) As disclosed in Note 31, upon the consummation of the acquisition of Everest II, the Group acquired four licenses held by Everest II. The amount in relation to the acquisition of those licenses were recognised as intangible assets based on its fair value upon consummation of the acquisition, with the total amount of RMB 1,265,971 thousand.

Taniborbactam

In September 2018, Everest II entered into an agreement with Venatorx, pursuant to which Venatorx granted Everest II an exclusive license to exploit for all uses in humans Venatorx's proprietary BLI, taniborbactam (formerly VNRX-5133), in combination with a ß-lactam, initially cefepime, in Mainland China, Macau, Hong Kong, Taiwan, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines.

Under the terms of this agreement, Everest II paid an upfront cash payment and also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Venatorx.

In January 2020, the Group made the milestone payment of USD2 million (equivalent to RMB13.8 million) to Venatorx and such payment was capitalised.

SPR206

In January 2019, Everest II entered into a license agreement with Spero through its wholly owned subsidiaries New Pharma License Holdings Limited, or NPLH, and Spero Potentiator, Inc., or Potentiator and NPLH has since assigned its assets to Spero. Pursuant to this agreement, NPLH granted Everest II an exclusive license to develop, manufacture and commercialize SPR206 in Mainland China, Hong Kong, Macau, Taiwan, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines.

Everest II paid NPLH an upfront payment of USD2 million (equivalent to RMB13.8 million) as partial consideration for rights to SPR206 and capitalised such payment. Everest II also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Spero.

15. INTANGIBLE ASSETS (CONTINUED)

(d) (continued)

SPR206 (continued)

In November 2020, the Group made the milestone payment of USD2 million (equivalent to RMB13.8 million) to Spero and such payment was capitalised.

In January 2021, the Group entered into an amended agreement with Spero for which Spero will assign relevant SPR206 patents to the Group. Such amendment does not have accounting implication.

Trodelvy™ (Sacituzumab Govitecan-hziy)

In April 2019, Everest II entered into a license agreement with Immunomedics under which Immunomedics granted Everest II an exclusive license to develop and commercialize sacituzumab govitecan in Mainland China, Taiwan, Hong Kong, Macau, Indonesia, Philippines, Vietnam, Thailand, South Korea, Malaysia, Singapore or Mongolia.

In consideration for entering into this agreement, Everest II made a one-time, upfront payment to Immunomedics in the amount of USD65 million (equivalent to RMB448.2 million) and capitalised such payment. Everest II also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Immunomedics.

In June 2020, after the acquisition of Everest II, the Group made a milestone payment of USD60 million (equivalent to RMB420 million) to Immunomedics and such payment was capitalised.

Nefecon

In June 2019, Everest II entered into a license agreement with Calliditas who granted Everest II exclusive rights to develop and commercialize Nefecon in Mainland China, Hong Kong, Macau, Taiwan and Singapore.

Under the terms of the agreement, Everest II made an initial upfront payment of USD15 million (equivalent to RMB103.4 million) to Calliditas at signing of the agreement and capitalised such payment. Everest II also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Caliditas.

In January 2020, the Group made the milestone payment of USD5 million (equivalent to RMB34.9 million) to Calliditas and such payment was capitalised.

(Expressed in thousands of RMB unless otherwise stated)

15. INTANGIBLE ASSETS (CONTINUED)

(d) (continued)

Impairment test

Intangible assets not yet ready for use are tested annually based on the recoverable amount of the cash-generating unit ("CGU") to which the intangible asset is related. The appropriate CGU is at the product level. The annual impairment test was performed for each drug by engaging an independent appraiser to estimate fair value less cost to sell as the recoverable amount of each drug. The fair value is based on the discounted cash flow model (specifically multi-period excessive earning method) and the Group estimated the forecast period till year 2035 for each drug based on the timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential, and the length of exclusivity for each product. The estimated revenue of each drug is based on management's expectations of timing of commercialization. The costs and operating expenses are estimated as a percentage over the revenue forecast period based on the current margin levels of comparable companies with adjustments made to reflect the expected future price changes. The discount rates used are post-tax and reflect specific risks relating to the relevant products that would be considered by market participants.

The key assumptions used for recoverable amount calculations as at 31 December 2020 and 2019 are as follows:

Etrasimod

	As at 31 December 2020	As at 31 December 2019
Discount rate	**16%**	18%
Revenue growth rate	**-29% to 681%**	-29% to 681%
Recoverable amount of CGU (in RMB million)	**1,099.6**	773.2

Ralinepag

	As at 31 December 2020	As at 31 December 2019
Discount rate	**16%**	18%
Revenue growth rate	**-24% to 693%**	-24% to 693%
Recoverable amount of CGU (in RMB million)	**444.2**	265.2

(Expressed in thousands of RMB unless otherwise stated)

15. INTANGIBLE ASSETS (CONTINUED)

(d) (continued)

Impairment test (continued)

Eravacycline

	As at 31 December 2020	As at 31 December 2019
Discount rate	16%	18%
Revenue growth rate	-21% to 2,474%	-21% to 2,474%
Recoverable amount of CGU (in RMB million)	1,179.1	814.1

FGF401

	As at 31 December 2020	As at 31 December 2019
Discount rate	16%	18%
Revenue growth rate	-38% to 1,539%	-42% to 17%
Recoverable amount of CGU (in RMB million)	417.3	310.4

Taniborbactam

	As at 31 December 2020
Discount rate	16%
Revenue growth rate	-1% to 96%
Recoverable amount of CGU (in RMB million)	772.8

SPR206

	As at 31 December 2020
Discount rate	16%
Revenue growth rate	-1% to 299%
Recoverable amount of CGU (in RMB million)	239.6

(Expressed in thousands of RMB unless otherwise stated)

15. INTANGIBLE ASSETS (CONTINUED)

(d) (continued)

Impairment test (continued)

Trodelvy™

	As at 31 December 2020
Discount rate	16%
Revenue growth rate	-5% to 335%
Recoverable amount of CGU (in RMB million)	1,561.3

Nefecon

	As at 31 December 2020
Discount rate	16%
Revenue growth rate	-1% to 12%
Recoverable amount of CGU (in RMB million)	855.2

No quantitative impairment test was performed for intangible assets acquired from Everest II as at 31 December 2019, considering the short period since the date of acquisition of Everest II and intangible assets acquired were recorded based on fair value.

Impairment test — sensitivity

The Company performed sensitivity test by increasing 1% of discount rate or decreasing 1% of revenue growth rate, which are the key assumptions determine the recoverable amount of each intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

Etrasimod

	As at 31 December 2020 (in RMB million)	As at 31 December 2019 (in RMB million)
Headroom	1,010	676
Impact by increasing discount rate	(131)	(99)
Impact by decreasing revenue growth rate	(90)	(66)

(Expressed in thousands of RMB unless otherwise stated)

15. INTANGIBLE ASSETS (CONTINUED)

(d) (continued)

Impairment test — sensitivity (continued)

Ralinepag

	As at 31 December 2020 (in RMB million)	As at 31 December 2019 (in RMB million)
Headroom	395	213
Impact by increasing discount rate	(60)	(44)
Impact by decreasing revenue growth rate	(33)	(24)

Eravacycline

	As at 31 December 2020 (in RMB million)	As at 31 December 2019 (in RMB million)
Headroom	1,085	713
Impact by increasing discount rate	(114)	(88)
Impact by decreasing revenue growth rate	(104)	(78)

FGF401

	As at 31 December 2020 (in RMB million)	As at 31 December 2019 (in RMB million)
Headroom	271	154
Impact by increasing discount rate	(76)	(52)
Impact by decreasing revenue growth rate	(38)	(40)

VNRX5133

	As at 31 December 2020 (in RMB million)
Headroom	420
Impact by increasing discount rate	(100)
Impact by decreasing revenue growth rate	(84)

(Expressed in thousands of RMB unless otherwise stated)

15. INTANGIBLE ASSETS (CONTINUED)

(d) (continued)

Impairment test — sensitivity (continued)

SPR206

	As at 31 December 2020 (in RMB million)
Headroom	154
Impact by increasing discount rate	(50)
Impact by decreasing revenue growth rate	(33)

TrodelvyTM

	As at 31 December 2020 (in RMB million)
Headroom	808
Impact by increasing discount rate	(232)
Impact by decreasing revenue growth rate	(294)

Nefecon

	As at 31 December 2020 (in RMB million)
Headroom	422
Impact by increasing discount rate	(107)
Impact by decreasing revenue growth rate	(78)

Considering there was sufficient headroom based on the assessment, management believes that a reasonably possible change in any of the key assumptions on which management has based its determination of each intangible asset's recoverable amount would not cause its carrying amount to exceed its recoverable amount.

Based on the result of above assessment, there was no impairment for the intangible asset as at 31 December 2020 and 2019.

(Expressed in thousands of RMB unless otherwise stated)

16. INVESTMENTS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Advance to equity investments in I-Mab (a)	—	258,119
Investments in I-Mab — at FVOCI (a)	813,072	—
Investments in Venatorx — at FVTPL (b)	32,625	34,881
	845,697	293,000

(a) On 4 November 2019, the Group entered into an agreement to terminate the Collaboration Agreement with I-Mab which was entered into in January 2018. Pursuant to the termination agreement, the Group does not have any rights or entitlements to develop or commercialize the TJ202 Product or any economic interest in the commercialization of the TJ202 Product remaining at the effective time. In consideration of the termination of the collaboration and full and final settlement of such termination, a number of I-MAB's ordinary shares which equal to the termination amount of USD37 million (equivalent to RMB258.1 million) would be issued and delivered to the Group at no additional charge. The termination amount was calculated based on the sum of (1) USD33.7 million (equivalent to RMB235.1 million), which equals cumulative payments historically made by the Group under the Collaboration Agreement; and (2) a negotiated USD3.3 million (equivalent to RMB23 million) time cost of the foregoing historical payment in light of I-Mab's exclusive rights over the commercialization of TJ202 after this termination. The shares will be issued concurrently with, and subject to, the completion of I-Mab's initial public offering within 180 days from termination of the Collaboration Agreement. In the event that the initial public offering has not been completed within 180 days from the termination of the Collaboration Agreement, I-Mab will issue 4,762,751 ordinary shares to the Group on the 181st day. As the Group is not with any intention of resale, distribution or other disposition thereof and the I-Mab share is to compensate the historical payment made at the amount of USD33.7 million (equivalent to RMB235.1 million) in accordance with the Collaboration Agreement.

On 17 January 2020, I-Mab completed its initial public offering with the offering price of USD14.00 per ADS (or USD6.09 per ordinary share) and therefore, the Group received 6,078,571 ordinary shares issued by I-Mab with 180-day lock-up period. The Group subsequently measures this investment at fair value and has elected to present fair value gains and losses on equity investment in other comprehensive income.

As at 31 December 2020, based on quoted market share price of I-Mab, the fair value of this investment was USD124.6 million (equivalent to RMB813.1 million), which is USD87.6 million (equivalent to RMB571.6 million) higher than the carrying value of USD33.7 million (equivalent to RMB241.5 million), and the difference of RMB571.6 million was recorded in other comprehensive income for the year ended 31 December 2020.

(Expressed in thousands of RMB unless otherwise stated)

16. INVESTMENTS (CONTINUED)

(b) The Group acquired the investment in Venatorx Pharmaceuticals, Inc. ("Venatorx") through the acquisition of Everest II (Note 31). Everest II invested in 141,553 Series B convertible preferred stock (Series B Preferred Stock) issued by Venatorx in October 2018. The Series B Preferred Stock is a liability instrument from issuer's perspective as Venatorx cannot prevent deemed liquidation event from happening. Thus, the investment in Venatorx is classified as investment at fair value through profit or loss.

The investment in Venatorx is classified as Level 3 investment and the fair value of this investment is valued by reference to the recent, transaction price in April 2019, when Venatorx issued the same class of shares to a third party investor. During the period from April 2019 to 31 December 2020, the Group assessed whether fair value has changed, considering changes in circumstances such as: the current performance of Venatorx is significantly above or below the expectations at the time of the original investment; market, economic or company specific conditions have significantly improved or deteriorated since the time of the original investment. The result of such consideration provided indications whether the carrying value of the investment should be increased or decreased to represent fair value.

Based on the Group's assessment, there are no changes to the fair value of the investment in Venatorx, at the amount of USD5 million, as of 31 December 2020 and 2019. The difference of carrying value is due to the foreign currency translation difference of RMB against USD at the date of each balance sheet.

17. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Loan to a director (Note 9(e))	**2,172**	—
Others	**4,873**	3,261
	7,045	3,261

(Expressed in thousands of RMB unless otherwise stated)

18. FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets As at 31 December	
	2020	2019
	RMB'000	RMB'000
Assets as per statements of financial position		
Amortised cost:		
Amounts due from related parties	**—**	18,616
Prepayments and other current assets, excluding non-financial assets	**1,885**	161
Cash and cash equivalents	**4,481,122**	106,061
Fair value through profit and loss:		
Investments in Venatorx	**32,625**	34,881
Fair value through other comprehensive income:		
Investments in I-Mab	**813,072**	258,119
	5,328,704	417,838

	Financial liabilities As at 31 December	
	2020	2019
	RMB'000	RMB'000
Liabilities as per statements of financial position		
Amortised cost:		
Trade and other payables	**167,459**	80,779
Lease liabilities	**77,893**	40,759
Amounts due to related parties	**440**	17,233
Financial instruments issued to investors	**—**	279,048
Other non-current liabilities	**369,438**	—
Fair value through profit and loss:		
Financial instruments issued to investors	**20,880**	2,580,203
	636,110	2,998,022

(Expressed in thousands of RMB unless otherwise stated)

19. PREPAYMENTS AND OTHER CURRENT ASSETS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Value-added tax recoverable	10,905	3,941
Prepayments to suppliers	1,389	2,215
Deposits	2,084	161
Others	909	159
	15,287	6,476

None of the above assets is past due or impaired. The financial assets included in the above balances related to deposits for which there was no history of default and the expected credit losses are considered minimal.

20. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash at bank	4,481,122	106,061
Cash and bank balances denominated in:		
—HKD	3,275,783	—
—USD	1,092,264	98,499
—RMB	112,960	7,462
—SGD	115	100
	4,481,122	106,061

As at 31 December 2020 and 2019, cash and cash equivalents of the Group are mainly denominated in HKD and USD.

(Expressed in thousands of RMB unless otherwise stated)

21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Non-current		
Preferred Shares issued by the Company (Note (a))	–	2,446,633
Preferred Shares issued by EverNov (Note (b))	20,880	17,300
Sub-total	20,880	2,463,933
Current		
Warrant liabilities to certain holders of Preferred Shares (Note (a))	–	116,270
Convertible notes (Note (c))	–	279,048
Sub-total	–	395,318
Total	20,880	2,859,251

(a) Preferred Shares and warrant issued by the Company

Issuance of Preferred Shares

Prior to 1 January 2019, the Company issued Series A-1, A-2, B-1 and B-2 Convertible Redeemable Preferred Shares to C-Bridge Investment Everest Limited ("C-Bridge") and other investors.

Series B-3 Convertible Redeemable Preferred Shares

On 25 November 2019, pursuant to an agreement and plan of merger dated as of 16 August 2019, the Company agreed to issue 38,362,045 Series B-3 Convertible Redeemable Preferred Shares to C-Bridge IV Investment Two Limited, the original shareholders of Everest II, as the consideration of the acquisition of Everest II. Refer to Note 31 for details.

21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

(a) Preferred Shares and warrant issued by the Company (continued)

Issuance of Preferred Shares (continued)

Financing from Jiashan Shanhe and issuance of Series C-1 Convertible Redeemable Preferred Shares

On 17 March 2020, the Company entered into an investment agreement and a supplemental agreement with Jiashan Shanhe pursuant to which Jiashan Shanhe subscribed 37% of equity interest in Everest Medicines (China) Co., Ltd. ("Everest China"), a subsidiary established under the Company's wholly owned subsidiary Everest Medicines II (HK) Limited ("Everest II HK"), by making cash contribution in RMB equivalent to USD50 million. Refer to Note 23. In connection with the investment in Everest China, the Company issued a warrant to Jiashan Shanhe which entitles Jiashan Shanhe, at its sole discretion, the right to purchase 11,111,111 Series C-1 preferred shares issued by the Company at the purchase price of USD4.5 per share for an aggregate purchase price of USD50 million. The precondition for Jiashan Shanhe to exercise this warrant is to obtain the necessary approval for its outbound direct investment from relevant PRC authority.

The warrant was exercised by Jiashan Shanhe in May 2020 and the Company issued 13,888,889 Series C-1 Convertible Redeemable Preferred Shares to Jiashan Shanhe for USD50 million (equivalent to RMB353.9 million) consideration, at adjusted conversion price of USD3.6 per share in accordance with lower issuance price of subsequently issued series C-2 Convertible Redeemable Preferred Shares.

Issuance of Series C-2 Convertible Redeemable Preferred Shares

Further on 29 May 2020, pursuant to a share purchase agreement, the Company agreed to issue 72,222,223 Series C-2 Convertible Redeemable Preferred Shares to several investors at the purchase price of USD3.6 per share for an aggregate purchase price of USD260 million (equivalent to RMB1,854 million). Among it, C-Bridge IV Investment Nine Limited subscribed 15,277,778 Series C-2 Convertible Redeemable Preferred Shares, which was converted from the outstanding convertible notes issued by the Company with the aggregate amount of USD55 million (equivalent to RMB392 million). Series C-2 Convertible Redeemable Preferred Shares were issued to these investors on 3 June 2020. Simultaneously, to facilitate the Company's financing, C-Bridge cancelled Series A-2 Warrants which were previously issued by the Company in 2018 as part of Series A-1 Convertible Redeemable Preferred Shares financing to C-Bridge. The cancelled warrant was considered as shareholder's contribution and was charged to reserves at the fair value right before the cancellation.

21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

(a) Preferred Shares and warrant issued by the Company (continued)

Significant terms of Preferred Shares

Series A-1 and A-2 Convertible Redeemable Preferred Shares are collectively referred to as "Series A Preferred Shares", Series B-1, B-2 and B-3 Convertible Redeemable Preferred Shares are collectively referred to as "Series B Preferred Shares" , and Series C-1 and C-2 Convertible Redeemable Preferred Shares are collectively referred to as " Series C Preferred Shares". The significant terms of Series A-1, A-2, B-1, B-2, B-3, C-1 and C-2 Convertible Redeemable Preferred Shares (collectively referred to as "Preferred Shares") are summarized below:

Dividends

The holders of Preferred Shares shall be entitled to receive non-cumulative dividends at the rate of 8% per annum when declared by the Company's board of directors.

Redemption

At any time and from time to time on the fifth (5th) anniversary of 8 June 2018, if by then the Company fails to complete a Qualified Public Offering, each holder of the Preferred Shares may require that the Company redeem all or any part of the then outstanding Preferred Shares held by each holder. The redemption price shall be equal to the greater of (i) 100% of the applicable issuance price plus a 12% rate of return or (ii) 100% of the applicable issuance price plus any declared but unpaid dividends thereon up until the redemption. No other securities of the Company shall be redeemed unless and until the Company shall have redeemed all of the Series B Preferred Shares requested to be redeemed. After payment of the applicable redemption price in full on all Series B Preferred Shares to be redeemed, the Company shall redeem all of the Series A Preferred Shares requested to be redeemed.

If the Company fails to redeem any Preferred Shares on due date, the holder of such Preferred Shares shall be entitled to request the Company to pay the unpaid portion of the redemption price (A) by a six-months note, bearing an interest of 12% per annum or (B) by the other terms and mechanisms agreed by the Company and such holder of the Preferred Shares.

Liquidation preference

The holders of Series C Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series B and A Preferred Shares, the holders of Ordinary Shares or any other class or series of shares by reason of their ownership of such shares, the amount equal to 100% of the investment amount of the Series C Preferred Shares, plus any declared or accrued but unpaid dividends on its Series C Preferred Shares (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions).

21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

(a) Preferred Shares and warrant issued by the Company (continued)

Significant terms of Preferred Shares (continued)

Liquidation preference (continued)

After setting aside or paying in full amount due for the holders of Series C Preferred Shares, the remaining assets of the Company available for distribution, if any, shall be distributed to the holders of Series B and A Preferred Shares, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Ordinary Shares or any other junior class or series of shares by reason of their ownership of such shares, the amount equal to 100% of the investment amount of the Series B and A Preferred Shares, plus any declared or accrued but unpaid dividends on its Series B and A Preferred Shares (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions).

If upon the occurrence of a liquidation, dissolution or winding up of the Company, the assets and funds thus distributed among the holders of each Series of Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferred Shares Preference Amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of each Series of Preferred Shares in proportion to the Preferred Shares Preference Amount each such holder is otherwise entitled to receive.

Deemed Liquidation Events shall be treated as a liquidation event. "Deemed Liquidation Events" includes any transaction (treating any series of related transactions as a "transaction") involving (a) any sale, disposition, lease or conveyance by the Company of all or substantially all of its assets (including the sale or exclusive licensing of all or substantially all the intellectual property assets of the Company); (b) any merger or consolidation of the Company with or into any other corporation or corporations or other entity or entities or any other corporate reorganization after which the holders of the Company's voting Shares prior to such transaction own or control less than a majority of the outstanding voting shares of the surviving corporation or other entity on account of shares held by them prior to the transaction; or (c) a sale of a majority of the outstanding voting shares of the Company.

Voting rights

Each Preferred Share shall be entitled to the number of votes equal to the number of Ordinary Shares into which such Preferred Shares could be converted.

(Expressed in thousands of RMB unless otherwise stated)

21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

(a) Preferred Shares and warrant issued by the Company (continued)

Significant terms of Preferred Shares (continued)

Conversion

The Preferred Shares are convertible, at the option of the holders, into the Company's Ordinary Shares at an initial conversion ratio of 1:1 at any time after the original issuance date subject to adjustment for dilution, included but not limited to stock splits, stock dividends and recapitalization.

In addition, each Preferred Share shall automatically be converted into Ordinary Shares at the then respective effective conversion price upon the closing of a Qualified Public Offering or upon the written consent of holders of at least two-thirds (2/3) of the outstanding Preferred Shares.

Upon the Listing on 9 October 2020, all the Preferred Shares were automatically converted to the Company's Ordinary Shares.

Measurement and subsequent accounting for Preferred Shares

The aforementioned series of Preferred Shares are classified as liabilities as the Company doesn't have the unconditional right to avoid delivery cash or another financial asset. In addition, the Preferred Shares are designated at fair value through profit or loss and initially recognised at fair value.

If the Company's own credit risk results in fair value changes in financial labilities designated as at fair value through profit or loss, they are recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts. During the years ended 31 December 2020 and 2019, the fair value change due to the company's own credit risk was immaterial.

The Company engaged an independent valuer to determine the fair value of Preferred Shares. The discounted cash flow method was used to determine the total equity value of the Company and then equity allocation model was adopted to determine the fair value of the Preferred Shares at 31 December 2019.

	As at 31 December 2019
Discount rate	17%
Discount of lack of marketability	15%~35%
Risk-free interest rate	1.6%
Expected volatility	70%

(Expressed in thousands of RMB unless otherwise stated)

21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

(a) Preferred Shares and warrant issued by the Company (continued)

Measurement and subsequent accounting for Preferred Shares (continued)

The Company's Preferred Shares activities during the years ended 31 December 2020 and 2019 are summarized below:

	Series A-1 Convertible Redeemable Preferred Shares RMB'000	Series A-2 Convertible Redeemable Preferred Shares RMB'000	Series B-1 Convertible Redeemable Preferred Shares RMB'000	Series B-2 Convertible Redeemable Preferred Shares RMB'000	Series B-3 Convertible Redeemable Preferred Shares RMB'000	Series C-1 Convertible Redeemable Preferred Shares RMB'000	Series C-2 Convertible Redeemable Preferred Shares RMB'000	Total RMB'000
Balance as of 1 January 2020	**931,325**	**75,808**	**428,455**	**44,933**	**966,112**	**–**	**–**	**2,446,633**
Issuance	**–**	**–**	**–**	**–**	**–**	**353,940**	**1,854,216**	**2,208,156**
Fair value change	**1,526,702**	**88,215**	**324,229**	**40,556**	**922,619**	**334,990**	**1,740,771**	**4,978,082**
Currency translation differences	**(52,366)**	**(3,646)**	**(17,621)**	**(1,959)**	**(43,010)**	**(20,691)**	**(120,143)**	**(259,436)**
Conversion to ordinary shares	**(2,405,661)**	**(160,377)**	**(735,063)**	**(83,530)**	**(1,845,721)**	**(668,239)**	**(3,474,844)**	**(9,373,435)**
Balance as of 31 December 2020	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance as of 1 January 2019	926,532	77,783	425,709	44,206	–	–	–	1,474,230
Issuance	–	–	–	–	883,489	–	–	883,489
Fair value change	(10,344)	(3,218)	(4,214)	–	71,420	–	–	53,644
Currency translation differences	15,137	1,243	6,960	727	11,203	–	–	35,270
Balance as of 31 December 2019	931,325	75,808	428,455	44,933	966,112	–	–	2,446,633

(Expressed in thousands of RMB unless otherwise stated)

21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

(a) Preferred Shares and warrant issued by the Company (continued)

Warrants

The Series A-2 Warrants issued as part of Series A-1 Convertible Redeemable Preferred Shares financing to C-Bridge were classified as derivative liabilities as the underlying Preferred Shares are puttable financial instruments which contingently redeemable at the option of the holder and Series A-2 Warrants conditionally obligates the Company to ultimately transfer assets. The Warrants were recorded at fair value with changes in fair value recorded in profit or loss.

In June 2020, to facilitate the Company's financing, C-Bridge cancelled the Series A-2 Warrants which was considered as shareholder's contribution and was charged to reserves at the fair value right before the cancellation.

The Company recognized a gain of RMB45 million and RMB12 million from the change in fair value of the warrant liability for the years ended 31 December 2020 and 2019, respectively.

The Warrants are not traded in an active securities market, and as such, with the assistance from an independent valuation firm, the Company estimated their fair value using the binomial option pricing model with the following main assumptions:

	As at 31 December 2019
Stock price of Series A-2 Preferred Shares (USD)	4.27
Dividend yield	0%
Time to maturity	0.9 year
Risk-free interest rate	1.6%
Expected volatility	68%

The Company's warrant liabilities activities during the years ended 31 December 2020 and 2019 are summarized below:

	Warrant liabilities RMB'000
At 1 January 2020	**116,270**
Change in fair value	**(45,065)**
Cancellation	**(71,806)**
Currency translation differences	**601**
At 31 December 2020	**–**
At 1 January 2019	126,283
Change in fair value	(11,951)
Currency translation differences	1,938
At 31 December 2019	116,270

(Expressed in thousands of RMB unless otherwise stated)

21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

(b) Preferred Shares issued by EverNov

On 20 June 2018, the Company's subsidiary EverNov entered into a license agreement with Novartis International Pharmaceutical Ltd. ("Novartis") and obtained the right to research, develop and commercialize one compound FGF401. The total upfront fee paid for the license included cash consideration of USD20 million (equivalent to RMB133 million) and 4,000,000 Series A-2 Convertible Preferred Shares issued by EverNov (See Note 15(c) for details). On the same date, EverNov issued 21,000,000 Series A-1 Convertible Preferred Shares to the Company, at the purchase price of USD1.00 per share for an aggregate purchase price of USD21 million (equivalent to RMB139 million) in cash.

Pursuant to the Memorandum of Articles of Association of EverNov, Novartis has the option to request EverNov to redeem its equity interests at USD4 million (equivalent to RMB27 million) upon certain deemed liquidation events. Therefore, the Company designated the Series A-2 Convertible Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value.

With the assistance of an independent valuer, the fair value of the preferred shares are estimated by using discounted cash flow method first to determine the total equity value of EverNov, and then option pricing model was adopted to allocate the equity value to the preferred share. The key assumptions are summarized as follows:

	As at 31 December	
	2020	2019
Discount rate	**16.5%**	18.5%
Discount of lack of marketability	**27%**	25%
Risk-free interest rate	**1.5%**	1.6%
Expected volatility	**85%**	73%

(Expressed in thousands of RMB unless otherwise stated)

21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

(b) Preferred Shares issued by EverNov (continued)

EverNov's preferred share activities during the years ended 31 December 2020 and 2019 are summarized below:

	EverNov Series A-2 Convertible Preferred Shares RMB'000
Balance as of 1 January 2020	**17,300**
Fair value change	**4,966**
Currency translation differences	**(1,386)**
Balance as of 31 December 2020	**20,880**
Balance as of 1 January 2019	22,236
Fair value change	(5,240)
Currency translation differences	304
Balance as of 31 December 2019	17,300

21. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONTINUED)

(c) Convertible notes

On 17 July 2019, Everest II entered into an agreement with C-Bridge IV Investment Nine Limited to issue convertible notes with the aggregate amount of USD20 million (equivalent to RMB137.9 million). The convertible notes have a repayment term of six months and an interest rate of 8% per annum. At any time after the date of issuance of this note and prior to the repayment in full, the holder of convertible notes is entitled, but not obligated to convert the principal amount then outstanding into the preferred shares of the Everest II at the conversion price to be mutually agreed. Upon the consummation of the acquisition of Everest II, this note was terminated and cancelled, and replaced by a note issued by the Company to C-Bridge IV Investment Nine Limited with the same amount and term.

In August 2019, Everest II entered into another agreement with C-Bridge IV Investment Nine Limited to issue convertible notes with the aggregate amount of USD20 million (equivalent to RMB137.9 million). The convertible notes have a repayment term of six months and an interest rate of 8% per annum. At any time after the date of issuance of this note and prior to the repayment in full, the holder is entitled, but not obligated to convert the principal amount then outstanding into the preferred shares of the Everest II at the conversion price to be mutually agreed. On 1 December 2019, this note was assigned and transferred to the Company with the same amount and term.

On 31 January 2020 and 8 March 2020, the Company entered into agreements with C-Bridge IV Investment Nine Limited to issue convertible notes with the aggregate amount of USD5 million (equivalent to RMB35 million) and USD10 million (equivalent to RMB70 million), respectively. The convertible notes have a repayment term of six months and an interest rate of 8% per annum. At any time after the date of issuance of these notes and prior to the repayment in full, the holder of convertible notes is entitled, but not obligated to convert the principal amount then outstanding into the preferred shares of the Company at the conversion price to be mutually agreed.

The convertible notes issued to C-Bridge IV Investment Nine Limited in an aggregate amount of USD55 million (equivalent to RMB354 million) are considered bridge loans in nature that were expected to and subsequently be converted in connection with the sale and purchase of certain Series C-2 Convertible Redeemable Preferred Shares. The notes were convertible into the preferred shares at the conversion price to be mutually agreed between the holder and the Company at the time of conversion. The value of conversion option entitled to the holder is zero and it is in substance a pre-emptive right to purchase preferred shares issued by the Company at the then fair value in the future. Hence the conversion option does not meet the definition of a derivative, thus not an derivative for accounting purpose. The convertible notes were subsequently measured at amortised cost and the fair value of the convertible notes approximates their carrying amounts.

(Expressed in thousands of RMB unless otherwise stated)

22. LEASE LIABILITIES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Minimum lease payments due		
— Within 1 year	**19,523**	10,893
— Between 1 and 2 years	**19,202**	9,189
— Between 2 and 5 years	**47,152**	23,750
— Over 5 years	**1,504**	3,222
	87,381	47,054
Less: future finance charges	**(9,548)**	(6,295)
Present value of lease liabilities	**77,893**	40,759
Portion classified as current liabilities	**19,015**	10,543
Portion classified as non-current liabilities	**58,878**	30,216
Present value of lease liabilities due		
— Within 1 year	**19,015**	10,543
— Between 1 and 2 years	**17,659**	8,398
— Between 2 and 5 years	**40,514**	19,307
— Over 5 years	**705**	2,511
	77,893	40,759

The following table sets forth the discount rate of our lease liabilities as the dates indicated:

	As at 31 December	
	2020	2019
	%	%
Lease liabilities	**0.2%–13.71%**	0.2%–13.71%

The Group leases various properties for operation and these liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid.

(Expressed in thousands of RMB unless otherwise stated)

22. LEASE LIABILITIES (CONTINUED)

The statement of profit or loss shows the following amounts relating to leases:

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets-Leased properties	**(15,914)**	(7,207)
Interest expense (included in finance costs)	**(2,870)**	(2,002)
Expense relating to short-term leases (included in general and administrative expenses)	**(2,566)**	(595)
Expense relating to short-term leases (cost of other income)	**—**	(1,191)

The total cash outflow for leases for the year ended 31 December 2020 were RMB19,463 thousand (For the year ended 31 December 2019: RMB8,302 thousand), respectively.

Information about right-of-use assets is set out in Note 14.

As of 31 December 2020, lease liabilities include the Group's lease of office in Hong Kong and Singapore from CBC Group Investment Management, Ltd, a related party, at the amount of RMB2,835 thousand. The lease terms are 21 months and 36 months with monthly rental payment of USD40 thousand and USD19 thousand, respectively.

As at 31 December 2020 and 2019, the Group leases some office and equipment under irrevocable lease contracts with lease term less than one year and leases of low value assets that have been exempted from recognition of right-of-use assets as permitted under IFRS16. The future aggregate minimum lease payment under irrevocable lease contracts for these exempted contracts are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
No later than 1 year	**202**	2,119

(Expressed in thousands of RMB unless otherwise stated)

23. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Borrowings from Jiashan Shanhe	**369,438**	—

As disclosed in Note 21(a), on 17 March 2020, the Company entered into an investment agreement and a supplemental agreement with Jiashan Shanhe Equity Investment Company ("Jiashan Shanhe"), pursuant to which Jiashan Shanhe subscribed 37% of equity interest in Everest Medicines (China) Co., Ltd. ("Everest China"), a subsidiary established under the Company's wholly owned subsidiary Everest Medicines II (HK) Limited ("Everest II HK"), by making cash contribution in RMB equivalent to USD50 million. In addition, the Company transferred all its equity interests in Everest Medicines (Suzhou) Inc., EverID Medicines (Beijing) Limited and Everstar Medicines (Shanghai) Limited to Everest China.

According to the supplemental agreement, right starting in the fourth year of the date of the investment agreement, Jiashan Shanhe has the right to require that the Company or Everest China to redeem all of its investment in Everest China with the redemption price of original investment amount plus a 8% simple rate of return per annum. At the same time, the Company also has a call option to repurchase Jiashan Shanhe's investment in Everest China at any time and from time to time on the third (3rd) anniversary of Jiashan Shanhe's investment in Everest China at the investment amount plus 8% simple interest rate per annum. Furthermore, Jiashan Shanhe was not entitled to the right to appoint board of directors, voting right in a shareholders' meeting and dividend right but only retained the information right and right to appoint an observer to attend board meetings. Therefore the Company classified the investment from Jiashan as borrowings in non-current liabilities, which are subsequently measured at amortised cost using the effective interest rate method.

(Expressed in thousands of RMB unless otherwise stated)

24. TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables (a)	**40,725**	12,276
Accrued service fees to CROs	**37,823**	27,781
Payables for service suppliers (a)	**34,376**	10,806
Salary and staff welfare payables	**49,357**	23,612
Payables for property, plant and equipment	**—**	367
Payables for individual income tax	**3,674**	1,499
Others	**1,504**	4,438
	167,459	80,779

As at 31 December 2020 and 2019, all trade and other payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.

(a) As at 31 December 2020 and 2019, the ageing analysis of trade payables and payables for service suppliers based on invoice date are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
— Within 1 year	**75,101**	23,082

(Expressed in thousands of RMB unless otherwise stated)

25. SHARE CAPITAL

Share capital of the Company

	Number of shares	Nominal value of shares in USD
Authorized		
Authorized shares as at 31 December 2020 and 2019 (a)	**500,000,000**	**50,000**

	Number of shares	Nominal value of shares in USD	Nominal value of shares in RMB
Issued			
As at 1 January 2020	**25,025,762**	**2,503**	**17,121**
Issuance of ordinary shares (c)	**267,899,379**	**26,790**	**181,527**
Exercise of stock option	**297,248**	**30**	**201**
As at 31 December 2020	**293,222,389**	**29,323**	**198,849**
As at 1 January 2019	3,700,001	370	2,421
Issuance of ordinary shares (b)	21,325,761	2,133	14,700
As at 31 December 2019	25,025,762	2,503	17,121

(a) The authorized share capital of USD50,000 is divided into 500,000,000 ordinary shares of a par value of USD0.0001 each.

(b) On 25 November 2019, the Company issued 20,384,492 Ordinary Shares as the consideration of the acquisition of Everest II. Refer to Note 31 for details. In addition, the Company issued 441,269 Ordinary Shares in accordance with the anti-dilution mechanism set forth in Second Amended and Restated Shareholders Agreement. A total number of 500,000 stock options granted to one of the Company's employees were fully vested and exercised in 2018. However, the Ordinary Shares were issue in 2020.

(c) On 9 October 2020, the Company issued 267,899,379 Ordinary Shares upon the Listing. The Ordinary shares issued consist of: (i) 194,820,379 shares from the conversion of all outstanding Preferred Shares, (ii) 63,547,000 shares from the initial public offering, and (iii) 9,532,000 Shares from Over-allotment Option. Total proceeds from the initial public offering were HKD4,019.3 million (equivalent to RMB3,508.9 million at a price of HKD55 per ordinary share), net of capitalized issue cost of HKD129.5 million (equivalent to RMB123.7 million).

26. SHARE-BASED COMPENSATION

(i) Restricted share units

(a) Restricted share units to management

On 23 November 2017, the Company's board of directors approved the issuance of 3,365,855 Ordinary Shares that are restricted share units to certain management personnel ("Management Shareholders"). Restricted Shares Agreements were signed with these Management Shareholders in consideration of their continuous service for the Company.

The restricted share units issued in 2017 shall be released in accordance with the following schedule: (A) one-third (1/3) of such restricted share units shall be released on the first anniversary of the commencement date of the service of the Management Shareholder for the Company; (B) the remainder of such restricted shares shall be released in twenty-four (24) equal monthly instalments commencing on the first anniversary of the commencement date.

In March 2020, all the Management Shareholders' restricted share units were either vested, forfeited or cancelled and the vested shares were exchanged with shares of Everest Management Holding Co., Ltd. ("Manco"), a shareholder of the Company. As of 31 December 2020, the non-vested shares of Management Shareholders were nil.

(b) Restricted share units to employees

On 31 July 2020, the Company's board of directors approved the issuance of 3,360,000 Ordinary Shares that are restricted share units to certain employees.

The restricted share units issued in 2020 shall be released in accordance with the following schedule: (A) one-forth (1/4) of such restricted share units shall be released on the first anniversary of the commencement date of the service of the employee for the Company; (B) the remainder of such restricted share units shall be released in thirty-six (36) equal monthly instalments commencing on the first anniversary of the commencement date.

(Expressed in thousands of RMB unless otherwise stated)

26. SHARE-BASED COMPENSATION (CONTINUED)

(i) Restricted share units (continued)

(b) Restricted share units to employees (continued)

The following table summarizes the Group's restricted shares activities:

	Numbers of shares	Weighted average grant date fair value USD
Non-vested shares at 1 January 2020	**577,530**	**0.21**
Granted	**3,360,000**	**2.99**
Canceled	**(24,830)**	**0.21**
Forfeited	**(584,700)**	**0.36**
Non-vested shares at 31 December 2020	**3,328,000**	**2.99**
Non-vested shares at 1 January 2019	1,340,109	0.21
Vested	(762,579)	0.21
Non-vested shares at 31 December 2019	577,530	0.21

Share-based compensation expenses for the restricted share units granted in 2020 were measured using the fair value of the Company's ordinary shares of USD2.99 at the grant date and were recognised in the consolidated statements of comprehensive loss by using graded vesting method over the vesting term.

The share-based compensation expenses for the restricted share units recognized for the year ended 31 December 2020 were RMB16,435 thousand (For the year ended 31 December 2019: RMB732 thousand).

As of 31 December 2020, there was RMB60,208 thousand (As of 31 December 2019: RMB172 thousand) of unrecognized shared-based compensation expenses related to restricted share units, which is expected to be recognized over a weighted-average period of 1.89 years (As of 31 December 2019: 0.69 years).

(ii) Stock option

On 23 November 2017, the board of directors adopted a Stock Option Plan for Management Shareholders for issuance of stock options to Management Shareholders ("Stock Option Plan for Management Shareholders") with the overall limit of 5,048,779 shares. Such Plan has a contractual term of ten (10) years from the adoption date, and grants under the Plan vest over a period of three years of continuous service, with one-third (1/3) vesting upon the first anniversary of the stated vesting commencement date and the remaining vesting ratably over the following 24 months.

26. SHARE-BASED COMPENSATION (CONTINUED)

(ii) Stock option (continued)

On 25 December 2018, the board of directors adopted a Stock Option Plan for Employees for issuance of stock options to employee, officer, director, contractor, advisor or consultant of the Group. Such plan was amended on 17 February 2020, with restricted share units also included. ("Stock Option Plan for Employees").The overall limit on the number of underlying shares which may be delivered under the Stock Option Plan for Employees for both employees stock options and restricted share unites is 22,932,908.

According to the Stock Option Plan for Employees, a contractual term of ten (10) years from adoption date, and grants under the Plan vest over a period of four years of continuous service, with one-fourth (1/4) vesting upon the first anniversary of the stated vesting commencement date and the remaining vesting ratably over the following 12 quarters.

In February and July 2020, as approved by the Company's board of directors, a total of 17,100,788 stock options were granted with vesting conditions of service and performance. The non-market performance condition requires that certain shares will immediately vest upon an IPO in accordance with the Plans and will become restricted to a three-year lock-up period post the IPO. The market condition requires that certain shares to become vested upon achievement of each milestone when the average volume based closing trading price of the Company during any of 90 consecutive trading days after the IPO and the listing is higher than pre-determined share prices.

Under both the Stock Option Plan for Management Shareholders and the Stock Option Plan for Employees, stock options granted are only exercisable upon the occurrence of an initial public offering by the Company.

(Expressed in thousands of RMB unless otherwise stated)

26. SHARE-BASED COMPENSATION (CONTINUED)

(ii) Stock option (continued)

The following table summarizes the Group's stock option activities:

	Number of Options Outstanding	Weighted Average Exercise Price USD	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value RMB'000
Outstanding at 1 January 2020	**7,622,177**	**0.22**	**8.28**	**111,122**
Granted	**17,100,788**	**1.27**		
Forfeited	**(798,645)**	**0.78**		
Exercised	**(297,248)**	**0.66**		
Cancelled	**(2,245,902)**	**0.18**		
Outstanding at 31 December 2020	**21,381,170**	**1.03**	**8.87**	**1,078,491**
Outstanding at 1 January 2019	7,646,872	0.21	9.27	99,030
Granted	309,451	0.35		
Cancelled	(334,146)	0.18		
Outstanding at 31 December 2019	7,622,177	0.22	8.28	111,122

The weighted-average grant date fair value for stock options granted during the year ended 31 December 2020 was USD1.27 (equivalent to RMB8.76) (During the year ended 31 December 2019: USD0.35 (equivalent to RMB2.41)), for stock options subjected to service condition, the Group computed using the binomial option pricing model, with the assumptions (or ranges thereof) in the following table:

	Year ended 31 December	
	2020	2019
Exercise price (USD)	**0.18~3.24**	0.18 or 0.59
Fair value of the ordinary shares on the date of option grant (USD)	**0.54~2.83**	2.50
Risk-free interest rate	**0.39%~1.03%**	2.51%
Expected dividend yield	**0%**	0%
Expected volatility	**81.6%~87.6%**	93% or 98.4%
Expected forfeiture rate (post-vesting)	**10%**	10%

(Expressed in thousands of RMB unless otherwise stated)

26. SHARE-BASED COMPENSATION (CONTINUED)

(ii) Stock option (continued)

For stock options subjected to market condition, the Group used Monte Carlo Simulation model to determine the fair value as of the grant date, with the assumptions summarized as follow:

	Year ended 31 December 2020
Risk-free interest rate	**0.5%**
Expected dividend yield	**0%**
Expected volatility	**87.0%**

The share-based compensation expenses for the stock options recognized for the year ended 31 December 2020 were RMB88,130 thousand (For the year ended 31 December 2019: RMB14,213 thousand).

As of 31 December 2020, there were unrecognized shared-based compensation expenses of RMB112,101 thousand (As of 31 December 2019: RMB12,764 thousand) related to stock options.

On 17 February 2020, the Company's board of directors approved the modification of exercise price of stock options granted to certain employees. The incremental compensation cost assessed at the date of modification is insignificant and continued to be recognized over the remaining vesting period.

On 21 September 2020, the Company's shareholders approved the Post-IPO Share Option Scheme, which was effective upon completion of the Listing. The total number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of the Company is 28,369,038, representing approximately 10% of the total issued share capital of the Company as of 31 December 2020.

On 21 September 2020, the Company's shareholders approved the Post-IPO Share Award Scheme, which was effective upon completion of the Listing. The maximum aggregate number of shares underlying all grants made pursuant to the Post-IPO Share Award Scheme will not exceed 14,184,519 shares,representing approximately 5% of the total issued share capital of the Company as of 31 December 2020.

(c) Other share-based compensation arrangements

On 6 March 2020, Manco granted its restricted shares to the Group's directors for their services provided to the Group. The share-based compensation expenses for such restricted shares for the year ended 31 December 2020 were RMB12,705 thousand and were pushed down to the Group accordingly.

(Expressed in thousands of RMB unless otherwise stated)

27. RESERVES

	Capital reserve RMB'000	FVOCI reserve RMB'000	Exchange reserve RMB'000	Accumulated deficit RMB'000	Total RMB'000
At 1 January 2020	**443,649**	**—**	**(46,897)**	**(1,257,851)**	**(861,099)**
Issuance of ordinary shares, net of transaction costs	**12,758,488**	**—**	**—**	**—**	**12,758,488**
Loss for the year	**—**	**—**	**—**	**(5,658,165)**	**(5,658,165)**
Share-based compensation	**117,270**	**—**	**—**	**—**	**117,270**
Cancellation of warrants	**71,806**	**—**	**—**	**—**	**71,806**
Change in fair value of financial assets at FVOCI	**—**	**571,651**	**—**	**—**	**571,651**
Foreign currency translation	**—**	**—**	**(160,396)**	**—**	**(160,396)**
Exercise of stock option	**1,318**	**—**	**—**	**—**	**1,318**
At 31 December 2020	**13,392,531**	**571,651**	**(207,293)**	**(6,916,016)**	**6,840,873**
At 1 January 2019	127,351	—	(31,583)	(1,043,339)	(947,571)
Issuance of ordinary shares	297,979	—	—	—	297,979
Loss for the year	—	—	—	(214,512)	(214,512)
Share-based compensation	14,945	—	—	—	14,945
Foreign currency translation	—	—	(15,314)	—	(15,314)
Exercise of stock option	3,374	—	—	—	3,374
At 31 December 2019	443,649	—	(46,897)	(1,257,851)	(861,099)

28. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(i) Major non-cash transactions

	Years ended 31 December	
	2020 RMB'000	2019 RMB'000
Fair value changes of financial instruments	**4,937,983**	36,453
Acquisition of Everest II by issuance of Series B-3 Preferred Shares	**—**	883,489
Cancellation of warrant	**(71,806)**	—
Convertible notes transferred from Everest II	**—**	275,812
Exercise of stock option	**—**	(3,448)
Net addition of right-of-use assets	**53,381**	29,771
	4,919,558	1,222,077

(Expressed in thousands of RMB unless otherwise stated)

28. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(ii) Financial liabilities from financing cash flow

	Other non-current liability RMB'000	Preferred shares RMB'000	Lease liabilities RMB'000	Borrowings RMB'000	Warrants RMB'000	Convertible notes RMB'000	Total RMB'000
At 1 January 2020	–	2,463,933	40,759	–	116,270	279,048	2,900,010
Financing cash flows in	348,590	1,932,252	–	–	–	–	2,280,842
Financing cash flows out	–	–	(19,463)	–	–	–	(19,463)
Interest expenses	20,950	–	2,870	–	–	–	23,820
Non-cash transactions	–	(4,114,484)	53,381	–	(116,872)	(275,904)	(4,453,879)
Foreign currency translation	(102)	(260,821)	346	–	602	(3,144)	(263,120)
At 31 December 2020	369,438	20,880	77,893	–	–	–	468,210
At 1 January 2019	3,432	1,496,466	16,738	–	126,283	–	1,642,919
Financing cash flows in	–	–	–	70,298	–	–	70,298
Financing cash flows out	–	–	(8,302)	–	–	–	(8,302)
Interest expenses	–	–	2,002	–	–	–	2,002
Asset acquisitions	–	–	–	(70,298)	–	–	(70,298)
Non-cash transactions	(3,448)	931,893	29,771	–	(11,951)	275,812	1,222,077
Foreign currency translation	16	35,574	550	–	1,938	3,236	41,314
At 31 December 2019	–	2,463,933	40,759	–	116,270	279,048	2,900,010

29. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The equity holders, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(Expressed in thousands of RMB unless otherwise stated)

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Name and relationship with related parties are set out below:

CBC Group, mainly comprises C-Bridge Healthcare Fund II, L.P., C-Bridge Investment Everest Limited, C-Bridge II Investment Eight Limited, C-Bridge Healthcare Fund IV, L.P., C-Bridge IV Investment Two Limited, C-Bridge IV Investment Nine Limited Ltd., C-Bridge Capital Investment Management, Ltd. ("C-Bridge Capital"), CBC Group Investment Management, Ltd, C-Bridge Value Creation Limited and Everest Management Holding Co., Ltd. As at 31 December 2020, C-Bridge Healthcare Fund II, L.P. and C-Bridge Healthcare Fund IV, L.P., own 45% of shares in the Group on a collective basis.

Name of related party	Relationship
I-Mab	Significant influence investee held by CBC Group
Everest Medicines II Limited ("Everest II") (Before November 25, 2019, refer to Note 31)	Controlled by CBC Group before the acquisition of Everest II
Shanghai Kangshida Management Consulting Co., Ltd. (Kangshida)	Entity controlled by CBC Group
Affamed Therapeutics Limited ("Affamed")	Entity controlled by CBC Group
CMAB Biopharma Limited ("CMAB")	Entity controlled by CBC Group
NiKang Therapeutics, Inc. ("NiKang")	Entity controlled by CBC Group

Save as disclosed elsewhere in the Notes in this report, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2020 and 2019.

(ii) Transactions

These transactions were conducted in the normal course of business at prices and terms mutually agreed among the parties.

(Expressed in thousands of RMB unless otherwise stated)

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Transactions (continued)

(a) Provision of consultancy services to related parties

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Everest II	**—**	101,024
C-Bridge Capital	**3,890**	13,734
Affamed	**761**	3,117
CMAB	**1,395**	3,367
NiKang	**28**	218
	6,074	121,460

(b) Rental fees charged to a related party

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Kangshida	**552**	434

(c) Management consultancy services provided by related parties

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
C-Bridge Value Creation Limited	**16,498**	—
CBC Group Investment Management, Ltd.	**1,245**	—
NiKang	**658**	—
Everest Management Holding Co., Ltd.	**—**	2,507
	18,401	2,507

(Expressed in thousands of RMB unless otherwise stated)

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Transactions (continued)

(d) Payment for commercialization right

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
I-Mab (Note 16)	–	52,533

(e) Borrowings from a related party

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Everest II (Note 28)	–	70,298

Borrowings received from Everest II is non-trade in nature, interest free, unsecured and repayable on demand. They were eliminated upon the Company's acquisition of Everest II.

(iii) Balances

(a) Amount due from related parties

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Kangshida	–	241
C-Bridge Capital	–	13,821
NiKang	–	1,017
CMAB	–	2,742
Affamed	–	795
	–	18,616

(Expressed in thousands of RMB unless otherwise stated)

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Balances (continued)

(a) Amount due from related parties (continued)

The above balances with related parties were mainly denominated in USD. They were unsecured, trade in nature and non-interest bearing.

None of the above receivables is past due or impaired. The financial assets related to amount due from related parties for which there was no history of default and the expected credit losses are considered minimal.

(b) Amount due to related parties

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Everest Management Holding Co., Ltd.	**–**	13,255
CBC Group Investment Management, Ltd.	**440**	3,978
	440	17,233

The above balances with related parties were mainly denominated in USD. They were unsecured, trade in nature and non-interest bearing. These balances were due within 30 days. Their fair values approximated their carrying amounts due to their short maturities.

(c) Key management compensation:

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries, wages and bonuses	**69,573**	34,109
Contributions to pension plans	**356**	295
Housing funds, medical insurance and other social insurance	**1,467**	830
Share-based payments	**66,913**	4,551
	138,309	39,785

(Expressed in thousands of RMB unless otherwise stated)

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) Loan to a director:

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loan to a director	2,172	—

The above balances with related parties were mainly denominated in USD, unsecured, service provision in nature and non-interest bearing. Their fair values approximated their carrying amounts as at 31 December 2019.

None of the above receivables is past due or impaired. The financial assets related to amount due from related parties for which there was no history of default and the expected credit losses are considered minimal.

30. COMMITMENTS

Other than disclosed in Note 22, the Group had the following commitments:

Capital expenditure commitments

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Property, plant and equipment	13,070	—

31. ACQUISITION OF EVEREST II

On 16 August 2019, the Company and the Company's subsidiary, Everest Subsidiary Limited (the "Merger Sub") entered into an Agreement and Plan of Merger with Everest Medicines II Limited ("Everest II") and its shareholders. Pursuant to the agreement, the Merger Sub would be merged with Everest II and the separate existence of the Merger Sub would be ceased. In connection with the acquisition of Everest II, the Company agreed to issue 38,362,045 Series B-3 Convertible Redeemable Preferred Share to C-Bridge IV Investment Two Limited, the preferred shareholder of Everest II and 20,384,492 Ordinary Shares to existing ordinary shareholders of Everest II. In addition, the Company agreed to issue a convertible promissory note of USD20,000 thousand (equivalent to RMB140,596 thousand) to C-Bridge IV Investment Nine Limited with an interest rate of 8% per annum and repayment term of six months to replace the promissory note of the same terms issued to C-Bridge IV Investment Nine Limited by Everest II on 17 July 2019. The acquisition of Everest II was completed on 25 November 2019 and Everest II continued as a surviving entity and became the Company's wholly-owned subsidiary.

(Expressed in thousands of RMB unless otherwise stated)

31. ACQUISITION OF EVEREST II (CONTINUED)

Everest II has exclusively licensed in four drug candidates and those licenses for IPR&D are intellectual properties. The Group had adopted the Amendments to IFRS 3, *Definition of a business* and the concentration test was firstly performed to determine if substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. Each license is different in terms of the nature, type and risk characteristics associated with managing and creating outputs from these licenses, and each license has more than an insignificant fair value. Therefore, the Group concluded that Everest II had multiple licenses for dissimilar drug candidates and did not meet the concentration test. Further, the Company considered that there were no output for Everest II since those drug candidates are still in the process of research and development before commercialization. In addition, Everest II had no employees or organised workforce and its development work was performed through contractual arrangements which could be replaced at no significant cost. Accordingly, the Company concluded that Everest II did not qualify as a business under IFRS 3, and the purpose of the acquisition of Everest II is for the Group to obtain the four licenses held by Everest II. Therefore, the acquisition of Everest II is considered an acquisition of assets in accordance with IFRS 3.

Details of the purchase consideration, the fair value of net identifiable assets acquired are as follows:

	25 November 2019 RMB'000
Purchase consideration:	
— Fair value of Series B-3 Convertible Redeemable Preferred Share issued	900,723
— Convertible notes transferred to the Company	140,596
— Fair value of Ordinary Shares issued	303,794
	1,345,113

The assets and liabilities recognised as a result of the acquisition are as follows:

	25 November 2019 RMB'000
Cash and cash equivalents	98,442
Amount due from a related party	101,026
Investment	35,149
Intangible assets	1,265,971
Financial instruments issued to investors	(140,596)
Amount due to related parties	(10,837)
Trade and other payables	(4,042)
Net identifiable assets acquired	1,345,113

(Expressed in thousands of RMB unless otherwise stated)

31. ACQUISITION OF EVEREST II (CONTINUED)

The total consideration was allocated among acquired assets and liabilities based on their fair value at the acquisition date. An independent valuer was engaged to determine the fair value of the intangibles assets acquired, with key assumptions of revenue growth rate of ranging from -5% to 334.8% and discount rate of 18%.

The Company has engaged an independent valuer to determine the fair value of Ordinary Shares and Preferred Shares issued in connection with the acquisition of Everest II. The discounted cash flow method was used to determine the total equity value of the Company and then equity allocation model was adopted to determine the fair value of the Ordinary Shares and Preferred Shares as of the dates of acquisition of Everest II. Key assumptions are as below:

	25 November 2019
Discount rate	17%
Discount of lack of marketability	15%~35%
Risk-free interest rate	1.6%
Expected volatility	74%

(Expressed in thousands of RMB unless otherwise stated)

32. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Assets		
Non-current assets		
Property, plant and equipment	4,442	5,581
Intangible assets	234,896	251,143
Investments in subsidiaries	2,625,069	1,832,135
Investments	813,072	258,119
Right-of-use assets	8,647	—
Other non-current assets	2,172	—
	3,688,298	2,346,978
Current assets		
Amounts due from related parties	—	3,763
Amounts due from subsidiaries	137,881	19,577
Prepayments and other current assets	1,506	1,448
Cash and cash equivalents	3,987,671	4,384
	4,127,058	29,172
Total assets	7,815,356	2,376,150
Liabilities		
Non-current liabilities		
Financial instruments issued to investors	—	2,446,632
Lease liabilities	3,312	—
	3,312	2,446,632

(Expressed in thousands of RMB unless otherwise stated)

32. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Balance sheet (continued)

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current liabilities		
Financial instruments issued to investors	**–**	395,318
Lease liabilities	**5,079**	–
Amounts due to related parties	**440**	2,151
Amounts due to subsidiaries	**70,910**	121,588
Trade and other payables	**45,717**	25,088
	122,146	544,145
Total liabilities	**125,458**	2,990,777
Equity		
Equity attributable to the equity holders of the Company		
Share capital	**198**	17
Reserves	**13,392,531**	443,649
Accumulated deficit	**(6,064,334)**	(1,020,340)
Accumulated other comprehensive income/(losses)	**361,503**	(37,953)
Total equity/(deficit)	**7,689,898**	(614,627)
Total equity and liabilities	**7,815,356**	2,376,150

Balance sheet of the Company was approved by the board of directors on 21 March 2021 and was signed on its behalf.

Kerry Levan Blanchard
Chief Executive Officer

Ian Ying Woo
President & Chief Financial Officer

(Expressed in thousands of RMB unless otherwise stated)

32. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement

	Capital reserve RMB'000	FVOCI reserve RMB'000	Exchange reserve RMB'000	Accumulated deficit RMB'000	Total RMB'000
At 1 January 2020	443,649	—	(37,953)	(1,020,340)	(614,644)
Issuance of ordinary shares, net of transaction costs	12,758,488	—	—	—	12,758,488
Loss for the year	—	—	—	(5,043,994)	(5,043,994)
Share-based compensation	117,270	—	—	—	117,270
Exercise of stock option	1,318	—	—	—	1,318
Cancellation of warrants	71,806	—	—	—	71,806
Change in fair value of financial assets at FVOCI	—	571,651	—	—	571,651
Foreign currency translation	—	—	(172,195)	—	(172,195)
At 31 December 2020	13,392,531	571,651	(210,148)	(6,064,334)	7,689,700
At 1 January 2019	127,351	—	(27,043)	(924,386)	(824,078)
Issuance of ordinary shares	297,979	—	—	—	297,979
Loss for the year	—	—	—	(95,954)	(95,954)
Share-based compensation	14,945	—	—	—	14,945
Exercise of stock option	3,374	—	—	—	3,374
Foreign currency translation	—	—	(10,910)	—	(10,910)
At 31 December 2019	443,649	—	(37,953)	(1,020,340)	(614,644)

Three Year Financial Summary

CONSOLIDATED RESULTS

	Years ended 31 December		
	2020	2019	2018
	RMB'000	RMB'000	RMB'000
Operating loss	**(688,457)**	(176,112)	(127,182)
Loss before income tax	**(5,658,165)**	(214,512)	(991,674)
Loss for the year attributable to the equity holders of the Company	**(5,658,165)**	(214,512)	(991,674)
Total comprehensive loss for the year attributable to the equity holders of the Company	**(5,246,910)**	(229,826)	(1,023,333)

CONSOLIDATED ASSETS AND LIABILITIES

	Years ended 31 December		
	2020	2019	2018
	RMB'000	RMB'000	RMB'000
Non-current assets	**2,980,772**	2,005,787	513,357
Current assets	**4,496,409**	131,153	209,815
Total assets	**7,477,181**	2,136,940	723,172
Non-current liabilities	**449,196**	2,494,149	1,510,816
Current liabilities	**186,914**	503,873	159,925
Total liabilities	**636,110**	2,998,022	1,670,741
Total equity/(deficit)	**6,841,071**	(861,082)	(947,569)

Definitions

"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Articles of Association"	the articles of association of the Company adopted on 21 September 2020 with effect from Listing, as amended from time to time
"AGM"	the annual general meeting of the Company to be held on 1 June 2021
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the board of directors of our Company
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"China" or the"PRC"	the People's Republic of China, and for the purpose of this report only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company", "our Company", "the Company" or "Everest Medicines"	Everest Medicines Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands on 14 July 2017
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transactions"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of our Company
"Group", "our Group", "the Group", "we", "us" or "our"	the Company and its subsidiaries from time to time
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"IPO"	initial public offering
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	9 October 2020, the date on which the Shares were listed and on which dealings in the Shares are fist permitted to take place on the Stock Exchange
"Listing Rules"	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"NDA"	new drug application
"NMPA"	China National Medical Products Administration (國家藥品監督管理局), successor to the China Food and Drug Administration (國家食品藥品監督管理總局)
"Nomination Committee"	the nomination committee of the Company
"Post-IPO Share Award Scheme"	the post-IPO share award scheme adopted by the Company on 21 September 2020
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Company on 21 September 2020
"Post-IPO Share Schemes"	the Post-IPO Share Award Scheme and the Post-IPO Share Option Scheme
"PRC Legal Advisor"	Zhong Lun Law Firm, our legal advisor on PRC law

"Pre-IPO ESOP"	the employee equity plan approved and adopted by our Company on 25 December 2018 as amended and restated on 17 February 2020
"Pre-IPO MSOP"	the employee stock option plan approved and adopted by our Company on 23 November 2017
"Pre-IPO Share Schemes"	the Pre-IPO ESOP and Pre-IPO MSOP
"Prospectus"	the prospectus of the Company dated 25 September 2020
"Remuneration Committee"	the Remuneration Committee of the Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC
"Reporting Period"	the year ended 31 December 2020
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company, currently with a par value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"%"	per cent

EVEREST MEDICINES
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