Innovent
信达生物制药

ANNUAL REPORT

年報 2019

信達生物製藥
Innovent Biologics, Inc.

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股份代號:1801

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Company Profile

Overview

We are a Cayman Island-based global biopharmaceutical company incorporated in the Cayman Islands committed to developing, manufacturing and commercialising high-quality innovative therapeutics that are affordable to ordinary people. Founded in 2011 by Dr. De-Chao Michael Yu, we have instituted global quality standards in every aspect of our business operations, and have built a fully-integrated multi-functional biopharmaceutical platform consisting of R&D (research and development), CMC (chemistry, manufacturing and controls), clinical development and commercialisation capabilities.

During the fiscal year of 2019, we successfully launched Tyvyt® (sintilimab injection) in March 2019 and reached approximately RMB1 billion in revenue for the first year of sales. In addition, Tyvyt® (sintilimab injection) was successfully included in China's NRDL as the first and the only PD-1 inhibitor. With the solid foundation layout during 2019, the Company is well positioned for its sales growth in 2020 and beyond. In addition to the first approved indication (r/r cHL), the Company continues to execute a broad clinical development program for Tyvyt® (sintilimab injection) including more than 10 advanced registrational or pivotal trials in some of the largest indications in China (such as lung cancer and liver cancer), which are expected to support the additional NDA filings for Tyvyt® (sintilimab injection). Leveraging the Company's fully-integrated multi-functional platform and strategic partnerships and collaborations, the Company has developed a robust pipeline of 22 valuable assets in staggered development status, including 3 assets under NDA review with priority review status (IBI-303 (adalimumab biosimilar), IBI-305 (bevacizumab biosimilar) and IBI-301 (rituximab biosimilar)), 5 assets in Phase 3 or pivotal clinical trials, and a total of 17 assets in more than 50 ongoing clinical trials. The Company's pipeline assets cover a variety of novel and validated therapeutic targets and drug modalities (including monoclonal antibodies, bispecific antibodies, fusion proteins, CAR-T and small molecules), span multiple major therapeutic areas including oncology, metabolic, immunology and ophthalmology diseases, and promise tremendous clinical and commercial potential as monotherapies or combination therapies to address unmet medical needs. The Company is hopeful and confident that the assets and development programs, especially the late-stage assets and the Company's prioritized assets such as IBI-188 (anti-CD47 monoclonal antibody) and IBI-318 (anti-PD-1/PD-L1 bispecific antibody), will lead to a greater number of successful commercial launches and yield tremendous value for the patients and shareholders.

In anticipation of increasing production needs from commercial launches and clinical trials, we also completed GMP commissioning and process validation of the second phase of the manufacturing facility, which houses six 3,000L stainless steel bioreactors. It has now already commenced GMP production. This facility expansion increased the total manufacturing capacity to 23,000L, which stands as one of the largest among China's biopharmaceutical companies. In support of the solid business and commercial operations, the Company drew strong financial backing and raised approximately HK$2.4 billion and HK$2.3 billion through two placements in October 2019 and February 2020, respectively. Both placements were met with overwhelming subscription from well-known international and local investors. By the end of 2019, the Company almost doubled the share price since the IPO listing on the Hong Kong Stock Exchange in October 2018. The Company's stock was also included in both the MSCI China Index and the Hang Seng Hong Kong-Listed Biotech Index, which reflects the market confidence in the Company's past and future performance.

We are headquartered in Suzhou, with operations in Shanghai and Beijing. To expand our global footprint and leverage multinational resources, we have established our international division and set up the first U.S. office in San Francisco, U.S.. Our team has increased to about 2,000 members as of 31 December 2019, providing all-rounded talents and expertise in our drug development and commercialisation efforts.

Corporate Information

Board of Directors

Executive Directors

Dr. De-Chao Michael Yu
(Chairman of the Board and Chief Executive Officer)
Mr. Ronald Hao Xi Ede

Non-Executive Director

Mr. Shuyun Chen

Independent Non-Executive Directors

Dr. Charles Leland Cooney
Ms. Joyce I-Yin Hsu
Dr. Kaixian Chen

Audit Committee

Ms. Joyce I-Yin Hsu *(Chairman)*
Mr. Shuyun Chen
Dr. Kaixian Chen

Remuneration Committee

Ms. Joyce I-Yin Hsu *(Chairman)*
Dr. De-Chao Michael Yu
Dr. Kaixian Chen

Nomination Committee

Dr. De-Chao Michael Yu *(Chairman)*
Dr. Charles Leland Cooney
Dr. Kaixian Chen

Strategy Committee

Dr. De-Chao Michael Yu *(Chairman)*
Mr. Ronald Hao Xi Ede
Mr. Shuyun Chen
Dr. Charles Leland Cooney

Joint Company Secretaries

Ms. Yanju Wang
Ms. Lok Yee Chan

Authorised Representatives

Mr. Ronald Hao Xi Ede
Ms. Lok Yee Chan

Auditor

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

Registered Office

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

Head Office and Principal Place of Business in China

168 Dongping Street
Suzhou Industrial Park
China 215123

Principal Place of Business in Hong Kong

Room 1901, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Corporate Information

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
Han Kun Law Offices
33/F, HKRI Centre Two
HKRI Taikoo Hui
288 Shimen Road (No. 1)
Shanghai 200041
PRC

As to Cayman Islands law
Maples and Calder (Hong Kong) LLP
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

Compliance Advisor

Guotai Junan Capital Limited
27/F Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Principal Share Registrar

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

Hong Kong Branch Share Registrar

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

Principal Bankers

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

China Construction Bank
Suzhou Industrial Park Subbranch
CSSD Building, No. 158 Wangdun Road
Suzhou Industrial Park
215028 China

Stock Code

1801

Company Website

www.innoventbio.com

Chairman's Statement

Dr. De-Chao Michael Yu

Chairman of the Board, Executive Director,
President and Chief Executive Officer

Dear Shareholders,

Thank you for your continued support to Innovent. I am proud to share with you the achievements we made in 2019, and the exciting business outlook we have for 2020 and beyond. 2019 was an important year for us to grow to commercial phase of the business cycle and start to fulfill our mission. We expect that the achievements to be made in 2020 will lay solid foundation for Innovent to leapfrog into a leadership position.

In March 2019, we successfully commenced marketing and sales of our Tyvyt® (sintilimab injection) for r/r cHL in China. By the end of 2019, Tyvyt® had generated over one billion RMB in revenue, becoming one of the best-selling drugs ever launched in China in terms of first-year sales. In November 2019, Tyvyt® became the first and the only PD-1 inhibitor to be included in China's NRDL. Now the annual charges to the patients for Tyvyt® is slightly under RMB100,000, allowing more patients to benefit from our drug product. Because of the significant clinical results, Tyvyt® was included in the 2019 Guidelines of the Chinese Society of Clinical Oncology (CSCO) for Lymphoid Malignancies and its clinical results as a Chinese immunotherapeutic product were published in *The Lancet Haematology.* We are immensely proud to have started fulfilling our mission, with every possible effort to make our innovative high-quality therapies accessible and affordable to ordinary people.

Over the course of 2019, we built a national sales network which now spans over 300 cities, 500 pharmacies and 1,500 hospitals throughout China. We are confident that the distinctive advantage of the product's inclusions in the NRDL and the recognition from the medical society, as well as our strong sales and marketing capability, will help Tyvyt® broaden patient access and deepen market penetration in China over the coming years.

Furthermore, we continue to execute a variety of clinical development programs for Tyvyt® to broaden its approved applications, and further unleash its clinical and commercial potential. Currently, there are more than 20

Chairman's Statement

ongoing trials targeting a variety of indications, including over 10 pivotal trials. One of these trials – Phase 3 study for first-line non-squamous NSCLC has met primary endpoint in an interim analysis, four of them – Phase 3 study for first-line squamous NSCLC, Phase 3 study for second-line squamous NSCLC, pivotal Phase 2/3 study for first-line HCC and pivotal Phase 2 study for second-line ESCC have completed patient enrollment. Based on the progress of the clinical studies, we expect these trials to support our additional 5 NDA filings for Tyvyt® in 2020 or early 2021.

In addition, we have continued to advance the R&D development for the rest of our pipeline assets. Leveraging our fully-integrated multi-functional platform and strategic partnerships and collaborations, we now have a product portfolio of 22 innovative assets, covering a variety of novel and validated therapeutic targets and drug modalities (including monoclonal antibodies, bispecific antibodies, fusion proteins, CAR-T and small molecules), spanning multiple therapeutic areas (including oncology, ophthalmology, immunology and metabolic diseases), which promise great potential as mono- and combo-therapies. Among the portfolio, there are 1 commercialized asset (Tyvyt®), 3 assets under NDA review with priority review status, 5 assets in Phase 3 or pivotal clinical trials, and a total of 17 assets in more than 50 ongoing clinical trials. Our preparations for the commercial launches of our three NDA-stage biosimilar products have been well under way and we expect to advance 17 pivotal registration trials in 2020.

While growing numbers of assets and trials, we assess and adjust our clinical programs from time to time to keep up with epidemiological changes, therapeutic paradigm shifts and disruptive academic discoveries. Besides the late-stage drug candidates, we have prioritized several early-stage innovative molecules with first-in-class potential or otherwise exceptional value for expedited clinical development and accelerated regulatory process, including IBI-188 (anti-CD47 monoclonal antibody) which is currently in Phase 1 dose escalation studies in both China and the U.S. for advanced malignant tumors and lymphomas and is expected to enter a global pivotal trial in the second half of 2020[1], and IBI-318 (anti-PD-1/PD-L1 bispecific antibody), which is co-developed with Eli Lilly and is expected to enter a pivotal trial for advanced malignancies later 2020[2]. We are confident that these clinical programs will lead to sustained growth of our commercial pipeline.

1 IBI-188 shares the same target as a clinical-stage drug candidate that is developed by California-based Forty Seven, Inc. and that was recently acquired by Gilead Sciences, Inc. for approximately $4.9 billion.

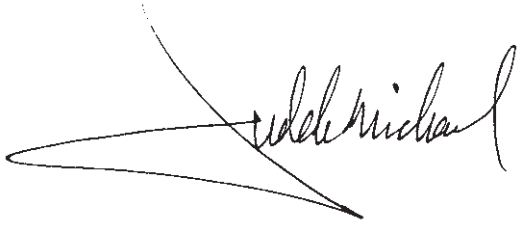
2 *Science Translational Medicine* recently published our findings that, although the PD-L1/PD-1 axis is typically associated with T cell function, PD-L1 antibodies also block dendritic cells (DCs) and may reinvigorates DC function to generate potent anticancer T cell immunity.

Chairman's Statement

In anticipation of increasing production needs from commercial launches and clinical trials, we completed GMP commissioning and process validation of our second phase manufacturing facility, housing six 3,000L stainless steel bioreactors, which has already commenced GMP production. This facility expansion and bioreactor upgrade marked a milestone in our production history, and increased our total manufacturing capacity to 23,000L, which stands as one of the largest among China's biopharmaceutical companies.

In 2019, our stock was included in both the MSCI China Index and the Hang Seng Hong Kong-Listed Biotech Index, which reflected the capital market's recognition about the Company's outstanding performance in commercialization and business operations. Although the market turbulence in recent months, we drew strong financial backing and successfully raised approximately HK$2.4 billion and HK$2.3 billion through two new shares placements in October 2019 and February 2020, respectively. Both placements were met with overwhelming subscription from well-known international and local investors.

Despite the challenges caused by the global COVID-19 outbreak, we expect the pandemic to have a limited impact on our business operations for 2020. Our past achievements in 2019 and growth momentum indicate a promising future for Innovent. With your support, Innovent is well positioned to sustain its rapid growth and deliver tremendous value for our patients, employees and shareholders.



Financial Highlights

IFRS Measures:

- **Total revenue** was RMB1,047.5 million for the year ended 31 December 2019, including RMB1,015.9 million attributable to sales of Tyvyt® (sintilimab injection), which was successfully launched in March 2019, as compared with total revenue of RMB9.5 million for the year ended 31 December 2018. Tyvyt® (sintilimab injection) is the Group's first commercial product and the only PD-1 inhibitor admitted to the NRDL of the PRC.

- **Gross profit margin** was 88.1% for the year ended 31 December 2019, reflecting the Company's ability to leverage our fully-integrated multi-functional platform and carry out efficient, high quality production of Tyvyt® (sintilimab injection) at commercial scale.

- **Research and development expenses** were RMB1,294.7 million for the year ended 31 December 2019, as compared with RMB1,221.7 million for the year ended 31 December 2018. The spending was mainly attributable to expenses incurred for our key ongoing pivotal or registrational trials of Tyvyt® (sintilimab injection) in China.

- **Direct selling and marketing expenses** were RMB692.5 million, or 66.1% of total revenue, for the year ended 31 December 2019, as compared with RMB270.1 million, or 78.2% of total revenue, for the six months ended 30 June 2019, and as compared with RMB136.0 million for the year ended 31 December 2018. The year-over-year increases were primarily attributable to the successful launch of Tyvyt® (sintilimab injection) in March 2019. To support the commercialisation efforts, the Group expanded its sales and marketing team from a total of 264 employees as of 31 December 2018 to a total of 688 employees as of 31 December 2019, which was one of the major contributions to the increase in the selling and marketing expenses.

- **Payments under collaboration arrangement** were RMB499.7 million for the year ended 31 December 2019, while no such expenses were recorded for the year ended 31 December 2018. This represented the milestone payments for various licensing-in products as well as royalty or profit-share payments to the third parties.

- **Loss and total comprehensive expenses** were RMB1,719.9 million for the year ended 31 December 2019, representing a significant decrease of 70.7% from RMB5,873.0 million for the year ended 31 December 2018 during which, as required under the IFRS, the Group recorded a non-cash, non-recurring loss of RMB4,338.0 million on the fair value changes of preferred shares upon their conversion into ordinary shares at the Company's IPO.

- **Net cash from financing activities** for the year ended 31 December 2019 was RMB2,109.3 million, principally attributable to net cash generated from our successful placement in October 2019.

Financial Highlights

Non-IFRS Measure:

- **Adjusted loss and total comprehensive expenses**[1] were RMB1,571.8 million for the year ended 31 December 2019, representing an increase of RMB90.1 million from RMB1,481.7 million for the year ended 31 December 2018, primarily due to the increases in research and development expenses and selling and marketing expenses, partially offset by revenue from the sales of Tyvyt® (sintilimab injection).

Excluding the effect of share-based compensation expenses and loss on fair value changes of preferred shares which deriving this non-IFRS measure, (i) research and development expenses were RMB1,260.7 million for the year ended 31 December 2019, as compared with RMB1,204.3 million for the year ended 31 December 2018; and (ii) direct selling and marketing expenses were RMB676.2 million, or 64.6% of total revenue, for the year ended 31 December 2019, as compared with RMB130.5 million, or 1376.6% of total revenue, for the year ended 31 December 2018.

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

	Year Ended 31 December	
	2019	2018
	RMB'000	RMB'000
Loss and total comprehensive expenses for the year	**(1,719,950)**	(5,872,982)
Add:		
Share-based compensation expenses	**148,074**	53,244
Loss on fair value changes of preferred shares	**–**	4,338,044
Adjusted loss and total comprehensive expenses for the year	**(1,571,876)**	(1,481,694)

[1] Adjusted loss and total comprehensive expenses for the year is not a financial measure defined under the IFRS. It represents the loss and total comprehensive expenses for the year excluding the effect brought by certain non-cash items and non-recurring events, such as (a) share-based compensation expenses; and (b) loss on fair value changes of preferred shares. For the calculation and reconciliation of this non-IFRS measure, please refer to "Management Discussion and Analysis – Financial Review – 14. Non-IFRS Measure".

Business Highlights

We have continued to deliver on our investors' expectations by making significant progress with respect to our drug pipeline and business operations in the Reporting Period, including the following milestones and achievements:

- Commenced sales of Tyvyt® (sintilimab injection) in China for relapsed/refractory classical Hodgkin's lymphoma ("r/r cHL") under marketing approval from the NMPA.
- Tyvyt® (sintilimab injection) generated RMB1,015.9 million in revenue (ten months ended 31 December 2019), becoming one of the best-selling drugs ever launched in China in terms of first-year sales.
- Tyvyt® (sintilimab injection) became the only PD-1 inhibitor to be included in the NRDL and became eligible for reimbursement by government-sponsored insurance.
- Tyvyt® (sintilimab injection) was included in the 2019 Guidelines of the Chinese Society of Clinical Oncology ("CSCO") for Lymphoid Malignancies. Key clinical results of Tyvyt® (sintilimab injection) in r/r cHL were published in *The Lancet Haematology* and featured as a cover story.
- 4 pivotal or registrational studies of Tyvyt® (sintilimab injection) related monotherapy or combination therapies for patients with first-line non-squamous non-small cell lung cancer ("NSCLC"), first-line squamous NSCLC, second-line squamous NSCLC and hepatocellular carcinoma completed patient enrollment in China.
- NMPA granted priority review status to our NDAs for IBI-303 (adalimumab biosimilar), IBI-305 (bevacizumab biosimilar) and IBI-301 (rituximab biosimilar). The key Phase 3 clinical results of IBI-303 in ankylosing spondylitis were published in the inaugural issue of *The Lancet Rheumatology*.
- Expanded product pipeline to include 22 valuable assets that are in staggered development status (including 17 assets in more than 50 ongoing clinical trials), covering a variety of novel and validated therapeutic targets and drug modalities, spanning multiple major therapeutic areas including oncology, metabolic, immunology and ophthalmology diseases, and promising tremendous clinical and commercial potential as monotherapies or combination therapies to address unmet medical needs.
- Prioritised assets with exceptional clinical and commercial potential for expedited clinical development and accelerated regulatory review process, including our IBI-188 (fully human anti-CD47 monoclonal antibody) which has best-in-class potential and is currently in Phase 1 studies in China and the U.S. for advanced malignant tumors and lymphomas. A global Phase 2/3 registrational study of IBI-188 is under planning.
- Increased the total number of ongoing pivotal or registrational trials to 11; progressed 9 more drug candidates into Phase 1 studies; received IND approvals for 7 more drug candidates.
- Increased the number of our drug and drug candidates that received acceptance into the "National Major New Drugs Innovation and Development Program" (國家重大新藥創製專項) to a total of 6 in 2019. The program is co-sponsored by NHFPC and MOST, among other government agencies, offering a financial grant, and may provide for priority regulatory review.

Business Highlights

- Entered into a licensing agreement with Lilly for the development and potential commercialisation in China of an oxyntomodulin analog (OXM3), a potentially global best-in-class clinical-stage novel diabetic therapy.

- Completed GMP commissioning and process validation, and commenced GMP production, with our second manufacturing facilities housing six 3,000L stainless steel bioreactors. This expansion has increased our total production capacity to 23,000L, one of the largest in China, and further boosted our manufacturing capacity per batch by multiple times through continued process optimization.

- In 2019, the Company raised approximately HK$2.4 billion through a placement of new shares, and was included in both the MSCI China Index and the Hang Seng Hong Kong-Listed Biotech Index as a high quality biopharmaceutical company.

We have continued to make significant progress in our drug pipeline and business operations after the Reporting Period, including the following major milestones and achievements:

- Tyvyt® (sintilimab injection) combined with ALIMTA® (pemetrexed) and platinum met predefined primary endpoint of progression-free survival ("PFS") in an interim analysis in Phase 3 ORIENT-11 study as first-line therapy in nonsquamous NSCLC.

- The U.S. FDA approved our initiation of a global Phase 3 ORIENT-15 study in the U.S. for Tyvyt® (sintilimab injection) in combination with paclixel and cisplatin in first-line esophageal carcinoma in February 2020.

- Announced first patient dosed in the pivotal Phase 2 registrational clinical trial of IBI-375 (pemigatinib) in second-line mCCA with FGFR2 fusions or rearrangements in China.

- Entered into an out-license agreement with Coherus to commercialise our IBI-305 (bevacizumab biosimilar) in the U.S. and Canada in January 2020.

- Entered into an in-licensing agreement with Alector to develop and commercialize AL008, a first-in-class anti-SIRP-alpha antibody targeting CD47-SIRP-alpha pathway, a potent survival pathway co-opted by tumors to evade the innate immune system, for the treatment of oncology indications in China.

- Raised approximately HK$2.3 billion through a placement of new shares.

- We have firmly responded to the outbreak by making a charity donation to the City of Wuhan in January and implementing comprehensive measures to protect our staff, prevent interruptions to our business operations, and minimize delays and disruptions to the treatment of our patients. Overall, our operations have gradually resumed since late February and through the month of March.

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

Management Discussion and Analysis

Overview

We are a global biopharmaceutical company incorporated in the Cayman Islands committed to developing, manufacturing and commercialising high-quality innovative therapeutics that are affordable to ordinary people. Founded in 2011 by Dr. De-Chao Michael Yu, we have instituted global quality standards in every aspect of our business operations, and have built a fully-integrated multi-functional biopharmaceutical platform consisting of R&D (research and development), CMC (chemistry, manufacturing and controls), clinical development and commercialisation capabilities.

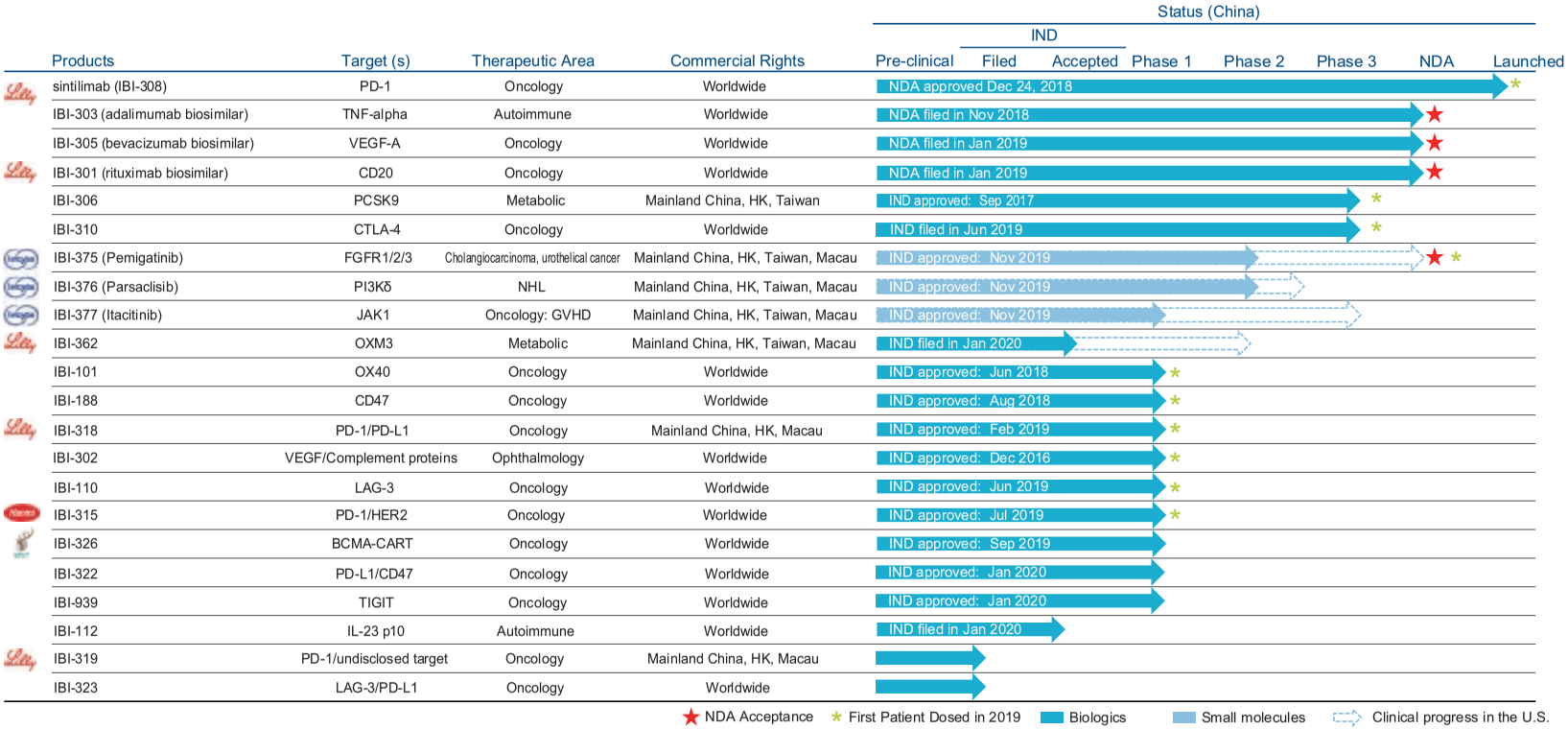
During the fiscal year of 2019, we successfully launched Tyvyt® (sintilimab injection) in March 2019 and reached approximately RMB1 billion in revenue for the first year of sales. In addition, Tyvyt® (sintilimab injection) was successfully included in China's NRDL as the first and the only PD-1 inhibitor. With the solid foundation layout during 2019, the Company is well positioned for its sales growth in 2020 and beyond. In addition to the first approved indication (r/r cHL), the Company continues to execute a broad clinical development program for Tyvyt® (sintilimab injection) including more than 10 advanced registrational or pivotal trials in some of the largest indications in China (such as lung cancer and liver cancer), which are expected to support the additional NDA filings for Tyvyt® (sintilimab injection). Leveraging the Company's fully-integrated multi-functional platform and strategic partnerships and collaborations, the Company has developed a robust pipeline of 22 valuable assets in staggered development status, including 3 assets under NDA review with priority review status (IBI-303 (adalimumab biosimilar), IBI-305 (bevacizumab biosimilar) and IBI-301 (rituximab biosimilar)), 5 assets in Phase 3 or pivotal clinical trials, and a total of 17 assets in more than 50 ongoing clinical trials. The Company's pipeline assets cover a variety of novel and validated therapeutic targets and drug modalities (including monoclonal antibodies, bispecific antibodies, fusion proteins, CAR-T and small molecules), span multiple major therapeutic areas including oncology, metabolic, immunology and ophthalmology diseases, and promise tremendous clinical and commercial potential as monotherapies or combination therapies to address unmet medical needs. The Company is hopeful and confident that the assets and development programs, especially the late-stage assets and the Company's prioritized assets such as

IBI-188 (anti-CD47 monoclonal antibody) and IBI-318 (anti-PD-1/PD-L1 bispecific antibody), will lead to a greater number of successful commercial launches and yield tremendous value for the patients and shareholders.

In anticipation of increasing production needs from commercial launches and clinical trials, we also completed GMP commissioning and process validation of the second phase of the manufacturing facility, which houses six 3,000L stainless steel bioreactors. It has now already commenced GMP production. This facility expansion increased the total manufacturing capacity to 23,000L, which stands as one of the largest among China's biopharmaceutical companies. In support of the solid business and commercial operations, the Company drew strong financial backing and raised approximately HK$2.4 billion and HK$2.3 billion through two placements in October 2019 and February 2020, respectively. Both placements were met with overwhelming subscriptions from well-known international and local investors. By the end of 2019, the Company almost doubled the share price since the IPO listing on the Hong Kong Stock Exchange in October 2018. The Company's stock was also included in both the MSCI China Index and the Hang Seng Hong Kong-Listed Biotech Index, which reflects the market confidence in the Company's past and future performance.

We are headquartered in Suzhou, with operations in Shanghai and Beijing. To expand our global footprint and leverage multinational resources, we have established our international division and set up the first U.S. office in San Francisco, U.S.. Our team has increased to about 2,000 members as of 31 December 2019, providing all-rounded talents and expertise in our drug development and commercialisation efforts.

The following chart summarizes the therapeutic targets, therapeutic areas, commercial rights and development status of our pipeline assets as of the date of this annual report:



Management Discussion and Analysis

Business Review

In 2019, we continued to deliver on our investors' expectations by making significant progress with respect to our drug pipeline and business operations, including the following milestones and achievements:

Our Commercial and NDA-Stage Products

Tyvyt® (sintilimab injection), an innovative fully human anti-PD-1 monoclonal antibody co-developed with Lilly; accepted into the National Major New Drugs Innovation and Development Program; approved in China

Commercial Development Milestones and Achievements

- In March 2019, we commenced sales of our Tyvyt® (sintilimab injection) in China for r/r cHL after we received marketing approval from the NMPA in December 2018. Within the ten-month period ended 31 December 2019, Tyvyt® (sintilimab injection) generated RMB1,015.9 million in revenue, becoming one of the best-selling drugs ever launched in China in terms of first-year sales.
- In November 2019, Tyvyt® (sintilimab injection) became the only PD-1 inhibitor to be included in China's NRDL and became eligible for reimbursement by government-sponsored insurance. We agreed to set the annual cost for Tyvyt® (sintilimab injection) under RMB100,000 with a 64% downward price adjustment in order to improve its affordability and accessibility. We also built a national sales network for Tyvyt® (sintilimab injection) that spans over 300 cities, 500 pharmacies and 2,000 hospitals throughout China. We expect that the NRDL inclusion and our strengthened commercialisation capabilities will help us achieve broadened patient access and deepened market penetration in China in the coming years.
- Based on its impressive clinical results, Tyvyt® (sintilimab injection) was included in the 2019 Guidelines of the CSCO for Lymphoid Malignancies. In January 2019, key clinical results of Tyvyt® (sintilimab injection) in r/r cHL (ORIENT-1) were published in *The Lancet Haematology* and featured as a cover story. These recognitions reflect the warm reception that Tyvyt® (sintilimab injection) has earned from medical practitioners and academic researchers.

Clinical Development Milestones and Achievements

We are executing a broad clinical development program for Tyvyt® (sintilimab injection) and we are currently conducting more than 20 clinical studies to evaluate its efficacy and safety in a wide variety of cancer indications, including over 10 registrational or pivotal clinical trials ongoing both as a monotherapy and as part of a combination therapy, and both in China and in the U.S..

The following chart summarizes the on-going clinical development programs for Tyvyt® (sintilimab injection) as of the date of this annual report:

INDICATION	MONO-/COMBO-THERAPY (OTHER COMPONENTS)	STATUS					
		PHASE 1					
		1A	1B	PHASE 2	PHASE 3	NDA FILED	NDA APPROVED
China							
r/r Classical Hodgkin's Lymphoma	Mono						●
1L Non-squamous NSCLC	Combo (pemetrexed and cisplatin)				◔		
1L Squamous NSCLC	Combo (gemcitabine and platinum)				◔		
2L Squamous NSCLC	Mono				◔		
1L Hepatocellular Carcinoma	Combo (IBI-305 /biosimilar to bavecizumab)				◔		
EGFR+ TKI Failure NCSLC (MRCT)	Combo (IBI-305 /biosimilar to bavecizumab)				◐		
1L Gastric Cancer	Combo (capecitabine and oxaliplatin)				◐		
1L Gastric Cancer (CPS ≥10)	Combo (Ramucizumab)				◐		
1L Esophageal Carcinoma (MRCT)	Combo (paclixel and cisplatin/5-FU and cisplatin)				◐		
2L Classical Hodgkin's Lymphoma	Combo (ICE)				◐		
Melanoma (adjuvant)	Combo (IBI-310/CTLA-4 mAb)				◕		
2L ESCC	Mono			◔			
r/r NK/T-cell Lymphoma	Mono			◔			
3L CRC	Combo (IBI-310/CTLA-4 mAb)			◐			
Refractory Gastrointestinal Cancer	Mono		●				
1L Gastric Cancer	Combo (capecitabine and oxaliplatin)		◔				
2L NSCLC	Mono		◔				
1L/2L Melanoma	Mono		◔				
1L Squamous NSCLC	Combo (gemcitabine and cisplatin)		◔				
2L Neuroendocrine Tumor	Mono		◐				
Solid Tumors/colorectal cancer	Combo (Fruquintinib)		◐				
Solid Tumors/cholangiocarcinoma	Combo (Surufatinib)	◕					
3L colorectal cancer	Combo (Chidamide)	◕					
2L Hepatocellular Carcinoma	Combo (siRNA)	◕					
U.S.							
1L Esophageal Carcinoma (MRCT)	Combo (paclixel and cisplatin/5-FU and cisplatin)				◕		
Solid Tumors	Mono		◔				
Late Stage Endometrial Carcinoma	Mono		◔				

Symbols: ● = completed; ◔ = completed patient enrollment; ◐ = in progress; ◕ = to be initiated within next quarter.

Note: r/r: relapsed/refractory; 2L: second-line; 1L: first-line; NSCLC: non-small cell lung cancer; EGFR + TKI: epidermal growth factor receptor-tyrosine kinase inhibitor; ESCC: esophageal squamous cell carcinoma.

Management Discussion and Analysis

- Completed patient enrollment in:
  - the Phase 3 ORIENT-11 study to evaluate sintilimab injection in combination with ALIMTA® (pemetrexed) and platinum in first-line advanced or recurrent non-squamous NSCLC, without sensitive EGFR mutation or ALK rearrangement in China;
  - the Phase 3 ORIENT-12 study to evaluate sintilimab injection in combination with gemcitabine and platinum in first-line squamous NSCLC;
  - the Phase 3 ORIENT-3 study to evaluate sintilimab injection as a monotherapy in second-line squamous NSCLC in China; and
  - the pivotal Phase 2/3 ORIENT-32 study to evaluate sintilimab injection in combination with our IBI-305 (bevacizumab biosimilar), as a first-line treatment for patients with advanced hepatocellular carcinoma in China.
- Completed first patient dosing in:
  - the Phase 3 ORIENT-15 study to evaluate sintilimab injection in combination with paclitaxel and cisplatin, as a first-line treatment in patients with advanced, recurrent or metastatic esophageal squamous cell carcinoma in China;
  - the Phase 3 ORIENT-16 study to evaluate sintilimab injection in combination with capecitabine and oxaliplatin, as a first-line treatment for patients with advanced, recurrent or metastatic gastric or gastroesophageal junction adenocarcinoma in China;
  - the Phase 3 ORIENT-31 study in China to evaluate sintilimab injection with or without our IBI-305 (bevacizumab biosimilar), in combination with pemetrexed and cisplatin, in patients with EGFR-mutant locally advanced or metastatic non-squamous NSCLC who have progressed from prior treatment with epidermal growth factor receptor tyrosine kinase inhibitor (EGFR-TKI); and
  - a Phase 1 dose-escalation study in China to evaluate sintilimab injection in combination with Chi-Med's fruquintinib in patients with solid tumors.
- Presented key results from 6 clinical studies of Tyvyt® (sintilimab injection) either orally or by posters/abstracts at the 55th Annual Meeting of the American Society of Clinical Oncology ("ASCO") in May-June 2019, including:
  - the results of relapsed/refractory extranodal NK/T cell lymphoma (ORIENT-4);
  - the results of extended follow-up on Tyvyt® (sintilimab injection) for r/r cHL (ORIENT-1);
  - the results of circulating tumor DNA (ctDNA) for predicting response and resistance by anti-PD-1 therapy in Chinese patients with r/r cHL (ORIENT-1);
  - the preliminary results of Tyvyt® (sintilimab injection) in combination with chemotherapy for first-line advanced or metastatic NSCLC (ORIENT-11);
  - the preliminary efficacy and safety results of neoadjuvant PD-1 blockade with Tyvyt® (sintilimab injection) in resectable squamous NSCLC (ORIENT-12); and
  - the preliminary efficacy and safety results of Tyvyt® (sintilimab injection) in combination with CAPOX in first-line gastric or gastroesophageal junction carcinoma (GC/GEJC) (ORIENT-16).
- Entered into research collaborations with strategic partners to explore the potential of Tyvyt® (sintilimab injection) in combination therapies, including collaborations with:
  - Chi-Med to evaluate our Tyvyt® (sintilimab injection) in combination with Chi-Med's surufatinib in patients with advanced solid tumors;

Management Discussion and Analysis

- Chipscreen Biosciences to evaluate our Tyvyt® (sintilimab injection) and IBI-305 (bevacizumab biosimilar) in combination with Chipscreen Biosciences' Chidamide in advanced colorectal cancer patients;
- Shenogen Pharma Group Ltd. ("Shenogen") to evaluate Tyvyt® (sintilimab injection) in combination with Shenogen's SNG1005 in advanced cancer patients; and
- Sirnaomics Inc. ("Sirnaomics") to evaluate Tyvyt® (sintilimab injection) in combination with Sirnaomics's RNAi drug candidate STP705 (cotsiranib) in advanced cancers, such as hepatocellular carcinomas.

Post-Reporting Period (Expected) Milestones and Achievements

- In January 2020, we and Eli Lilly jointly announced that the Phase 3 ORIENT-11 study in China of Tyvyt® (sintilimab injection) in combination with ALIMTA® (pemetrexed) and platinum in first-line advanced or recurrent nonsquamous NSCLC met the predefined primary endpoint of PFS in an interim analysis.
- In February 2020, the U.S. FDA approved our initiation of a global Phase 3 ORIENT-15 study in the U.S. for Tyvyt® (sintilimab injection) in combination with paclixel and cisplatin or 5-FU and cisplatin in first-line esophageal carcinoma. We expect to enroll the first patient in the first half of 2020.
- In 2020 or early 2021, we expect to submit up to 5 NDAs to the NMPA for Tyvyt® (sintilimab injection) in various cancer indications, including:
  - first-line non-squamous NSCLC;
  - first-line squamous NSCLC;
  - second-line squamous NSCLC;
  - first-line hepatocellular carcinoma; and
  - second-line esophageal squamous cell carcinoma.

- In 2020 or early 2021, we expect to announce top-line results from 5 registrational or pivotal trials for Tyvyt® (sintilimab injection), including:
  - the Phase 3 ORIENT-11 study to evaluate sintilimab injection in combination with gemcitabine and platinum in first-line non-squamous NSCLC in China;
  - the Phase 3 ORIENT-12 study to evaluate sintilimab injection in combination with gemcitabine and platinum in first-line squamous NSCLC in China;
  - the Phase 3 ORIENT-3 study to evaluate sintilimab injection as a monotherapy in second-line squamous NSCLC in China;
  - the Phase 2/3 ORIENT-32 study to evaluate sintilimab injection in combination with our IBI-305 (bevacizumab biosimilar), as a first-line treatment for patients with advanced hepatocellular carcinoma in China; and
  - the Phase 3 ORIENT-2 study to evaluate sintilimab injection as a second-line treatment for patients with second-line esophageal squamous cell carcinoma in China.
- We expect to present key results of 5 trials for Tyvyt® (sintilimab injection) at medical conferences in 2020, including:
  - the results of two-year follow-up on Tyvyt® (sintilimab injection) as monotherapy for r/r cHL (ORIENT-1) at the annual meeting of the ASCO;

Management Discussion and Analysis

- the interim data analysis on Tyvyt® (sintilimab injection) in combination with chemotherapy for first-line advanced or metastatic non-squamous NSCLC (ORIENT-11) at the Europe Lung Cancer Conference ("ELCC") or the annual meeting of the American Association for Cancer Research ("AACR"), and biomarker analysis on data from the same trial at the annual meeting of ASCO;

- the top-line data analysis on Tyvyt® (sintilimab injection) as a monotherapy in second-line esophageal squamous cell carcinoma (ORIENT-2) at the annual meeting of ASCO;

- the preliminary results of dose-escalation study on Tyvyt® (sintilimab injection) in combination of Chi-Med's fruquintinib in solid tumors at the annual meeting of the Society for Immunotherapy of Cancer ("SITC"); and

- the Phase 1 study data analysis on Tyvyt® (sintilimab injection) as a monotherapy for late-stage endometrial carcinoma at the annual meeting of SITC.

***IBI-303 (adalimumab biosimilar)**, a fully-human anti-TNF-α monoclonal antibody; accepted into the National Major New Drugs Innovation and Development Program; NDA submitted in China*

Milestones and Achievements

- In March 2019, the NMPA granted priority review status to our previously submitted and accepted NDA of IBI-303 for the treatment of rheumatoid arthritis, ankylosing spondylitis and psoriasis.

- In August 2019, the key clinical results from a Phase 3 trial of IBI-303 in ankylosing spondylitis were published in the inaugural issue of *The Lancet Rheumatology*, along with a commentary from Professor Stanley Cohen of the University of Texas Southwestern Medical Center. This marked the first time that a China-based Phase 3 biosimilar trial has been reported in a first-tier international medical journal.

Post-Reporting Period (Expected) Milestones and Achievements

- We expect to receive approval for the NDA in 2020. Our preparation for the launch of IBI-303's commercialisation has been underway.

***IBI-305 (bevacizumab biosimilar)**, a fully-human anti-VEGF monoclonal antibody; accepted into the National Major New Drugs Innovation and Development Program; NDA submitted in China*

Milestones and Achievements

- In April 2019, the NMPA granted priority review status to our previously submitted and accepted NDA of IBI-305 for the treatment of metastatic colorectal cancer and advanced, metastatic or recurrent NSCLC.

- In June 2019, we presented the clinical efficacy and safety results of IBI-305 as compared with bevacizumab in advanced, first-line, non-squamous NSCLC patients at the 55th Annual Meeting of the ASCO. The trial achieved the predefined primary end points and met the pre-specified clinical similarity measures for overall response rate ("ORR"). The trial results demonstrate the therapeutic similarities between IBI-305 and bevacizumab.

Post-Reporting Period (Expected) Milestones and Achievements

- In January 2020, we entered into an out-license agreement with Coherus, a leading biosimilar company to commercialise our IBI-305 (bevacizumab biosimilar) in the U.S. and Canada.

Management Discussion and Analysis

- We expect to receive approval for the NDA of IBI-305 in 2020. Our preparation for the launch of IBI-305 commercialisation has been underway.

***IBI-301 (rituximab biosimilar)**, a recombinant chimeric murine/human anti-CD20 monoclonal antibody co-developed with Eil Lilly; accepted into the National Major New Drugs Innovation and Development Program; NDA submitted in China*

Milestones and Achievements

- In August 2019, the NMPA granted priority review status to our previously submitted and accepted NDA of IBI-301 for the treatment of non-Hodgkin's lymphoma ("NHL").

- In September 2019, we presented data from two clinical studies of IBI-301 at the 22nd Annual Meeting of the CSCO: (i) a multi-center, randomized, double-blind, parallel-controlled trial for pharmacokinetics and safety of IBI-301 in comparison with rituximab in patients with CD20-positive B-cell lymphoma; and (ii) a randomized, double-blind, parallel-group, Phase 3 trial for efficacy and safety study of IBI-301 plus standard CHOP (I-CHOP) in comparison with rituximab plus CHOP (R-CHOP) in patients with previously untreated diffuse large B-cell lymphoma (DLBCL). Both studies directly compared IBI-301 with rituximab and achieved the intended primary endpoint.

Post-Reporting Period (Expected) Milestones and Achievements

- We expect to receive approval for the NDA in the second half of 2020 or the first half of 2021. Our preparation for the launch of IBI-301 commercialisation has been underway

Our Clinical-Stage Drug Candidates

***IBI-306**, a novel anti-PCSK9 monoclonal antibody; accepted into the National Major New Drugs Innovation and Development Program*

Milestones and Achievements

- Completed a Phase 2 clinical trial in China for non-familial hypercholesterolemia.

- Completed first patient dosing in:

  – a Phase 3 clinical trial in China for heterozygous familial hypercholesterolemia ("HeFH"); and

  – a pivotal Phase 2b/3 clinical trial in China for homozygous familial hypercholesterolemia ("HoFH").

- Completed a Phase 1 single ascending dose ("SAD") study in China in healthy subjects to support trials for the three abovementioned indications (non-familial hypercholesterolemia, HeFH and HoFH). Completed patient enrollment for a Phase 2 multiple ascending dose ("MAD") study in China for hypercholesterolemia to support the trials for the three abovementioned indications (non-familial hypercholesterolemia, HeFH and HoFH). We have finalized the protocol for Phase 3 of the MAD study.

- In December 2019, IBI-306 received acceptance into the National Major New Drug Innovation and Development Program co-sponsored by NHFPC and MOST, among other government agencies. The program offers a financial grant and may provide for priority regulatory review.

Post-Reporting Period (Expected) Milestones and Achievements

- We expect to initiate a Phase 3 clinical trial in China for non-familial hypercholesterolemia and enroll the first patient in 2020.

- We expect to complete patient enrollment for the Phase 3 trial for HeFH and the pivotal Phase 2b/3 trial for HoFH in 2021.

- We expect to present key data in medical conferences in 2020.

Management Discussion and Analysis

***IBI-310**, an anti-CTLA-4 monoclonal antibody*

Milestones and Achievements

- We have completed a Phase 1 study in China for IBI-310 in combination with our Tyvyt® (sintilimab injection) in patients with melanoma and been in preparation for a Phase 3 registrational study initiation.

Post-Reporting Period (Expected) Milestones and Achievements

- In the first half of 2020, we expect to dose the first patient in:
  - a Phase 3 registrational study in China for IBI-310 in combination with our Tyvyt® (sintilimab injection) in patients with melanoma; and
  - a pivotal Phase 2 study in China for IBI-310 in combination with our Tyvyt® (sintilimab injection) in patients with DNA Mismatch Repair Deficient ("dMRD") or Microsatellite Instability High ("MSI-H") locally-advanced or metastatic colorectal cancer.
- We expect to present preliminary data of the dose-escalation study of IBI-310 combined with Tyvyt® (sintilimab injection) in patients with melanoma at the annual meeting of the ASCO.

***IBI-188**, a novel fully human anti-CD47 monoclonal antibody; with best-in-class potential*

Market Opportunities and Competition

- Cluster of differentiation 47 (CD47), a cell transmembrane protein which releases a "don't eat me" signal that cancer cells use to achieve immune evasion, has emerged as a target of a new generation of immune-oncology therapy after PD-1/PD-L1 and CTLA-4. With our pre-clinical data that suggest IBI-188's promising anti-tumor efficacy and significant synergistic anti-tumor efficacy in monotherapy and combined with targeted therapies respectively, we have prioritised IBI-188 for expedited clinical development and have sought accelerated regulatory review and approval, both in China and the U.S.. We believe that our IBI-188 has best-in-class potential.

- There are currently no approved anti-CD47 therapies in China or in the U.S., although numerous drug candidates targeting CD47 are in pre-clinical and clinical development around the world. In addition to our clinical-stage IBI-188, for example, California-based Forty Seven, Inc. is evaluating its lead drug product magrolimab (an anti-CD47 monoclonal antibody) in multiple clinical trials and presented results from a Phase 1b study of magrolimab in myelodysplastic syndrome ("MDS") and acute myeloid leukemia ("AML") patients at the American Society of Hematology ("ASH") meeting in December 2019. In March 2020, Gilead Sciences, Inc. announced its agreement to acquire magrolimab (along with its developer Forty Seven, Inc.) for approximately US$4.9 billion.

Management Discussion and Analysis

Milestones and Achievements

- In January 2019, we announced the first patient dosed in a Phase 1 clinical trial in China evaluating the safety, tolerability and initial efficacy of IBI-188 in patients with advanced malignant tumors.

- In March 2019, we announced the first patient dosed in a Phase 1 clinical trial in the U.S. evaluating the safety, tolerability and initial efficacy of IBI-188 in patients with advanced malignant tumors and lymphomas.

Post-Reporting Period (Expected) Milestones and Achievements

Currently clinical phase 1 dose escalation study is on-going in both the U.S. and China. Preliminary data indicates IBI-188 is well tolerated in patients. A global registrational study is being planned.

- In China, we expect to complete patient enrollment for the 1a phase of a Phase 1 trial to evaluate IBI-188 in advanced malignant tumors and, subject to communications with and to be consent from the NMPA, to initiate a pivotal Phase 2 trial in AML with first patient enrolled in the second half of 2020.

- In the U.S., we expect to complete patient enrollment for the 1a phase of a Phase 1 trial to evaluate IBI-188 in advanced malignant tumors and lymphomas and, subject to communications with and consent from the U.S. FDA, to initiate a global pivotal Phase 2/3 trial in MDS with the first patient to be enrolled in the second half of 2020.

***IBI-375 (pemigatinib)**, a novel FGFR inhibitor in-licensed from Incyte.*

Milestones and Achievements

- In November 2019, we received IND approval from the NMPA for IBI-375 (pemigatinib).

- In December 2019, the U.S. FDA accepted the NDA submitted by Incyte for pemigatinib in second-line metastatic cholangiocarcinoma ("mCCA") with FGFR2 fusions or rearrangements. The U.S. FDA has granted priority review status to this NDA and previously granted pemigatinib breakthrough therapy designation. The Prescription Drug User Fee Act target action date is May 30, 2020.

Post-Reporting Period (Expected) Milestones and Achievements

- In January 2020, Incyte announced that the European Medicines Agency ("EMA") validated Incyte' s Marketing Authorization Application ("MAA") for pemigatinib for the treatment of adults with locally advanced or metastatic cholangiocarcinoma with a fibroblast growth factor receptor 2 (FGFR2) fusion or rearrangement that is relapsed or refractory after at least one line of systemic therapy.

- In March 2020, we announced first patient dosed in the pivotal Phase 2 registrational trial of IBI-375 (pemigatinib) in second-line mCCA with FGFR2 fusions or rearrangements in China. If this study is successful, we expect to submit NDAs for IBI-375 (pemigatinib) in second-line mCCA to China, Hong Kong and Taiwan in 2021.

- We expect to join an Incyte-sponsored global Phase 3 clinical trial (FIGHT-302) to evaluate the efficacy and safety of IBI-375 (pemigatinib) versus gemcitabine plus cisplatin chemotherapy in first-line treatment of mCCA with FGFR2 rearrangement.

***IBI-376 (parsaclisib)**, a novel PI3Kδ inhibitor in-licensed from Incyte*

Milestones and Achievements

- In November 2019, we received IND approval from the NMPA for IBI-376 (parsaclisib).

- In the U.S., Incyte is evaluating parsaclisib in 3 Phase 2 studies in patients with relapsed or refractory follicular, marginal zone and mantle cell lymphoma, respectively.

Post-Reporting Period (Expected) Milestones and Achievements

- We expect to dose the first patient in a pivotal Phase 2 trial in China to evaluate IBI-376 (parsaclisib) as a third-line treatment for patients with follicular lymphoma or marginal zone lymphoma in the first half of 2020.

Management Discussion and Analysis

***IBI-377 (itacitinib)**, a novel JAK1 inhibitor in-licensed from Incyte*

Milestones and Achievements

- In November 2019, we received IND approval from the NMPA to evaluate IBI-377 (itacitinib) in patients with newly diagnosed acute graft-versus-host disease ("GVHD").

Post-Reporting Period (Expected) Milestones and Achievements.

- In January 2020, Incyte announced that its Phase 3 trial of IBI-377 (itacitinib) in patients with newly diagnosed acute GVHD did not meet the primary endpoint.

- Keep on developing IBI-377 (itacitinib) in other indications as the clinical data suggested it may have specific effects in other indications.

***IBI-318**, a first-in-class anti-PD-1/PD-L1 bispecific antibody co-developed with Eil Lilly*

Milestones and Achievements

- In April 2019, the Company announced first patient dosed in a Phase 1 clinical trial of IBI-318 in patients with advanced malignancies in China.

Post-Reporting Period (Expected) Milestones and Achievements

- We expect to initiate a pivotal study in the second half of 2020.

- We expect to present preliminary clinical data in major medical conferences in 2020.

***IBI-315**, a first-in-class anti-PD-1/HER2 bispecific antibody co-developed with Hanmi*

Milestones and Achievements

- In November 2019, the Company announced the first patient dosed in a Phase 1 clinical trial of IBI-315 in patients with advanced malignancies in China.

Post-Reporting Period (Expected) Milestones and Achievements

- We expect to assess the recommended phase 2 dose of IBI-315 in the second half of 2020.

***IBI-326**, a novel fully-human anti-BCMA CAR- T therapy, co-developed with IASO BIO*

Milestones and Achievements

- In September 2019, we received IND approval from the NMPA to evaluate IBI-326 in hematology.

- In June and December 2019, we presented the clinical results of IBI-326 by oral presentation and poster at three of the world's most prestigious clinical conferences in the fields of hematology and oncology, including the 24th Congress of EHA, the 55th Annual Meeting of ASCO and the 61th Annual Meeting of ASH. The results were from an investigator-initiated trial ("IIT") in China to evaluate IBI-326 in relapsed/refractory multiple myeloma ("RRMM") and showed an impressive efficacy and safety profile.

Post-Reporting Period (Expected) Milestones and Achievements

- We are in active communication with the NMPA to initiate a pivotal Phase 2 trial of IBI-326 in the patients with hematology and will complete first patient dosing later this year. We also expect to report the results of extended follow-up on IIT at the annual meeting of ASH in December 2020.

***IBI-302**, a potential first-in-class anti-VEGF/complement bispecific fusion protein; accepted into the National Major New Drugs Innovation and Development Program*

Milestones and Achievements

- In April 2019, the Company announced the first patient dosed in a Phase 1 clinical trial of IBI-302 in China for wet age-related macular degeneration ("wet AMD").

Management Discussion and Analysis

- In December 2019, IBI-302 was accepted into the National Major New Drugs Innovation and Development Program co-sponsored by NHFPC and MOST, among other government agencies. The program offers a financial grant and may provide for priority regulatory review.

Post-Reporting Period (Expected) Milestones and Achievements

- We expect to complete the first patient dosing in a Phase 1b study in China to evaluate the efficacy of IBI-302 for wet AMD in 2020.

- We expect to have data readout for the Phase 1 study in China to evaluate IBI-302 for wet AMD in the second half of 2020 and have the topline data results of Phase 1b in early 2021. We also expect to present the clinical results of the Phase 1 study at a scientific conference.

***IBI-101**, a novel fully humanized anti-OX40 monoclonal antibody*

Milestones and Achievements

- In February 2019, the first patient dosage was completed in both (i) a Phase 1a study of IBI-101 as a monotherapy; and (ii) a Phase 1b study of IBI-101 in combination with Tyvyt® (sintilimab injection), in each case in advanced solid tumors in China.

- We have obtained IND approval for IBI-101 from the U.S. FDA in advanced solid tumors.

Post-Reporting Period (Expected) Milestones and Achievements

- We expect to complete patient enrollment of the Phase 1 trials to evaluate the efficacy of IBI-101 in advanced solid tumors in the second half of 2020.

***IBI-110**, a novel anti-LAG-3 monoclonal antibody*

Milestones and Achievements

- In December 2019, the Company announced the first patient dosed in a Phase 1 clinical trial in China to evaluate the efficacy of IBI-110 in advanced solid tumors.

***IBI-322**, a novel first-in-class anti-CD47/PD-L1 bispecific antibody*

Milestones and Achievements

- In October and December 2019, we filed an IND application with each of the NMPA and the U.S. FDA to evaluate the efficacy of IBI-322 as a monotherapy in solid tumors in China and in the U.S..

Post-Reporting Period (Expected) Milestones and Achievements

- In January 2020, we received IND approvals from the NMPA and the U.S. FDA respectively. We expect to initiate Phase 1 trials of IBI-322 in China and in the U.S. later this year.

***IBI-939**, a novel anti-TIGIT monoclonal antibody*

Milestones and Achievements

- In September 2019, we submitted an IND application for IBI-939 to the NMPA in solid tumors.

Post-Reporting Period (Expected) Milestones and Achievements

- In January 2020, IBI-939 received IND approval from the NMPA in the treatment of advanced solid tumors and hematological malignancies.

- We expect to complete first patient dosing both in a Phase 1a study of IBI-939 as a monotherapy and a Phase 1b study in combination with our Tyvyt® (sintilimab injection), in each case in advanced solid tumors and hematological malignancies in China later this year.

Management Discussion and Analysis

***IBI-362**, an oxyntomodulin analog (OXM3) in-licensed from Lilly, potential global best-in-class clinical-stage diabetes drug candidate*

Milestones and Achievements

- In September 2019, we entered into a licensing agreement with Eil Lilly for the development and potential commercialization of an oxyntomodulin analog (OXM3) in China. OXM3 is a dual GLP-1 and glucagon receptor agonist that will enter China as a potential best-in-class, mid-stage clinical development diabetes compound.

- In December 2019, we submitted IND applications for IBI-362 to the NMPA in Type II diabetes and obesity.

- In 2019, Eil Lilly completed the patient enrollment of a Phase 1b study in the U.S. to evaluate the efficacy of IBI-362 in patients with Type II diabetes.

Post-Reporting Period (Expected) Milestones and Achievements

- In January 2020, the NMPA accepted our IND applications for IBI-362. We expect to complete first patient dosing in Phase 1 trials in China for Type II diabetes and obesity later this year.

- Eil Lilly has initiated a Phase 2 study in Europe to evaluate the efficacy of IBI-362 in patients with Type II diabetes.

Our Selected Preclinical Drug Candidates

***IBI-112**, a novel anti-IL-23 (p10 subunit) monoclonal antibody*

Post-Reporting Period (Expected) Milestones and Achievements

- In January 2020, the NMPA accepted our IND application for IBI-112 in inflammatory enteritis and other autoimmune diseases.

- We expect to receive the IND approval in the first half of 2020 and plan to complete the first patient dosing of a Phase 1 trial of IBI-112 in China for the treatment of inflammatory enteritis and other autoimmune diseases in the second half of 2020.

***IBI-319**, a bispecific antibody incorporating sintilimab anti-PD-1-binding backbone*

Post-Reporting Period (Expected) Milestones and Achievements

- We expect to submit an IND application for IBI-319 to the NMPA in advanced cancer in 2020.

***IBI-323**, a novel LAG-3/PD-L1 bi-specific antibody*

Post-Reporting Period (Expected) Milestones and Achievements

- We expect to submit an IND application for IBI-323 to the NMPA in advanced cancer in 2020.

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.

Management Discussion and Analysis

Our Manufacturing Facilities

- Operating five 1,000L bioreactors to support our production needs for Tyvyt® (sintilimab injection) and other product candidates in our pipeline, with a high success rate and improved efficiency as we gain more experience in commercial production.

- Completed GMP commissioning and process validation, and commenced GMP production, with our second manufacturing facilities housing six 3,000L stainless steel bioreactors. This expansion has increased our total production capacity to 23,000L, one of the largest in China, and further boosted our manufacturing capacity per batch by multiple times through continued process optimization. This expansion of manufacturing capacity will also contribute to lower production cost owing to greater economies of scale, and facilitate accelerated introduction of new drugs through more clinical trials.

- We plan to further expand our manufacturing facilities to provide sufficient capacity to commensurate with our growing and maturing drug pipeline and to support our continued business expansions.

Management Discussion and Analysis

Our Corporate Development

- In August 2019, the Company entered into a licensing agreement with Lilly for the development and potential commercialisation of an oxyntomodulin analog (OXM3) in China. OXM3 is a potential global best-in-class clinical-stage novel diabetic therapy. The agreement will strategically expand the Company's product offering in the therapeutic area of metabolic diseases.

- In March 2020, the Company entered into an in-licensing agreement with Alector to develop and commercialize AL008, a first-in-class anti-SIRP-alpha antibody targeting CD47-SIRP-alpha pathway, a potent survival pathway co-opted by tumors to evade the innate immune system, for the treatment of oncology indications in China. AL008 has a unique dual mechanism of action that non-competitively antagonizes the CD47-SIRP-alpha pathway by inducing the internalization and degradation of the inhibitory receptor on macrophages to relieve immune suppression (a "don't eat me signal") while also engaging FcγR2A, an activating IgG Fc receptor, to promote immuno-stimulatory pathways that drive anti-tumor immunity.

- In January 2020, the Company entered into an out-license agreement with Coherus to commercialise our IBI-305 (bevacizumab biosimilar) in the U.S. and Canada in early 2020.

- In October 2019 and February 2020, we raised approximately HK$2.4 billion and HK$2.3 billion through share placement, respectively. Both placements were met with overwhelming subscriptions from well-known international and local investors, and they also received wide media coverage.

- In 2019, we were included in both the MSCI China Index and the Hang Seng Hong Kong-Listed Biotech Index as a high quality biopharmaceutical company.

- Our successful IPO in October 2018 and stellar aftermarket trading performance earned us the International Financing Review ("IFR") Asia-Pacific IPO of the Year award, the IFR Asia Review Hong Kong Equity Issue of the Year award, and the 10th Anniversary China Healthcare Investment Conference ("CHIC") "IPO of the Year" award.

- We have substantially expanded our patent portfolio. As of 31 December 2019, we owned 23 issued patents and 53 patent applications in China, 4 issued patents and 8 patent applications in the U.S., and 23 issued patents and 112 patent applications in the rest of the world relating to our products and technologies. These patent applications included 40 international patent applications under the Patent Cooperation Treaty.

Our Responses to COVID-19

We have firmly responded to the outbreak by making a charity donation to the City of Wuhan in January 2020 and implementing comprehensive measures to protect our staff, prevent interruptions to our business operations, and minimize delays and disruptions to the treatment of our patients. Overall, our operations have gradually resumed since late February 2020 and through the month of March 2020.

Management Discussion and Analysis

Future Development

In the near future, we plan to focus on the following areas of growth and development:

- **Leverage NRDL inclusion to expand patient access to Tyvyt® (sintilimab injection)**

  We will continue to expand and mobilize our national sales network for Tyvyt® (sintilimab injection) to achieve deepened market penetration. We will work closely with government authorities, physicians and patients to ensure compliance with the relevant medical insurance policies and regulations, and to accelerate expansion of patient access to Tyvyt® (sintilimab injection) in the healthcare system and especially hospital channel. We will also continue to explore innovative distribution, prescription and payment schemes with our partners so that more cancer patients could benefit from our innovative drug product.

  With the NRDL inclusion of our Tyvyt® (sintilimab injection) as the only PD-1 inhibitor, we believe that we are well-positioned to realize our lead product's substantial market potential and that the strong sales momentum will continue in 2020.

  Meanwhile, we will continue to optimize our internal operational procedures to achieve greater synergies between various departments, to fully capture the market opportunities available to us and to meet our challenges as we have entered the commercial stage of our business.

- **Commercialise IBI-305 (bevacizumab biosimilar), IBI-301 (rituximab biosimilar) and IBI-303 (adalimumab biosimilar)**

  We expect to receive NDA approvals for IBI-305 (bevacizumab biosimilar) and IBI-303 (adalimumab biosimilar) in 2020, and for IBI-301 (rituximab biosimilar) by late 2020 or early 2021. We expect these drugs will be well positioned in the biosimilar space and enjoy significant early-mover advantages over their competitors.

  Through efforts to continuously strengthen our commercialization capability and expertise, we have been preparing for the commercialization of these NDA-stage biosimilar products. We expect to establish an unparalleled market presence in China.

- **Expedite regulatory review and approval of our upcoming NDA filings and accelerate clinical development programs with our fully-integrated multi-functional platform and global collaborations**

  We will seek expedited regulatory review and approval of our upcoming NDA filings, especially the NDAs for Tyvyt® (sintilimab injection) in first-line NSCLC, second-line NSCLC, first-line hepatocellular carcinoma, and second-line esophageal squamous cell carcinoma.

  We will continue to leverage our fully-integrated multi-functional platform as well as our strategic global collaborations to rapidly advance the ongoing and planned clinical programs for our pipeline assets, both in China and in the U.S.. We plan to formulate and maintain a staggered product launching plan. We believe that will allow us to maximize the commercial synergy between our valuable assets, including realization of their potential in combination therapies.

- **Establish Innovent Academy to pursue science and innovation and to continuously develop innovative products**

  We believe that our commitment to innovation and quality brings value to our patients and shareholders alike. With this belief, we are committed to not only reinvesting a significant share of our revenues in high-quality drug innovation, but also to further enriching our research and development talent pool.

Management Discussion and Analysis

Driven by the pursuit of science and innovation, we have set out to establish Innovent Academy in order to build a research platform for new drug target discovery, innovative treatment technologies and translational medicine, and to help us explore frontier research areas such as disease biology, disruptive therapeutic technologies and artificial Intelligence. Through this establishment, we believe we will be able to continuously explore, generate and develop innovative biopharmaceutical products with differentiation advantages and superior therapeutic value for patients in needs.

- **Further expand manufacturing capacity**

  Our newly built manufacturing facilities have commenced GMP production and possess sufficient manufacturing capacity to support our growing production needs for the foreseeable future.

  Going forward, more of our pipeline assets will progress through clinical development and approach commercialisation. Among others, we expect to release and present key results from numerous trials of our various clinical-stage drug candidates at professional conferences or in academic journals in 2020. We plan to further expand our manufacturing facilities and increase manufacturing capacity that will commensurate with our growing and maturing drug pipeline and will support our continuous business expansions.

We are proud of the work we do every day, which is to develop and commercialise high-quality innovative drugs that are equally accessible and affordable to everyone in need. However, we know that there is still much that remains to be done. If we continue to develop and advance our drug assets and maintain our commitment to innovation and quality, we will be able to offer a diverse portfolio of medicines and achieve sustainable long-term growth. We will continue to cooperate with partners around the world who share our vision and will spare no efforts to fulfill people's shared dream of curing diseases and living a better life.

Financial Review

Year Ended 31 December 2019 Compared to Year Ended 31 December 2018

IFRS measure

	Year ended 31 December	
	2019	2018
	RMB '000	RMB '000
Revenue from contracts with customers	**1,047,525**	9,477
Cost of sales	**(124,878)**	–
Gross profit	**922,647**	9,477
Other income	**144,081**	93,795
Other gains and losses	**15,075**	(4,272,090)
Research and development expenses	**(1,294,724)**	(1,221,687)
Administrative expenses	**(255,299)**	(220,315)
Selling and marketing expenses		
– Direct selling and marketing expenses	**(692,515)**	(136,006)
– Payments under collaboration arrangement	**(499,725)**	–
Listing expenses	**–**	(57,187)
Finance costs	**(59,490)**	(68,969)
Loss and total comprehensive expenses for the year	**(1,719,950)**	(5,872,982)
Non-IFRS measure:		
Adjusted loss and total comprehensive expenses for the year	**(1,571,876)**	(1,481,694)

Management Discussion and Analysis

1. Overview

For the year ended 31 December 2019, the Group recorded revenue from contracts with customers of RMB1,047.5 million, as compared with RMB9.5 million for the year ended 31 December 2018, and the loss and total comprehensive expenses of RMB1,719.9 million for the year ended 31 December 2019, as compared with RMB5,873.0 million for the year ended 31 December 2018.

Research and development expenses of the Group were RMB1,294.7 million for the year ended 31 December 2019, as compared with RMB1,221.7 million for the year ended 31 December 2018. Direct selling and marketing expenses were RMB692.5 million for the year ended 31 December 2019, as compared with RMB136.0 million for the year ended 31 December 2018. Payments under collaboration arrangement for the year ended 31 December 2019 were RMB499.7 million, while no such payments were recorded for the year ended 31 December 2018. Administrative expenses were RMB255.3 million for the year ended 31 December 2019, as compared with RMB220.3 million for the year ended 31 December 2018.

The adjusted loss and total comprehensive expenses were RMB1,571.8 million for the year ended 31 December 2019, representing an increase of RMB90.1 million from RMB1,481.7 million for the year ended 31 December 2018, primarily due to the increase in research and development expenses and selling and marketing expenses, partially offset by the sales of Tyvyt® (sintilimab injection).

2. Revenue

For the year ended 31 December 2019, the Group recorded revenue from contracts with customers of RMB1,047.5 million. The Group generated revenue from (i) sales of pharmaceutical products; (ii) license fee income; and (iii) research and development services provided to its customers. The following table sets forth the components of the revenue from contracts with customers for the years:

	Year ended 31 December	
	2019	2018
	RMB '000	RMB '000
Timing of revenue recognition:		
A point in time		
Sales of pharmaceutical products	**1,015,871**	–
License fee income	**10,000**	–
	1,025,871	–
Overtime		
Research and development service fee income	**3,786**	9,477
License fee income	**17,868**	–
	21,654	9,477
Total revenue from contracts with customers	**1,047,525**	9,477

Management Discussion and Analysis

For the sales of pharmaceutical products, revenue is recognised when control of the goods has been transferred to customers. As the Group's lead drug Tyvyt® (sintilimab injection) received marketing approval in China in December 2018, the Group commenced marketing and sales of Tyvyt® (sintilimab injection) as its first commercial drug product in March 2019. Within 10 months, as of 31 December 2019, the Group recorded revenue from sales of Tyvyt® (sintilimab injection) of RMB1,015.9 million, while no such revenue was recorded for the year ended 31 December 2018.

The Group provides licence of its patented intellectual property ("IP") or commercialisation licence to customers and revenue is recognised when the customers obtain rights to access or use the underlying IP or licence. The consideration for licence comprises a fixed element (the upfront payment) and variable elements (including but not limited to development milestones and royalties). Licence fee income is recognised at a point of time upon the customer obtained control of IP, or if control is transferred over time, e.g. commercialisation licence to customers for a term of period, revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation. The Group recognised a point in time license fee income of RMB10.0 million, as well as RMB17.9 million of over time license fee income for the year ended 31 December 2019, while no such revenue was recorded for the year ended 31 December 2018.

Research and development service fee income is recognised as a performance obligation satisfied over time. The Group continues to generate revenue under research and development agreements with customers and receive related non-refundable milestone payments. For the year ended 31 December 2019, research and development service fee income was RMB3.8 million, as compared with RMB9.5 million for the year ended 31 December 2018.

3. Cost of Sales

The Group's cost of sales consist of cost of direct labor, manufacturing cost, raw material and manufacturing overhead related to the production of the products sold. For the year ended 31 December 2019, the Group recorded cost of sales of RMB124.9 million attributable to the production costs of Tyvyt® (sintilimab injection), while no such cost was recorded for the year ended 31 December 2018.

4. Gross profit

The Group's gross profit reached RMB922.6 million for the year ended 31 December 2019, and the gross profit margin was 88.1%.

5. Other Income

The Group's other income consist of bank interest income and government grants income. Government grants consist of (i) government subsidies specifically for the capital expenditure related to the purchase of plant and machinery, which is recognised over the useful life of related assets, and (ii) incentive and other subsidies for IPO, research and development activities and interest subsidies, which are recognised upon compliance with certain conditions.

For the year ended 31 December 2019, other income of the Group increased by RMB50.3 million to RMB144.1 million, from RMB93.8 million for the year ended 31 December 2018. The increase was primarily due to the interest earned on the proceeds of the Company's IPO on the Stock Exchange and the placement.

6. Other Gains and Losses

The Group's other gains and losses consist of (i) changes in foreign currency exchange rates; and (ii) fair value changes of wealth management plan (financial assets mandatorily measured at fair value through profit or loss ("FVTPL")).

Management Discussion and Analysis

For the year ended 31 December 2019, other gains and losses of the Group was a gain of RMB15.1 million, as compared with a loss of RMB4,272.1 million for the year ended 31 December 2018. The Group's other gains and losses for the year ended 31 December 2018 was primarily comprised of RMB4,338.0 million of loss on the fair value changes of preferred shares. Such loss on the fair value changes of preferred shares was a non-cash and non-recurring accounting adjustment recognised as of the Listing Date, as the fair value of the preferred shares was deemed to be increased upon the completion of the IPO of the Company. As all of the Company's preferred shares were converted to ordinary shares upon the Listing Date, the Group did not incur any additional losses related to the fair value changes of preferred shares in 2019.

7. Research and Development Expenses

The Group's research and development expenses, including the Group's four core drug or drug candidates (i.e. Tyvyt® (sintilimab injection), IBI-305 (bevacizumab biosimilar), IBI-301 (rituximab biosimilar) and IBI-303 (adalimumab biosimilar), collectively the ("Core Drug Candidates"), primarily consist of:

- third-party contracting costs incurred under agreements with consultants, contract research organizations, and clinical trial sites that conduct research and development activities on the Group's behalf;
- costs associated with purchasing raw materials for research and development of the Group's drug candidates;
- employee salaries and related benefit costs, including share-based compensation expenses, for research and development personnel;
- payment of license fees pursuant to collaboration agreements and/or license agreements; and
- expenses associated with inspection and maintenance of facilities, depreciation and amortization expenses, travel expenses, insurance, utilities and other supplies used in research and development activities.

The below table sets forth the components of the Group's research and development expenses for the following years:

	Year ended 31 December		Changes	
	2019	2018		
	RMB'000	RMB'000	RMB'000	%
Third-party Contracting Costs	**596,117**	406,668	189,449	47
Raw material	**189,466**	228,038	(38,572)	(17)
Staff Costs	**276,643**	154,254	122,389	79
License Fee	**108,179**	292,727	(184,548)	(63)
Depreciation and Amortization	**37,269**	60,326	(23,057)	(38)
Other	**87,050**	79,674	7,376	9
Total research and development expenses	**1,294,724**	1,221,687	73,037	6

Management Discussion and Analysis

Research and development expenses of the Group increased to RMB1,294.7 million for the year ended 31 December 2019, from RMB1,221.7 million for the year ended 31 December 2018. The spending was mainly attributable to expenses incurred for our key ongoing pivotal or registrational trials of Tyvyt® (sintilimab injection) in China.

8. Administrative Expenses

Administrative expenses increased to RMB255.3 million for the year ended 31 December 2019, from RMB220.3 million for the year ended 31 December 2018, which were primarily caused by the increase in administrative staff costs.

9. Selling and Marketing Expenses

Direct selling and marketing expenses represent staff costs for selling and marketing personnel and related expenses of marketing and promotion activities. Direct selling and marketing expenses increased by RMB556.5 million to RMB692.5 million for the year ended 31 December 2019, from RMB136.0 million for the year ended 31 December 2018. The year-over-year increases were primarily attributable to the successful launch of Tyvyt® (sintilimab injection) in March 2019. To support the commercialisation efforts, the Group expanded its sales and marketing team from a total of 264 employees as of 31 December 2018 to a total of 688 employees as of 31 December 2019, which was one of the major contributions to the increase in the direct selling and marketing expenses.

Payments under collaboration arrangement represent milestone payments for the various licensing-in products as well as royalty or profit-share payments to the third parties. Payments under collaboration arrangement were RMB499.7 million for the year ended 31 December 2019, while no such expenses were recorded for the year ended 31 December 2018. The Group enter into collaborative and other similar arrangements to develop and commercialise drug candidates. Collaborative activities may include research and development, manufacturing, and commercialisation. In certain arrangements, collaborators require the Group to pay upfront or milestone payments for acquisition of commercial rights, contingent upon the occurrence of certain future events linked to the success of the asset in development by collaboration partners and the payments are only capitalised upon the inflow of economic benefit to the entity is probable. Furthermore, certain arrangements require royalty or profit-share payments to collaborators during commercialisation stage and are recognised at the time the Group obliged to pay in accordance with the relevant terms.

10. Listing Expenses

For the year ended 31 December 2018, the Group recognised one-off listing expenses of RMB57.2 million, incurred in connection with the IPO and the listing of the Company's shares on the Stock Exchange on 31 October 2018. No such expenses were recognised for the year ended 31 December 2019.

11. Finance Costs

Finance costs include interest on the Group's bank borrowings, interest arising from a contract containing a significant financing component and interest expenses on lease liabilities.

For the year ended 31 December 2019, finance costs of the Group were RMB59.5 million, as compared with RMB69.0 million for the year ended 31 December 2018. The Group entered into a collaboration agreement to provide commercialisation license with a customer, and received upfront payment and collaboration fee during development stage. Since the period between the transfer of license and customer's payments was, at contract inception, expected to be more than one year, the Group concluded that the contract contained a significant financing component and 4.9% and 11% (2018: 11%) were used in adjusting for the effect of time value of money over the promised amount of consideration, the interest expenses so recognised during the years ended 31 December 2019 and 2018 were RMB33.5 million and RMB43.9 million, respectively.

Management Discussion and Analysis

12. Income Tax Expense

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

Under the U.S. Tax Cuts and Jobs Act, the U.S. corporate income tax rate has charged at flat rate of 21%.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the basic tax rate of the Company's PRC subsidiaries is 25%, except for which is taxed at a preferential rate of 15%.

The Group had no provision for taxation for the years ended 31 December 2019 and 2018, as there were no assessable profits arising or derived from the PRC and Hong Kong.

13. Loss for the Reporting Period

As a result of the above factors, the loss and total comprehensive expenses of the Group decreased by RMB4,153.1 million to RMB1,719.9 million for the year ended 31 December 2019, from RMB5,873.0 million for the year ended 31 December 2018.

14. Non-IFRS Measure

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

Adjusted loss and total comprehensive expenses for the year represents the loss and total comprehensive expenses for the year excluding the effect of certain non-cash items, namely share-based compensation expenses and, for the year ended 31 December 2018, a one-time event of the loss on fair value changes of preferred shares (other financial liabilities measured at FVTPL). The term adjusted loss and total comprehensive expenses for the year is not defined under the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and it should not be considered in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS. The Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. However, the Company believes that this and other non-IFRS measures reflect the Group's normal operating results by eliminating 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 year to year and company to company to the extent applicable.

Management Discussion and Analysis

The table below sets forth a reconciliation of adjusted loss and total comprehensive expenses for the year to loss and total comprehensive expenses for the years:

Non-IFRS measure

	Year ended 31 December	
	2019	2018
	RMB '000	RMB '000
Revenue from contracts with customers	**1,047,525**	9,477
Cost of sales	**(113,374)**	–
Gross profit	**934,151**	9,477
Other income	**144,081**	93,795
Other gains and losses	**15,075**	65,953
Research and development expenses	**(1,260,773)**	(1,204,299)
Administrative expenses	**(169,017)**	(190,001)
Selling and marketing expenses		
– Direct selling and marketing expenses	**(676,178)**	(130,463)
– Payments under collaboration arrangement	**(499,725)**	–
Listing expenses	**–**	(57,187)
Finance costs	**(59,490)**	(68,969)
Adjusted loss and total comprehensive expenses for the year	**(1,571,876)**	(1,481,694)
Less:		
Share-based compensation expenses	**(148,074)**	(53,244)
Loss on fair value changes of preferred shares	**–**	(4,338,044)
Loss and total comprehensive expenses for the year	**(1,719,950)**	(5,872,982)

Selected Data from Statement of Financial Position

	As at	
	31 December	As at 31 December
	2019	2018
	RMB '000	RMB '000
Total current assets	**5,455,423**	4,686,261
Total non-current assets	**1,775,106**	1,426,316
Total assets	**7,230,529**	6,112,577
Total current liabilities	**1,043,556**	670,321
Total non-current liabilities	**1,430,842**	1,247,842
Total liabilities	**2,474,398**	1,918,163
Net current assets	**4,411,867**	4,015,940

Management Discussion and Analysis

15. Liquidity and Source of Funding and Borrowing

As at 31 December 2019, the Group's bank balances and cash and current portion of other financial assets were RMB4,695.2 million, as compared with RMB4,525.4 million as at 31 December 2018. The increases in research and development expenses and selling and marketing expenses for the year ended 31 December 2019 were partially offset by revenue from the sales of Tyvyt® (sintilimab injection) and the placement of approximately HK$2.4 billion in October 2019.

As at 31 December 2019, the current assets of the Group were RMB5,455.4 million, primarily including bank balances and cash and current portion of other financial assets of RMB4,695.2 million. As at 31 December 2019, the current liabilities of the Group were RMB1,043.6 million, primarily including other payables and accrued expenses of RMB885.0 million. Other payables and accrued expenses primarily included accrued research and development expenses, selling and marketing expenses and staff payroll payables.

As at 31 December 2019, the Group had available unutilized short-term bank loan facilities of approximately RMB85.0 million, as compared with RMB128.0 million as at 31 December 2018.

16. Key Financial Ratios

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

	As at 31 December 2019	As at 31 December 2018
Current ratio[1]	**5.2**	7.0
Quick ratio[2]	**4.9**	6.9
Gearing ratio[3]	**NM[3]**	NM[3]

17. Material Investments

The Group did not make any material investments during the year ended 31 December 2019.

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 2019.

19. Pledge of Assets

As at 31 December 2019, the Group pledged RMB569.7 million of property, plant and equipment and RMB52.8 million of land use rights to secure its loans and banking facilities.

1 Current ratio is calculated using current assets divided by current liabilities as of the same date.
2 Quick ratio is calculated using current assets less inventories and divided by current liabilities as of the same date.
3 Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by (deficiency of) total equity and multiplied by 100%. Gearing ratio is not meaningful as our interest-bearing borrowings less cash equivalents was negative.

Management Discussion and Analysis

20. Contingent Liabilities

As at 31 December 2019, the Group did not have any material contingent liabilities.

21. Foreign Exchange Exposure

During the year ended 31 December 2019, the Group mainly operated in China and a majority of its transactions were settled in Renminbi, the functional currency of the Company's primary subsidiaries. As at 31 December 2019, a significant amount of the Group's bank balances and cash was denominated in U.S. dollars. Except for certain bank balances and cash, other receivables, trade and other payables denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as at 31 December 2019. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange of the Group exposure should the need arise.

22. Employees and Remuneration

As at 31 December 2019, the Group had a total of 1,982 employees. The following table sets forth the total number of employees by function as of 31 December 2019:

Function	Number of employees	% of total
Research and Development	701	35
Manufacturing	455	23
Selling and Marketing	688	35
General and Administrative	138	7
Total	1,982	100

The total remuneration cost incurred by the Group for the year ended 31 December 2019 was RMB796.6 million, as compared to RMB371.2 million for the year ended 31 December 2018.

The remuneration of the employees of the Group comprises salaries, bonuses, employees provident fund and social security contributions, other welfare payments and share-based payment expenses. In accordance with applicable Chinese laws, the Group has 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 the Group's employees.

The Company also has adopted the Pre-IPO Plan, the Post-IPO ESOP and the RS Plan. Please refer to the section headed "Equity Plans" in this report for further details.

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 2019.

Directors

The Directors who held office during the year ended 31 December 2019 and up to the date of this annual report are:

Executive Directors:

Dr. De-Chao Michael Yu
(Chairman of the Board and Chief Executive Officer)
Mr. Ronald Hao Xi Ede

Non-Executive Director:

Mr. Shuyun Chen

Independent Non-Executive Directors:

Dr. Charles Leland Cooney
Ms. Joyce I-Yin Hsu
Dr. Kaixian Chen

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 54 to 59 of this annual report.

General Information

The Company was incorporated in the Cayman Islands on 28 April 2011 as an exempted limited liability company under the Companies Law, Cap 22 (Law 3 of 1961, as amended or supplemented from time to time) of the Cayman Islands. The Company's Shares were listed on the Main Board of the Stock Exchange on 31 October 2018.

Principal Activities

The Company's mission is to develop, manufacture, and commercialise high quality drugs that are affordable to ordinary people. The Group was founded in 2011 by Dr. De-Chao Michael Yu, a highly accomplished scientist, innovator and entrepreneur. The Company is committed to innovation in drug development and have complied with global quality standards for every aspect of the Company's business and operations.

To capitalise on the tremendous market opportunity both in China and beyond, the Group has developed a fully-integrated platform consisting of advanced research, discovery, development, manufacturing and commercialisation capabilities. These capabilities have enabled the Group to build a robust pipeline of innovative and commercially promising monoclonal antibodies and other drug assets in the fields of oncology, ophthalmology, immunology and metabolic diseases. The full integration of our platform enables smooth collaboration between different functional groups at key points in the lifecycle of a drug candidate with the aim of increasing both the speed of development and the likelihood of success while at the same time reducing the cost of development.

Results

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 77 of this annual report.

Report of Directors

Business Review

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance, 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 annual report. Events affecting the Company that have occurred since the end of the financial year is set out in the sections headed "Post-Reporting Period (Expected) Milestone and Achievements" under "Management Discussion and Analysis in this annual 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 "Environmental, Social and Governance Report" to be published within 3 months from the publication of this annual 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.

- Impact of COVID-19 on its sales, clinical development and business operations;
- its financial position;
- its ability to obtain additional financing to fund its operations;
- its ability to development and commercialise its drug candidates, all of which are in pre-clinical or clinical development, except sintilimab with its approval indication;
- its ability to identify additional drug candidates;
- its success in demonstrating safety and efficacy of its drug candidates to the satisfaction of regulatory authorities or produce positive results in its clinical trials;
- material aspects of the research, development and commercialisation of pharmaceutical products being heavily regulated;
- lengthy, time-consuming and inherently unpredictable regulatory approval processes of the regulatory authorities for its drug candidates;
- competition in the pharmaceutical industry where the Group serves; and
- its ability to obtain and maintain patent protection for its drug candidates.

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 2019, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

Report of Directors

Employee and Remuneration Policies

As at 31 December 2019, the Group had 1,982 (2018: 959) employees. The following table sets forth the total number of employees by function as of 31 December 2019:

Function	Number of employees	% of total
Research and Development	**701**	**35**
Manufacturing	**455**	**23**
Selling and Marketing	**688**	**35**
General and Administrative	**138**	**7**
Total	**1,982**	**100**

The Group believes in the importance of attraction, recruitment and retention of quality employees in achieving the Group's success. Our success depends on our ability to attract, retain and motivate qualified personnel. The number of employees employed by the Group varies from time to time depending on need. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experience and performance. The remuneration policy and package of the Group's employees are periodically reviewed.

The remuneration of the employees of the Group comprises salaries, bonuses, employees provident fund and social security contributions, other welfare payments and share-based payment expenses. In accordance with applicable Chinese laws, the Group has 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 the Group's employees.

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

The total remuneration cost incurred by the Group for the year ended 31 December 2019 was RMB796.6 million, as compared to RMB371.2 million for the year ended 31 December 2018.

During the year ended 31 December 2019, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

Report of Directors

Major Customers and Suppliers

Major Customers

During the year ended 31 December 2019, the Group derived all of its revenues from (i) sales of pharmaceutical products; (ii) license fee income; and (iii) research and development services provided to its customers. For the year ended 31 December 2019, revenue from the five largest customers accounted for 95.3% (2018: 100.0%) of the Group's total revenue and the Group's largest customer for the year ended 31 December 2019 accounted for approximately 89.2% (2018: 96.8%) of the Group's total revenue 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 Share capital, has any interest in any of the Group's five largest customers.

Major Suppliers

Our major suppliers include (i) third-party developers of human antibody discovery platforms; (ii) several reputable third-party suppliers of cell culture media; and (iii) contract research organisations and consultants that manage, conduct and support our clinical trials and pre-clinical studies in China and in the U.S.. For the year ended 31 December 2019, purchases from the Group's five largest suppliers accounted for approximately 39.8% (2018: 32.9%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended 31 December 2019 accounted for approximately 10.9% (2018: 18.8%) 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 Share capital, has any interest in any of the Group's five largest suppliers.

During the year ended 31 December 2019, 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 four financial years, as extracted from the audited consolidated financial statements, is set out on page 164 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 18 to the consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2019 are set out in Note 15 to the consolidated financial statements.

Report of Directors

Share Capital and Shares Issued

On 9 October, 2019, the Company completed a placing of an aggregate of 97,000,000 new Shares at a placing price of HK$24.60 each Share to not less than six placees who and whose ultimate beneficial owner(s) are independent third parties.

Details of movements in the share capital of the Company for the year ended 31 December 2019 and details of the Shares issued during the year ended 31 December 2019 are set out in Note 32 to the consolidated financial statements.

Donation

During the year ended 31 December 2019, the Group made charitable donations of approximately RMB16.2 million (2018: approximately RMB20.2 million).

Debenture Issued

The Group did not issue any debenture during the year ended 31 December 2019.

Equity-linked Agreements

Save for the Pre-IPO Share Incentive Plan, the Post-IPO ESOP and the RS Plan 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 2019.

Dividends

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2019.

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 2019. 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 2019, the Company had distributable reserves for share premium of RMB13,885,262,000 (2018: RMB11,751,242,000).

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity on pages 80 to 81 and in Note 41 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 2019 are set out in the section headed “Management Discussion and Analysis” in this annual report and Note 28 to the consolidated financial statements.

Report of Directors

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).

The non-executive Director has signed a letter of appointment with the Company for an initial term of three years with effect from the date of his letter of appointment or until the third annual general meeting of the Company since the Listing Date (whichever is sooner).

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).

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 the Note 37 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 2019.

Contracts with Controlling Shareholders

The Company has no Controlling Shareholders during the year ended 31 December 2019.

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 2019.

Report of Directors

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 2019, the interests and short positions of the Directors or chief executives of our Company in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules were as follows:

Name of Director	Capacity/Nature of interest	Number of ordinary Shares	Approximate percentage of shareholding interest[1]	Long position/ Short position
Dr. De-Chao Michael Yu	Beneficial owner	116,183,843[2]	9.20%	Long position
		371,747[3]	0.03%	Short position
	Interest in a controlled corporation	5,500,000[4]	0.44%	Long position
	Grantor of a trust	10,000,000[5]	0.79%	Long position
Dr. Charles Leland Cooney	Beneficial owner	39,090[6]	0.00%	Long position
Mr. Ronald Hao Xi Ede	Beneficial owner	10,491,421[7]	0.83%	Long position

Notes:

1. The calculation is based on the total number of 1,262,562,210 Shares in issue as at 31 December 2019.

2. Includes (i) 105,139,190 Shares held directly by Dr. Yu, (ii) Dr. Yu's entitlement to receive up to 4,142,857 Shares pursuant to the exercise of options granted to him, subject to the conditions of these options; and (iii) Dr. Yu's entitlement to the aggregate of 6,901,796 Shares underlying Restricted Shares granted to him, subject to the conditions of these Restricted Shares.

3. These Shares are in connection with a donation agreement entered into by Dr. De-Chao Michael Yu, pursuant to which he agreed to sell HK$10,000,000 worth of his shares (approximately 371,747 Shares based on the closing price of HK$26.90 on 27 December 2019, the closest trading day to the date of the agreement) and to transfer the proceeds remaining (after tax and relevant fees) to the beneficiary within 2 years of the date of the agreement.

4. These Shares are held by Great Biono Fortune LP, the general partner of which is Great Biono Fortune Limited. Dr. Yu is the sole shareholder of Great Biono Fortune Limited and is therefore deemed to be interested in these Shares for the purposes of the SFO. Certain employees of the Company were beneficially interested in these 5,500,000 shares in their capacity as limited partners.

5. These Shares are held by Gloria Bingqinzi Yu as trustee of Yu Tong Family Irrevocable Trust, of which Dr. De-Chao Michael Yu and his spouse are the grantors. Under the SFO, Dr. Yu is deemed to be interested in these Shares.

6. These Shares are held by Dr. Charles Leland Cooney.

7. Includes (i) 9,539,040 Shares held directly by Mr. Ronald Hao Xi Ede and (ii) Mr. Ronald Hao Xi Ede's entitlement to receive up to 952,381 Shares pursuant to the exercise of options granted to him, subject to the conditions of these options.

Save as disclosed above, as at 31 December 2019, 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.

Report of Directors

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2019, 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 shareholding interest[1]	Long position/ Short position/ Lending pool
Eight Roads Holdings Limited[2]	Interest in a controlled corporation	73,752,699	5.84%	Long position
Eight Roads Investments[2]	Interest in a controlled corporation	60,037,041	4.76%	Long position
	Beneficial interest	288	0.00%	Long position
FIL Limited[2]	Interest in a controlled corporation	139,099,199	11.02%	Long position
Pandanus Partners L.P.[2]	Interest in a controlled corporation	143,069,699	11.33%	Long position
Pandanus Associates Inc.[2]	Interest in a controlled corporation	139,099,199	11.02%	Long position
Impresa Fund III Limited Partnership[3]	Interest in a controlled corporation	69,138,716	5.48%	Long position
	Beneficial interest	14,758,045	1.17%	Long position
Impresa Management LLC[3]	Interest in a controlled corporation	86,339,776	6.84%	Long position
Abigail P. Johnson[3]	Trustee	86,339,776	6.84%	Long position
Edward C. Johnson IV[3]	Trustee	75,421,361	5.97%	Long position
	Interest in a controlled corporation	10,918,415	0.86%	Long position
FMR LLC[3]	Interest in a controlled corporation	88,300,746	6.99%	Long position
The Capital Group Companies, Inc [4]	Interest in a controlled corporation	78,277,090	6.20%	Long position
TLS Beta Pte. Ltd. ("TLS Beta") [5]	Beneficial interest	64,482,850	5.11%	Long position
Temasek Life Sciences Private Limited[5]	Interest in a controlled corporation	75,712,850	6.00%	Long position
Fullerton Management Pte Ltd[5]	Interest in a controlled corporation	75,712,850	6.00%	Long position
Temasek Holdings (Private) Limited[5]	Interest in a controlled corporation	75,712,850	6.00%	Long position
Invesco Advisor Inc	Investment manager	69,591,500	5.51%	Long position
Invesco Oppenheimer Developing Markets Fund	Person having a security interest in shares	68,301,500	5.41%	Long position
Brown Brothers Harriman & Co.	Agent	64,478,398	5.11%	Long position
		64,478,398	5.11%	Lending pool

Report of Directors

Notes:

1. The calculation is based on the total number of 1,262,562,210 Shares in issue as at 31 December 2019.

2. FIL Limited is deemed to be interested in the equity interests held by both Eight Roads Holdings Limited and Eight Roads Investments. FIL Limited is controlled (as defined under the SFO) by Pandanus Partners L.P., whose general partner is Pandanus Associates Inc.

   As such, under the SFO, Pandanus Partners L.P. and Pandanus Associates Inc. are deemed to be interested in the Shares held by Eight Roads Holdings Limited and Eight Roads Investments.

3. The general partner of Impresa Fund III Limited Partnership is Impresa Management LLC, which is controlled (as defined under the SFO) by each of Abigail P. Johnson and Edward C. Johnson IV and owned, directly or indirectly, by various shareholders and employees of FMR LLC.

4. The Capital Group Companies, Inc. is deemed to be interested in the 78,277,090 Shares held by its wholly-owned subsidiary, Capital Research and Management Company, which is deemed to be interested in the 78,277,090 Shares held by Capital Group International, Inc., a wholly-owned subsidiary of Capital Research and Management Company, which is in turn deemed to be interested in the 78,277,090 Shares held by Capital International, Inc., a wholly-owned subsidiary of Capital Group International, Inc.

5. TLS Beta is a wholly-owned subsidiary of Temasek Life Sciences Private Limited, which is in turn a wholly-owned subsidiary of Fullerton Management Pte Ltd, which is in turn a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Under the SFO, Temasek Life Sciences Private Limited, Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited are deemed to be interested in the 64,482,850 Shares held by TLS Beta.

   In addition, Temasek Life Sciences Private Limited, Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited are also deemed to be interested in the 11,230,000 Shares held by other entity under their control.

Save as disclosed above, as at the date 31 December 2019, no persons other than the Directors or chief executives of the Company whose interests are set out in the section headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any of Its Associated Corporations” above had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

Report of Directors

Equity Plans

1. Pre-IPO Share Incentive Plan

The purpose of the Pre-IPO Share Incentive Plan is to promote the success of the Company and the interests of its shareholders by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons and to further link the interests of award recipients with those of the Company's shareholders generally.

Further details of the Pre-IPO Share Incentive Plan are set out in the Prospectus and Note 33 to the consolidated financial statements.

A summary of the principal terms of the Pre-IPO Share Incentive Plan is set out below:

Eligible Participants

Those eligible to participate in the Pre-IPO Share Incentive Plan include employees, advisers or consultants, all members of the Board and other individuals, as determined, authorised and approved by the Board or a committee authorised by the Board.

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

The overall limit on the number of underlying shares which may be delivered pursuant to Awards granted under the Pre-IPO Share Incentive Plan is 165,476,820 of the Company's authorised but unissued Ordinary Shares with a par value of US$0.00001 each, subject to any adjustments for other dilutive issuances.

As at 31 December 2019, the aggregate number of underlying Shares pursuant to the outstanding options and share awards granted under the Pre-IPO Share Incentive Plan is 57,518,000 Shares, representing approximately 4.56% of the then total issued Shares. Details of the Pre-IPO Share Incentive Plan are set out in Note 33 to the consolidated financial statements.

Consideration

Nil consideration is required to be paid by the grantees for the grant of awards under the Pre-IPO Share Incentive Plan.

Determination of Exercise Price

The exercise price of an option may be a fixed price based on the par value of an ordinary share of the Company or variable price related to the fair market value of an ordinary share of the Company. The exercise price of all the options and share awards granted under the Pre-IPO Share Incentive Plan is between US$0.017 and US$1.342.

Life of the Pre-IPO Share Incentive Plan

The Pre-IPO Share Incentive Plan commenced on 10 May 2012 (the "Effective Date") and will terminate at the close of business on the day before the 10th anniversary of the Effective Date. After the termination of the Pre-IPO Share Incentive Plan either upon such stated expiration date or its earlier termination by the Board, no additional awards may be granted, but previously granted awards (and the authority of the Administrator with respect thereto, including the authority to amend such awards) shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the Pre-IPO Share Incentive Plan.

Outstanding Share Options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Incentive Plan as of 31 December 2019. No options were granted since the Listing Date and up to the date of this annual report. For further details on the movement of the options during the Reporting Period please see Note 33 to the consolidated financial statements.

No options have been granted to connected persons of the company (including directors of the company and the senior management) under the Pre-IPO Share Incentive Plan which are outstanding.

Report of Directors

Details of the movements of the options granted under the Pre-IPO Share Incentive Plan as at 31 December 2019 are as follows:

					Number of options				
Name or category of grantee	Date of grant	Option period	Vesting period	Exercise price	Outstanding as at 1 January 2019	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 31 December 2019
Other grantees than Directors, senior management and connected persons									
In aggregate	Between 10 May 2012 and 9 October 2018	10 years from the date of grant	4 years to 6 years from the date of grant	Between US$0.017 and US$1.342	71,910,000	(11,959,500)	–	(2,432,500)	57,518,000
Total					**71,910,000**	(11,959,500)	–	(2,432,500)	57,518,000

The weighted average closing price of the Company's Shares immediately before the dates on which the options were exercised during the period was HK$26.38.

2. Post-IPO ESOP

The purpose of the Post-IPO ESOP is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO ESOP will provide our Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Further details of the Post-IPO ESOP are set out in the Prospectus and Note 33 to the consolidated financial statements.

A summary of the principal terms of the Post-IPO ESOP 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 the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group.

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 ESOP and any other schemes is 111,815,071, being no more than 10% of the Shares in issue on the date the Shares commenced trading on the Stock Exchange (the "Option Scheme Mandate Limit").

Report of Directors

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 ESOP and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time.

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

Limit of Each Participant

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

Duration

The Post-IPO ESOP 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 under the Post-IPO ESOP), but in all other respects the provisions of the Post-IPO ESOP 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 ESOP.

Exercise Price

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

Consideration

An amount of HK$1.00 must be paid as consideration for the grant of the share options and such payment must be made within 20 business days from the date the share option grant offer is made to the grantee.

Report of Directors

Details of the movements of the options granted under the Post-IPO ESOP as at 31 December 2019 are as follows:

					Number of options					
Name or category of grantee	Date of grant	Option period	Vesting Period	Exercise price	Outstanding as at 1 January 2019	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Outstanding as at 31 December 2019	Closing price of the Shares immediately before the date of grant
Directors										
Dr. De-Chao Michael Yu	15 March 2019	10 years from the date of grant	75% shall vest on 15 March 2022; and 25% shall vest on 15 March 2023	HK$28.30	-	4,142,857	-	-	4,142,857	HK$28.45
Mr. Ronald Hao Xi Ede	15 March 2019	10 years from the date of grant	75% shall vest on 15 March 2022; and 25% shall vest on 15 March 2023	HK$28.30	-	952,381	-	-	952,381	HK$28.45
Chief Operation Officer										
Dr. Qinwei Zhou	15 March 2019	10 years from the date of grant	1,142,857 Share options: 75% shall vest on 15 March 2022; and 25% shall vest on 15 March 2023; 1,481,979 Share options: 50% shall vest on 15 March 2024; and 50% shall vest on 15 March 2025	HK$28.30	-	2,624,836	-	-	2,624,836	HK$28.45
Grantees other than Directors, senior management and connected persons										
	15 March 2019	10 years from the date of grant	740,990 Share options: 50% shall vest on 15 March 2024; and 50% shall vest on 15 March 2025; remaining Share options: 75% shall vest on 15 March 2022; and 25% shall vest on 15 March 2023	HK$28.30	-	9,539,964	-	-	9,539,964	HK$28.45
	14 June 2019	10 years from the date of grant	75% shall vest on 14 June 2022; and 25% shall vest on 14 June 2023	HK$26.25	–	965,713	-	-	965,713	HK$26.40
	29 August 2019	10 years from the date of grant	75% shall vest on 29 August 2022; and 25% shall vest on 29 August 2023	HK$25.85	-	2,055,713	-	-	2,055,713	HK$24.45
	4 December 2019	10 years from the date of grant	75% shall vest on 4 December 2022; and 25% shall vest on 4 December 2023	HK$28.15	-	4,594,119	-	-	4,594,119	HK$28.15
Total					-	24,875,583	-	-	24,875,583	

Report of Directors

3. RS Plan

The purpose of the RS Plan is to enable the directors, officers, and other key contributors and employees of the Group to share the success of the Company, in order to assure a closer identification of the interests of such persons with those of the Group and stimulate the efforts of such persons on the Group's behalf.

55,907,535 Shares will be issued by the Company within two years of the Listing for distribution of Shares corresponding to the restricted shares.

As at 31 December 2019, 16,554,963 restricted Shares had been granted or agreed to be granted under the RS Plan.

Further details of the RS Plan are set out in the Prospectus and Note 33 to the consolidated financial statements.

Life of the RS Plan

The term of the RS Plan shall be ten years from the date of approval and adoption of the RS Plan by the Board.

Details of the movements of the restricted Shares granted under the RS Plan as at 31 December 2019 are as follows:

Name or category of grantee	Date of grant	Held at 1 January 2019	Granted during the Period	Vested during the Period	Lapsed during the Period	Held at 31 December 2019	Vesting Period	Closing price at date of grant
Director								
Dr. De-Chao Michael Yu	2 May 2019	-	6,901,796	–	–	6,901,796	5 years from the date of grant	HK$25.15
Grantees other than Directors, senior management and connected persons								
	2 May 2019	-	2,835,085	–	–	2,835,085	2,732,437 Restricted Shares: 6 years from the date of grant; 102,648 Restricted Shares: 4 years from the date of grant	HK$25.15
	14 June 2019	–	1,056,000	–	–	1,056,000	4 years from the date of grant	HK$25.90
	29 August 2019	–	1,555,000	–	–	1,555,000	4 years from the date of grant	HK$25.85
	4 December 2019	–	4,207,082	–	–	4,207,082	4 years from the date of grant	HK$28.15
Total		-	16,554,963	–	–	16,554,963		

Report of Directors

Directors' Rights to Acquire Shares or Debenture

Save as disclosed in this annual report, at no time during the year ended 31 December 2019 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 11 and Note 37C, respectively to the consolidated financial statements.

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

For the year ended 31 December 2019, directors were granted discretionary bonuses of a total sum of RMB3.3 million excluding the special bonus set out in Note 21 to the consolidated financial statements (equivalent to approximately 8 months of their base salary). Save as disclosed above, none of the Directors were paid discretionary bonuses for the year ended 31 December 2019.

Directors' Interests in Competing Business

During the year ended 31 December 2019, none of our Directors had any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Continuing Connected Transactions

The Group has no non-exempt continuing connected transactions (the "Continuing Connected Transactions") for the Group for the year ended 31 December 2019. Details of related party transactions of the Group for the year ended 31 December 2019 are set out in Notes 37A and 37B to the consolidated financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the period from the Listing Date to 31 December 2019.

Material Litigation

The Company was not involved in any material litigation or arbitration during the year ended 31 December 2019. 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 2019.

Report of Directors

Use of Net Proceeds

(a) Use of Net Proceeds from the Global Offering

The Company's shares were listed on the Stock Exchange on Listing Date with a total of 271,802,000 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$3,645.9 million (approximately RMB3,234.7 million). There was no change in the intended use of net proceeds as previously disclosed in the Prospectus and the Company will gradually utilise the residual amount of the net proceeds in accordance with such intended purposes depending on actual business needs.

As at 31 December 2019, approximately RMB2,241.7 million of the net proceeds of the global offering had been utilized as follows:

	Allocation of net proceeds from the global offering in the proportion disclosed in the Prospectus [Note] RMB million	Utilization as at 31 December 2018 RMB million	Unutilized as at 31 December 2018 RMB million	**Utilization as at 31 December 2019 RMB million**	**Unutilized as at 31 December 2019 RMB million**
Fund ongoing and planned clinical trials, preparation for registration filings and commercial launches (including production, sales and marketing) of Tyvyt® (sintilimab injection)	1,682.1	121.3	1,560.8	**1,208.6**	**473.5**
Fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-305 (bevacizumab biosimilar)	258.8	10.9	247.9	**88.7**	**170.1**
Fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-301 (rituximab biosimilar)	129.3	9.2	120.1	**52.8**	**76.5**
Fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-303 (adalimumab biosimilar)	32.4	3.6	28.8	**25.2**	**7.2**
For the ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of the other drug candidates in the Group's pipeline	808.7	94.3	714.4	**555.2**	**253.5**
For working capital and general corporate purposes	323.4	159.2	164.2	**311.2**	**12.2**
	3,234.7	398.5	2,836.2	**2,241.7**	**993.0**

Note: The net proceeds figure has been translated to Renminbi for the allocation and the utilization calculation, and has been adjusted slightly due to the fluctuation of the foreign exchange rates since the listing.

Report of Directors

(b) Use of Net Proceeds from the 2019 Placing

The placing of existing Shares and top-up subscription of new shares pursuant to the share placing and subscription agreement dated 9 October 2019 was completed on 18 October 2019 (the "2019 Placing"). An aggregate of 97,000,000 new placing shares, representing approximately 7.73% of the enlarged issued share capital of the Company immediately after the completion, have been successfully placed to not less than six placees who and whose ultimate beneficial owner(s) are third parties independent of the Company.

The placing price of HK$24.60 per placing share represents (i) a discount of approximately 6.82% to the closing price of HK$26.40 per Share as quoted on the Stock Exchange on 3 October 2019, being the day prior to the date of the placing and subscription agreement; (ii) a discount of approximately 2.61% to the average closing price of approximately HK$25.26 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the placing and subscription agreement.

The net proceeds raised from the 2019 Placing were approximately HK$2,351.3 million (approximately RMB2,122.7 million). As at 31 December 2019, approximately RMB219.3 million of the net proceeds of the 2019 Placing had been utilized in accordance with the intended use of proceeds as previously disclosed in the Company's announcements relating to the 2019 Placing, and RMB1,903.4 million remained unutilized. There has been no change in the intended use of net proceeds as previously disclosed, and the Company will gradually utilize the residual amount of the net proceeds in accordance with such intended purposes depending on actual business needs.

For further details, please refer to the Company's announcements dated 4 October 2019 and 18 October 2019.

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 Deloitte Touche Tohmatsu, Certified Public Accountants ("Deloitte"), who will retire and, being eligible, offer themselves for re-appointment at the AGM.

Important Events After The Reporting Date

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

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

By the order of the Board
Dr. De-Chao Michael Yu
Chairman

Hong Kong
30 March 2020

Directors and Senior Management

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

Directors

Executive Directors

Dr. De-Chao Michael Yu ("Dr. Yu"), aged 56, is an executive Director, the Chairman of the Board, President and Chief Executive Officer of the Company, the Chairman of each of the Nomination Committee and Strategy Committee and a member of the Remuneration Committee. He founded the Group on 28 April 2011 and is responsible for the overall strategic planning and business direction of our Group and management of the Company. Dr. Yu was a director, president and chief executive officer of Chengdu Kanghong Biotech Co. Ltd. from 2006 to 2010. Dr. Yu was the vice president of research and development at Applied Genetic Technology Corporation (a company subsequently listed on the NASDAQ with ticker symbol: AGTC) in 2005. Between 1997 and 2001, Dr. Yu was the vice president of Calydon, Inc. which was later acquired by Cell Genesys, Inc. (a company subsequently listed on the NASDAQ with ticker symbol: CEGE), and worked there till 2005 following the acquisition as a principal scientist and a senior director. Dr. Yu received his doctor of philosophy degree in genetics from the Chinese Academy of Sciences in May 1993 and completed his post-doctoral training at the University of California San Francisco. He has been a Professor and Ph.D. Supervisor at Sichuan University since 2008 and an adjunct research professor at Shanghai Institute of Pharmaceutical Research of Chinese Academy of Sciences since 2019.

Dr. Yu has engaged in discovery and development in the biopharmaceutical industry for more than 20 years, who has invented three Class 1 innovative medicines. Dr. Yu invented the world's first commercialized oncolytic virus-based immunotherapeutic product, Oncorine® (recombinant human type-5 adenovirus injection), creating a precedent for the use of viruses to treat tumors. Dr. Yu co-invented and led the development of China's first monoclonal antibody-like new drug with global intellectual property rights, Langmu® (Conbercept eye injection) which has changed the history of zero domestically developed medicine for Chinese patients with blindness caused by fundus diseases. Dr. Yu also co-invented and led the development of Tyvyt® (sintilimab injection), which has been approved for marketing in China for r/r cHL in 2018 and included in the NRDL as the first and only PD-1 inhibitor in 2019.

Dr. Yu is an inventor of over 60 issued patents and patent applications, and has published more than 50 SCI scientific articles and book chapters. He was recognised as "Top Ten Persons in Innovation in China" in 2014, "The E&Y Entrepreneur of the Year in China" in 2015 and "Distinguished Entrepreneur of Jiangsu Province" in 2016. In 2017, Dr. Yu was selected as "Person of the Year in Innovation for Science and Technology in 2016", "2017 China Person of the Year in Pharmaceutical Economics" and "The Most Influential Person of the Year in Life Science in China in 2017". In 2018, Dr. Yu was awarded as the First Prize of "The Seventh National Overseas Returnee Contributions Awards" etc,.

Directors and Senior Management

Dr. Yu has served in different capacities in the following committees and associations:

- as the chairman of the board of the Chinese Antibody Society (華人抗體協會) since 2017;
- as a vice president of the Chinese Association for Medicinal Biotechnology (中國醫藥生物技術協會) since 2019;
- as a deputy director of the National Technical Committee on Biochemical Products and Testing Technology of the Standardisation Administration of China (全國生化檢測標準化技術委員會) since 2007;
- as a deputy director of Drug Research and Development Special Committee of the China Pharmaceutical Innovation and Research Development Association (中國醫藥創新促進會藥物研發專業委員會) since 2015;
- as a deputy director of the Committee of the Cancer Immunology and Cancer Biotherapy of the Chinese Society for immunology (中國免疫學會腫瘤免疫與腫瘤生物治療專業委員會) since 2016; and
- as a member of the Special Committee of Cancer Biotherapy of the China Anti-Cancer Association (中國抗癌協會腫瘤生物治療專業委員會) since 2012.

Dr. Yu has been an independent non-executive director of BabyTree Group (a company listed on Main Board of the Stock Exchange with stock code: 1761) since June 2018 and served as an independent director at PharmaBlock Sciences (Nanjing), Inc. (a company listed on the Shenzhen Stock Exchange with stock code: 300725) from December 2015 to May 2018.

Mr. Ronald Hao Xi Ede ("Mr. Ede"), aged 61, is an executive Director, Chief Financial Officer and a member of the Strategy Committee of the Company. Mr. Ede joined the Group on 1 January 2018 and is responsible for finance, investor relations and information technology of our Group. Prior to joining the Group, between 2011 and 2016, Mr. Ede was the chief financial officer of Biosensors International Ltd. Between 2009 and 2011, Mr. Ede was the chief financial officer of Mindray Medical International Limited. Mr. Ede is a fellow member of the Institute of Singapore Chartered Accountants and an A-Share independent director certified by the Shenzhen Stock Exchange. Mr. Ede received his bachelor of business administration degree from the University of Hawaii in December 1984 and a master of business administration degree from the University of Washington in December 1988. Mr. Ede has held directorships in the following listed companies outside of the Group during the past three years:

- Mindray Medical International Limited (a company previously listed on the New York Stock Exchange (the "NYSE") and is currently listed on the Shenzhen Stock Exchange with stock code: 300760) as an independent non-executive director since 2006. He resigned as an independent non-executive director in 2016 after the company was privatized from the NYSE. In 2017, he rejoined the board as an independent non-executive director for Mindray till now; and
- Dawnrays Pharmaceutical (Holding) Ltd. (a company listed on the Hong Kong Stock Exchange with stock code: 2348) as a non-executive director since 2015. In 2017, Mr. Ede was re-designated as an independent non-executive director.

Directors and Senior Management

Non-executive Director

Mr. Shuyun Chen ("Mr. Chen"), aged 46, also known as Nick Chen, is a non-executive Director, a member of each of the Audit Committee and the Strategy Committee of the Company. Mr. Chen was appointed to the Board of the Company on 31 January 2018 and is responsible for providing professional opinion and judgment to the Board. Mr. Chen is a partner and Head of China of Capital Group Private Markets ("CGPM"), part of the Capital Group Companies ("Capital Group"), one of the world's largest and most successful investment organizations. Mr. Chen has invested in leading Chinese companies such as Innovent Biologics, Jinxin Maternity, Didi, New China Life, among others. He is also a director of Jinxin Hospital Management Group Limited.

Prior to joining Capital Group in 2005, Mr. Chen worked at J.P. Morgan & Chase in investment banking roles in New York and Hong Kong from 1999, leaving as Vice President of the Asia mergers and acquisitions group. Before joining J.P. Morgan, he worked at Willis Towers Watson in the U.S. as a management consultant associate.

Mr. Chen received his Bachelor of Arts degree (summa cum laude) in Business and Economics from Franklin & Marshall College in the U.S..

Independent Non-executive Directors

Dr. Charles Leland Cooney ("Dr. Cooney"), aged 75, is an independent non-executive Director, a member of each of the Nomination Committee and the Strategy Committee of the Company. Dr. Cooney was appointed to the Board of the Company on 18 October 2015 and is responsible for providing independent opinion and judgment to the Board. Dr. Cooney joined the faculty of the Massachusetts Institute of Technology as an assistant professor in 1970, becoming full professor in 1982. His teaching focuses on the bioprocess development and manufacturing and technological innovation, and his research interests include biochemical engineering and pharmaceutical manufacturing. From 2002 to 2014, Dr. Cooney was the founding Faculty Director of the Deshpande Center for Technological Innovation.

Dr. Cooney is a consultant to multiple biotech and pharmaceutical companies and sits on the boards of private companies such as GreenLight Bioscience, Codiak Bioscience, Levitronix and LayerBio, and is an adviser to the Singapore MIT Alliance for Research and Technology (SMART) Innovation Center. Dr. Cooney served as an independent non-executive director of Polypore International (a company listed on the NASDAQ with ticker symbol: PPO), and Biocon Limited (a company listed on the New York Stock Exchange with ticker symbol: BIOCON and on the Bombay Stock Exchange with stock code: 532523).

Dr. Cooney received his bachelor of science degree in chemical engineering from the University of Pennsylvania in June 1966, and his master of science and doctor of philosophy degrees in biochemical engineering from the Massachusetts Institute of Technology in September 1967 and February 1970, respectively.

Directors and Senior Management

Ms. Joyce I-Yin Hsu ("Ms. Hsu"), aged 45, is an independent non-executive Director, the chairman of each of the Audit Committee and Remuneration Committee of the Company. Ms. Hsu was appointed to the Board of the Company on 18 October 2018 and is responsible for providing independent opinion and judgment to the Board. She currently acts as a partner of Cornell Capital and has been involved in since 2017 towards the sourcing, evaluation, execution and ownership of investments, including strategies for cross-border expansion.

Ms. Hsu was a partner at Zoyi Capital from 2013 to 2015, being mainly responsible for investments and portfolio company monitoring. Prior to this, Ms. Hsu served as chief financial officer and director at Mindray between 2006 and 2009, leading Mindray through its NYSE IPO in 2006 and subsequently two overseas acquisitions in 2008 and 2013. She subsequently acted as the sole adviser of Mindray on its delisting and private placement in 2016. Before that, Ms. Hsu was an executive director at Goldman Sachs Asia between 1998 and 2006, where she led the investment efforts in a number of successful deals in China including Focus Media Holding Limited, China Yurun Food Group Limited, and Mindray Medical, she was also heavily involved in the investments of C&M Communications in Korea and Japan Telecom in Japan.

Ms. Hsu has held directorships in the following listed and private companies outside of the Group during the past three years:

- Corelle Brands as a non-executive director;
- ACEA Bioscience as a non-executive director; and
- Weconex as a non-executive director.

Ms. Hsu received her bachelor of science in business administration degree from the University of California at Berkeley in May 1998.

Dr. Kaixian Chen ("Dr. Chen"), aged 74, is an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Dr. Chen was appointed to the Board of the Company on 18 October 2018 and is responsible for providing independent opinion and judgment to the Board. Dr. Chen has been a professor of the Shanghai Institute of Materia Medica, Chinese Academy of Sciences, since 1990, served as its director between 1996 and 2004, and has served as director of its degree committee between 2014 and May 2019. Dr. Chen has also been a professor of the Shanghai University of Traditional Chinese Medicine since 2005, served as its president from 2005 to 2014, and has served as chairman of its academic committee since 2014.

Directors and Senior Management

Dr. Chen holds professional memberships and qualifications in different capacities in numerous organizations in the PRC, including the below:

- as an Academician of the Chinese Academy of Sciences (中國科學院) since 1999;
- as deputy president of the Chinese Pharmaceutical Association (中國藥學會) from 2007 to 2017, and the Director of the Division of Medicinal Chemistry, CPA (中國藥學會藥物化學專業委員會) since 2007; and Chairman of the board of supervisors, CPA (中國藥學會監事會) since 2017;
- as member of the general expert group of the National Science and Technology Major Project "Innovative Drug Research & Development" (國家重大科技專項《重大新藥創制》) since 2008, and the deputy chief scientific and technical officer since 2016;
- as chairman of the Shanghai Association for Science and Technology (上海市科學技術協會) from 2011 to 2018;
- as editor in chief of Progress in Pharmaceutical Sciences, Chinese Journal of New Drugs and Clinical Remedies (藥學進展、中國新藥與臨床雜誌) since 2015; and
- as executive member and deputy director of the National Pharmacopoeia Commission of China (國家藥典委員會) since 2017.

Dr. Chen served as an independent non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (a company listed on the Hong Kong Stock Exchange with stock code: 1349) between 2014 and 2015, and has served as an independent non-executive director of Zai Lab Limited (a company listed on the NASDAQ with ticker symbol: ZLAB) since 2018, and as an independent non-executive director of Jiangsu Kanion Pharmaceutical Co. Ltd. (a company listed on Shanghai Stock Exchange with stock code: 600557) since December 2019, and is appointed as independent non-executive director of InnoCare Pharma Limited (a company listed on the Hong Kong Stock Exchange with stock code: 09969) since March 2020.

Dr. Chen received his bachelor's degree in radiochemistry from Fudan University in August 1968, and his degree of Master of Science (MSC) and degree of Doctor of science (Ph.D.) from the Shanghai Institute of Materia Medica, Chinese Academy of Sciences in February 1982 and February 1985, respectively.

Senior Management

Dr. De-Chao Michael Yu, ("Dr. Yu"), aged 56, is an executive Director, the Chairman of the Board, President and Chief Executive Officer of our Company. For further details, please see the paragraphs headed "Executive Directors" in "Directors" section.

Dr. Qinwei Zhou ("Dr. Zhou"), aged 57, is Chief Operating Officer of the Company. Dr. Zhou is responsible for analytical science, process development, quality, manufacturing, supply chain, engineering and international division of our Group. Dr. Zhou served as vice president in charge of bioanalytical science from 2011 to 2016, and as assistant vice president at Eli Lilly from 2009 to 2011. Prior to Eli Lilly's acquisition, Dr. Zhou was employed at ImClone Systems Inc., joining the company as manager in 1994 and serving as senior director until the acquisition. Dr. Zhou was a manager at United Biomedical Inc. from 1990 to 1994.

Mr. Ronald Hao Xi Ede ("Mr. Ede"), aged 61, is an executive Director and the Chief Financial Officer of our Company. For further details, please see the paragraphs headed "Executive Directors" in "Directors" section.

Directors and Senior Management

Joint Company Secretaries

Ms. Yanju Wang ("Ms. Wang"), aged 31, was appointed as our joint company secretary on 4 June 2018. She joined the Group in October 2015 as Executive Assistant.

Ms. Wang received her bachelor in management degree from the Nanjing University of Posts and Telecommunications in June 2012 and her master of economics degree from Jiangsu University in June 2015. She obtained an accounting qualification certificate in August, 2014 and a banking qualification certificate in October, 2014.

Ms. Lok Yee Chan ("Ms. Chan"), aged 30, was appointed as our joint company secretary on 4 June 2018. She joined Vistra Corporate Services (HK) Limited in 2016 and is a Manager of Corporate Services. Ms. Chan has over six years of experience in providing a full range of company secretarial and compliance services and is currently serving a portfolio of clients including public listed companies and private companies.

Ms. Chan obtained a bachelor of arts from the Hong Kong Polytechnic University in October 2011 and a master of science in Professional Accounting and Corporate Governance in July 2015 from City University of Hong Kong.

She has been an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom since 2015.

Changes to Directors' Information

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance Report

The Board of Directors is pleased to present the corporate governance report for the Company for the year ended 31 December 2019.

Corporate Governance Practices

The Board is committed to achieving 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.

During the year ended 31 December 2019, the Company has complied with all applicable code provisions set out in the CG Code except for the following deviation:

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman of the Board and the chief executive should be segregated and should not be performed by the same individual. The Company does not have separate chairman of the Board and chief executive officer, and Dr. De-Chao Michael Yu, the executive Director, currently performs these two roles. Details are set out in section headed "Chairman and Chief Executive".

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 its own securities dealing code 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 year ended 31 December 2019. No incident of non-compliance of the Model Code by the relevant employees has been noted by the Company during the year ended 31 December 2019.

Board of Directors

Board Composition

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

The composition of the Board is as follows:

Executive Directors

Dr. De-Chao Michael Yu
(Chairman of the Board and Chief Executive Officer)
Mr. Ronald Hao Xi Ede

Non-executive Director

Mr. Shuyun Chen

Independent non-executive Directors

Dr. Charles Leland Cooney
Ms. Joyce I-Yin Hsu
Dr. Kaixian Chen

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 54 to 59 of this annual report.

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

Corporate Governance Report

Chairman and Chief Executive

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Company does not have separate chairman of the Board and chief executive officer, and Dr. De-Chao Michael Yu, the executive Director, currently performs these two roles. The Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Board Meetings, Committee Meetings and General Meetings

Code provision A.1.1 of the CG 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.

A summary of the attendance record of the Directors at Board meetings, committee meetings and general meetings during the Reporting Period is set out in the following table below:

	Number of meeting(s) attended/number of meeting(s) held for the year ended 31 December 2019						
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategy Committee	Annual General Meeting	Extraordinary General Meeting
Executive Directors:							
Dr. De-Chao Michael Yu	4/4	N/A	1/1	1/1	2/2	1/1	1/1
Mr. Ronald Hao Xi Ede	4/4	N/A	N/A	N/A	2/2	1/1	1/1
Non-executive Director:							
Mr. Shuyun Chen	4/4	2/2	N/A	N/A	2/2	0/1	0/1
Independent Non-executive Directors:							
Dr. Charles Leland Cooney	4/4	N/A	N/A	1/1	2/2	0/1	0/1
Ms. Joyce I-Yin Hsu	4/4	2/2	1/1	N/A	N/A	1/1	1/1
Dr. Kaixian Chen	4/4	2/2	1/1	1/1	N/A	0/1	0/1

Apart from regular Board Meetings, the Chairman of the Board also met with the independent non-executive Directors without the presence of other Directors during the year.

Corporate Governance Report

Independence of Independent Non-Executive Directors

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

Appointment, 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.

All the Directors are subject to retirement by rotation and re-election at annual general meeting. Pursuant to the Articles of Association, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office and be eligible for re-election at each annual general meeting, provided that every Director is subject to retirement by rotation at least once every three years. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and be subject to re-election.

Accordingly, the following Directors, Mr. Ronald Hao Xi Ede and Dr. Charles Leland Cooney shall retire at the AGM and, being eligible, will offer themselves for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is the primary decision making body of the Company and is responsible for overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively in the interests of the Company.

All Directors, including 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 Board would regularly review the contribution required from each Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time to perform.

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 co-ordinating the daily operation and management of the Company are delegated to the Group's senior management whom are responsible for overseeing the general operation, business development, finance, marketing, and operations.

Corporate Governance Report

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 four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Strategy 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 non-executive Directors (including two independent non-executive Directors), namely, Ms. Joyce I-Yin Hsu, Mr. Shuyun Chen and Dr. Kaixian Chen. Ms. Hsu is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting, risk management and internal controls system of the Group, review and approve connected transactions and to advise the Board. The terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange.

The Audit Committee held two meetings during the Reporting Period. The following is a summary of work performed by the Audit Committee during the Reporting Period:

- reviewed the annual and interim results and reports, the Group's financial and accounting policies and practices and the scope of audit and re-appointment of auditors;
- reviewed the financial controls system and engagement of non-audit services;
- reviewed the risk management and internal control systems and internal audit function and discussed with the management and internal audit on their findings; and
- discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company

The Audit Committee also met Deloitte, the external auditors of the Company.

Corporate Governance Report

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 comprises one executive Director, namely Dr. De-Chao Michael Yu, and two independent non-executive Directors, namely Ms. Joyce I-Yin Hsu and Dr. Kaixian Chen. Ms. Hsu is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management. The terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

The Remuneration Committee held one meeting during the Reporting Period. The following is a summary of work performed by the Remuneration Committee during the Reporting Period:

- made recommendations to the Board on the remuneration package of the individual executive Directors and senior management
- reviewed and made recommendations to the Board on the remuneration of the non-executive Directors
- reviewed and made recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management

Details of the Directors' remuneration for the year ended 31 December, 2019 are set out in Note 11 to the consolidated financial statements.

The remuneration of the senior management of the Group by band for the year ended 31 December, 2019 is set out below:

Remuneration bands (RMB)	Number of senior management
0-10,000,000	1
10,000,001-20,000,000	1
70,000,001-80,000,000	1
Total	**3**

Corporate Governance Report

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee comprises one executive Director, namely Dr. De-Chao Michael Yu, and two independent non-executive Directors, namely Dr. Charles Leland Cooney and Dr. Kaixian Chen. Dr. Yu 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 terms of reference of the Nomination Committee is available on the websites of the Company and the Stock Exchange.

The Nomination Committee held one meeting during the Reporting Period. The following is a summary of work performed by the Nomination Committee during the Reporting Period:

- assessed the independence of the independent non-executive Directors
- considered and/or made recommendations to the Board on the re-election of directors
- reviewed the structure, size and composition of the Board

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning board diversity as set out in the Company's board diversity policy, details of which will be set out in the section headed "Board Diversity Policy".

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence (for appointment of independent non-executive Directors), and Board diversity aspects, where appropriate, before making recommendation to the Board. The details of which will be set out in the section headed "Director Nomination Policy".

Strategy Committee

The Company has established a Strategy Committee. The Strategy Committee comprises two executive Directors, namely Dr. De-Chao Michael Yu and Mr. Ronald Hao Xi Ede, one non-executive Director, namely Mr. Shuyun Chen and one independent non-executive Director, namely Dr. Charles Leland Cooney. Dr. Yu is the chairman of the Strategy Committee.

The primary duties of the Strategy Committee are to provide strategic guidance and advice in relation to the Company's business development.

The Strategy Committee held one meeting during the Reporting Period. The following is a summary of work performed by the Strategy Committee during the Reporting Period:

- review the Company's strategy management system and long-term goals, and provide improving advices
- review the Company's business development strategy and provide strategies guidance

Board Diversity Policy

The Company has adopted a board diversity policy (the "Diversity Policy") in accordance with the CG Code, which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to maintain the Company's competitive advantage and enhance its ability to attract, retain and motivate employees from the widest possible pool of available talent.

Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including, but not limited to, gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. The Company is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. The Nomination Committee will discuss and agree periodically on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At present, the Board considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objectives.

Corporate Governance Report

The Nomination Committee will review the Diversity Policy, as appropriate, to ensure its effectiveness.

Director Nomination Policy

On 6 December 2018, the Company 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 pharmaceutical and biologics markets;
- 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 (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service.

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

In terms of succession planning, the following considerations will be used by the Nomination Committee in making recommendations:

- required knowledge, skills and experience at a full Board composite level to effectively fulfil the Board's legal role and responsibilities;
- an appropriate balance of diversity across the Board;
- personal qualities of each candidates;
- continuity through a smooth succession of Directors; and
- compliance with the relevant legal and regulatory requirements.

The Nomination Committee will review the Director Nomination Policy, as appropriate, and recommend revision to the Board for consideration and approval.

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 joint company secretaries 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.

Corporate Governance Report

Dividend Policy

On 6 December 2018, the Company adopted a dividend policy (the "Dividend Policy") in accordance with the CG Code. The Company does not have any pre-determined dividend payout ratio and intends to retain most, if not all, of available funds and any future earnings to operate and expand the business of the Company. Dividends may only be declared and paid out of the profits and reserves of the Company lawfully available for distribution (including share premium), and in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. The Dividend Policy also outlines the factors that the Board should take into account in determining any dividend for distribution to the Shareholders, including future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Board considers relevant. Any future dividend payments to the Shareholders will also depend upon the availability of dividends received from the Group's subsidiaries.

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2019.

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 2019.

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.

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.

During the Reporting Period, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expense.

During the Reporting Period, each of the Directors has attended the training courses conducted by the legal adviser of the Company. The content of such training related to the duties of directors and on-going obligations of listed companies.

Auditor's Responsibility and Remuneration

The Company appointed Deloitte as the external auditor for the year ended 31 December 2019. A statement by Deloitte about their reporting responsibilities for the consolidated financial statements is included in the Independent Auditor's Report on pages 71 to 76.

Corporate Governance Report

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte for the year ended 31 December 2019 are set out in the table below:

Services rendered for the Company	Fees paid and payable RMB'000
Audit services:	
Annual audit services	**2,700**
Non-audit services:	
Review of interim result	**1,100**
Tax advisory services	**791**
Total	**4,591**

Risk Management and Internal Controls

The Board acknowledges its responsible 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.

The Group has established an internal audit department and has designated the relevant personnel who will be responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. Each member of the Group is required to adhere strictly to the Group's internal control procedures and report to the internal control team of any risks or internal control measures.

The Group has also adopted an information disclosure policy which sets out comprehensive guidelines in respect of handling and dissemination of inside information. The Board is responsible for monitoring and implementing the procedural requirements in the information disclosure policy. Release of inside information shall be overseen by the Board. Unless authorised by the Board, staff members of the Group are not permitted to disseminate inside information relating to the Group to any external parties and are not permitted to respond to media or market speculation which may materially affect the trading price or volume of the Shares on the market.

In the ordinary course of the Group's business, sensitive data is collected and stored, including, among other things, identity information about our students and our employees, intellectual property, and proprietary business information. The Group manages and maintains our applications and data utilising on-site systems. These applications and data encompass a wide variety of business critical information including commercial information, and business and financial information. The Group has implemented relevant internal procedures and controls to ensure that such sensitive data is protected and that leakage and loss of such data is avoided.

Corporate Governance Report

The Company's Audit Committee and management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient. Arrangements are in place to identify, evaluate and manage significant risks including facilitating employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. Our management, under the supervision of our Board or a committee of our Board takes reasonable steps to (i) monitor compliance with the code, and (ii) when appropriate, impose and enforce appropriate disciplinary measures for violations of the code.

Joint Company Secretaries

Ms. Yanju Wang, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also externally engaged Ms. Lok Yee Chan, a manager of the corporate services department of Vistra Corporate Services (HK) Limited, as another joint company secretary to assist Ms. Wang in discharging the duties of a company secretary of the Company. Her primary contact person at the Company is Ms. Wang.

During the reporting period, Ms. Yanju Wang and Ms. Lok Yee Chan 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 two or more Shareholders 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 specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

General meetings may also be convened on the written requisition of a Shareholder which is a recognised clearing house (or its nominee(s)) 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 specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves 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 Board 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 Board shall be reimbursed to them by the Company.

Corporate Governance Report

Putting Forward Proposals at General Meetings

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Law 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.innoventbio.com.

Putting Forward Enquiries to the Board and Contact Details

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

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

Address:	168 Dongping Street Suzhou Industrial Park China 215123
Telephone:	(86) 0512-69566088
Fax:	(86) 0512-69566088-8348
Email:	ir@innoventabio.com

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.innoventbio.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 Reporting Period, the Company did not made 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.

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF INNOVENT BIOLOGICS, INC.
(incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Innovent Biologics, Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 77 to 163, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's Report

Key audit matters	How our audit addressed the key audit matters
Cut-off of research and development expenses	
The Group incurred significant research and development ("R&D") expenses of RMB1,295 million (2018: RMB1,222 million) as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019. In addition, R&D expenses of RMB267 million (2018: RMB393 million) were accrued as at 31 December 2019 as set out in note 26 to the consolidated financial statements. A large portion of the accrued R&D expenses were service fees paid to outsourced service providers including contract research organisations and clinical trial sites (collectively referred to as the "Outsourced Service Providers"). We identified the cut-off of R&D expenses as a key audit matter due to its significant amount and risk of not accruing R&D costs incurred for services provided by the Outsourced Service Providers in the appropriate reporting period.	Our procedures in relation to the cut-off of R&D expenses included: • Obtaining an understanding of key controls of the management's basis and assessment in relation to the accrual process of the R&D expenses including service fees paid to Outsourced Service Providers; • For the service fees paid to contract research organisations, reading the key terms set out in research agreements and evaluating the completion status with reference to the progress reported by the representatives of the relevant contract research organisations, on a sample basis, to determine whether the service fees were recorded based on respective contract sums, progress and/or relevant milestones achieved; and • For the service fees paid to clinical trial centres, testing the accrual of the clinical trial related costs, on a sample basis, with reference to the clinical trial data and terms of services.

Independent Auditor's Report

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimation in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As disclosed in note 20 to the consolidated financial statements, the Group's net trade receivables amounting to approximately RMB248 million. As disclosed in notes 4 and 39 to the consolidated financial statements, trade receivables with significant balances are assessed for ECL individually while for the remaining balances, provision matrix is adopted. The management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing and/or past due status of respective trade receivables. Estimated loss rates are based on default rates over the expected life of the debtors and are adjusted for forward-looking information.	Our procedures in relation to the impairment assessment of trade receivables included: • Understanding key controls on how the management estimates the loss allowance for trade receivables; • Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at 31 December 2019, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices and other supporting documents; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 31 December 2019, including their identification of significant balances and credit-impaired receivables and, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to default rates and forward-looking information); and • Evaluating the disclosures regarding the impairment assessment of trade receivables in note 39 to the consolidated financial statements.

Independent Auditor's Report

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

Independent Auditor's Report

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

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

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

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

- Conclude on the appropriateness of the directors of the Company's 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.

Independent Auditor's Report

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yau, Wing Chi.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	5	**1,047,525**	9,477
Cost of sales		**(124,878)**	–
Gross profit		**922,647**	9,477
Other income	6	**144,081**	93,795
Other gains and losses	7	**15,075**	(4,272,090)
Research and development expenses		**(1,294,724)**	(1,221,687)
Administrative expenses		**(255,299)**	(220,315)
Selling and marketing expenses			
– Direct selling and marketing expenses		**(692,515)**	(136,006)
– Payments under collaboration arrangement	8	**(499,725)**	–
Listing expenses		**–**	(57,187)
Finance costs	9	**(59,490)**	(68,969)
Loss and total comprehensive expenses for the year	10	**(1,719,950)**	(5,872,982)
Loss and total comprehensive expenses for the year attributable to:			
Owners of the Company		**(1,719,950)**	(5,771,492)
Non-controlling interests		**–**	(101,490)
		(1,719,950)	(5,872,982)
Loss per share	14		
– Basic (RMB Yuan)		**(1.46)**	(17.24)
– Diluted (RMB Yuan)		**(1.46)**	(17.24)

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	15	**1,344,788**	1,078,053
Right-of-use assets	16	**91,516**	–
Prepaid lease payments	17	**–**	52,842
Deposits for acquisition of property, plant and equipment		**84,849**	45,114
Other receivables and tax recoverables	21	**251,969**	250,307
Other financial assets	23	**1,984**	–
		1,775,106	1,426,316
Current assets			
Inventories	19	**358,597**	66,121
Trade receivables	20	**247,854**	–
Deposits, prepayments and other receivables	21	**151,626**	72,309
Contract assets	22	**2,185**	7,505
Income tax recoverables		**–**	13,726
Prepaid lease payments	17	**–**	1,248
Other financial assets	23	**462,519**	–
Bank balances and cash	24	**4,232,642**	4,525,352
		5,455,423	4,686,261
Current liabilities			
Trade payables	25	**84,275**	42,821
Other payables and accrued expenses	26	**885,004**	600,498
Contract liabilities	27	**41,727**	17,002
Borrowings	28	**17,000**	10,000
Lease liabilities	29	**15,550**	–
		1,043,556	670,321
Net current assets		**4,411,867**	4,015,940
Total assets less current liabilities		**6,186,973**	5,442,256

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Contract liabilities	27	**581,786**	449,887
Borrowings	28	**808,000**	782,000
Government grants	30	**16,518**	15,955
Lease liabilities	29	**24,538**	–
		1,430,842	1,247,842
Net assets		**4,756,131**	4,194,414
Capital and reserves			
Share capital	32	**87**	79
Reserves		**4,756,044**	4,194,335
Total equity		**4,756,131**	4,194,414

The consolidated financial statements on pages 77 to 163 were approved and authorised for issue by the board of directors on 30 March 2020 and are signed on its behalf by:

Yu, De-Chao Michael
DIRECTOR

Ede, Hao Xi Ronald
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (note)	Share-based payments reserve RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	8	54,208	(532,582)	27,944	(1,492,126)	(1,942,548)	320,420	(1,622,128)
Loss and total comprehensive expenses for the year	–	–	–	–	(5,771,492)	(5,771,492)	(101,490)	(5,872,982)
Issuance of ordinary shares (note 32d)	–	190	–	–	–	190	–	190
Recognition of equity-settled share based payment	–	–	(8,192)	53,244	–	45,052	8,192	53,244
Vesting of restricted shares	–	647	–	(647)	–	–	–	–
Exercise of share options (note 32c)	6	124,046	–	(60,178)	–	63,874	–	63,874
Effect of put option granted to non-controlling shareholders to convert their equity interests in a subsidiary to the Company's preferred shares	–	–	227,122	–	–	227,122	(227,122)	–
Automatic conversion of Preferred Shares upon initial public offering ("IPO") (note 32)	47	8,336,910	–	–	–	8,336,957	–	8,336,957
Issue of shares pursuant to IPO (note 32e)	18	3,371,345	–	–	–	3,371,363	–	3,371,363
Transaction costs attributable to issuance of new shares	–	(136,104)	–	–	–	(136,104)	–	(136,104)
At 31 December 2018	**79**	**11,751,242**	**(313,652)**	**20,363**	**(7,263,618)**	**4,194,414**	**–**	**4,194,414**
Loss and total comprehensive expenses for the year	**–**	**–**	**–**	**–**	**(1,719,950)**	**(1,719,950)**	**–**	**(1,719,950)**
Issuance of ordinary shares (note 32f)	**7**	**2,168,913**	**–**	**–**	**–**	**2,168,920**	**–**	**2,168,920**
Transaction costs attributable to issuance of new shares	**–**	**(46,211)**	**–**	**–**	**–**	**(46,211)**	**–**	**(46,211)**
Recognition of equity-settled share based payment	**–**	**–**	**–**	**153,070**	**–**	**153,070**	**–**	**153,070**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (note)	Share-based payments reserve RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Vesting of restricted shares	-	648	-	(648)	-	-	-	-
Exercise of share options (note 32g)	1	10,670	-	(4,783)	-	5,888	-	5,888
At 31 December 2019	87	13,885,262	(313,652)	168,002	(8,983,568)	4,756,131	-	4,756,131

Note: Other reserve included 1) effect of put option granted to non-controlling shareholders to convert their equity interests in a subsidiary to Innovent Biologics Inc. (the "Company") 's preferred shares; 2) differences between the carrying amounts of net assets attributable to the additional non-controlling interests at the date of issuance of subsidiary's equity and the relevant proceeds received; 3) portion of deemed capital contribution over restricted shares or options granted to employees of subsidiary attributable to non-controlling interests; and 4) effect of exercise of put option granted to non-controlling shareholders.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Loss for the year	**(1,719,950)**	(5,872,982)
Adjustments for:		
Loss on disposal of property, plant and equipment	**–**	3,316
Depreciation of property, plant and equipment	**73,834**	62,814
Depreciation of right-of-use assets	**12,533**	–
Release of prepaid lease payments	**–**	1,248
Net foreign exchange gains	**(25,634)**	(64,129)
Gain from changes in fair value of wealth management plans (financial assets mandatorily measured at fair value through profit or loss ("FVTPL"))	**(2,627)**	(5,141)
Loss from changes in fair value of other financial liabilities measured at FVTPL	**–**	4,338,044
Share-based payment expenses	**153,070**	53,434
Research and development expenses paid by partners of joint operations	**17,152**	7,097
Government grants income	**(2,106)**	(1,505)
Bank interest income	**(102,700)**	(20,678)
Interest on bank borrowings	**24,532**	25,037
Interest arising from a contract which contains significant financing component	**33,459**	43,932
Interest on lease liabilities	**1,499**	–
Operating cash flows before movements in working capital	**(1,536,938)**	(1,429,513)
Decrease (increase) in contract assets	**5,320**	(7,505)
Increase in inventories	**(292,476)**	(8,399)
Increase in trade receivables	**(247,854)**	–
Increase in deposits, prepayments and other receivables	**(49,133)**	(73,914)
Increase in trade payables	**41,454**	7,985
Increase in other payables and accrued expenses	**278,263**	426,227
Increase in contract liabilities	**123,165**	73,292
Cash used in operations	**(1,678,199)**	(1,011,827)
Income tax refund	**13,726**	–
NET CASH USED IN OPERATING ACTIVITIES	**(1,664,473)**	(1,011,827)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES		
Interest received	**70,532**	24,784
Placement of term deposits with maturity dates over three months	**(4,264,315)**	(376,476)
Release (placement) of pledged term deposits	**498**	(498)
Purchase of property, plant and equipment	**(365,873)**	(312,739)
Purchase of other financial assets	**(586,984)**	(410,000)
Release of term deposits with maturity dates over three months	**2,457,479**	703,186
Proceeds on release of other financial assets	**125,108**	1,224,625
Proceeds from disposal of property plant and equipment	**–**	285
Receipt of government grants related to property, plant and equipment	**2,669**	6,250
Repayment to a partner of joint operations	**(8,271)**	(4,192)
Loan to Hua Yuan International Limited (Note)	**–**	(178,598)
Net cash inflow on acquisition of Oriza Xinda International Limited (Note)	**–**	178,598
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(2,569,157)**	855,225
FINANCING ACTIVITIES		
Interest paid	**(41,316)**	(32,847)
Proceeds from the issue of the Company's Preferred Shares	**–**	947,821
New borrowings raised	**43,000**	287,000
Repayment of borrowings	**(10,000)**	(5,000)
Repayment of lease liabilities	**(9,336)**	–
Payment of transaction costs attributable to IPO	**(1,630)**	(134,474)
Payment of transaction costs attributable to issuance of new shares	**(46,211)**	–
Issuance of shares pursuant to IPO	**–**	3,371,363
Issuance of ordinary shares	**2,168,920**	–
Proceeds from exercise of share options	**5,888**	–
NET CASH FROM FINANCING ACTIVITIES	**2,109,315**	4,433,863
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(2,124,315)**	4,277,261
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**4,524,854**	183,761
Effects of foreign exchange rate changes	**25,267**	63,832
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (note 24)	**2,425,806**	4,524,854

Note: Investing cash flow regarding the loan to Hua Yuan International Limited and acquisition of Oriza Xinda International Limited were related to the Company and its subsidiaries' (collectively referred to as the "Group") reorganisation before the Company's IPO.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. General

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

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 31 October 2018.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in research and development of antibody and protein medicine products, sale and distribution of pharmaceutical products, and provision of consultation and research and development services.

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

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs")

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (Continued)

New and amendments to IFRSs that are mandatorily effective for the current year (Continued)

IFRS 16 Leases

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

Definition of a lease

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

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

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

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

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

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

iii applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of offices in the People's Republic of China (the "PRC") was determined on a portfolio basis.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.75%.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (Continued)

New and amendments to IFRSs that are mandatorily effective for the current year (Continued)

IFRS 16 Leases (Continued)

As a lessee (Continued)

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	**26,835**
Lease liabilities discounted at relevant incremental borrowing rates	**26,025**
Less: Recognition exemption – short-term leases	**(955)**
Lease liabilities as at 1 January 2019	**25,070**
Analysed as	
Current	**7,723**
Non-current	**17,347**
	25,070

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

	Notes	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		**25,070**
Reclassified from prepaid lease payments	(a)	**54,090**
Adjustments on rental deposits at 1 January 2019	(b)	**331**
		79,491

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (Continued)

New and amendments to IFRSs that are mandatorily effective for the current year (Continued)

IFRS 16 Leases (Continued)

As a lessee (Continued)

(a) Upfront payments for leasehold land in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB1,248,000 and RMB52,842,000 respectively were reclassified to right-of-use assets.

(b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied under deposits. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB331,000 was adjusted to refundable rental deposits paid and right-of-use assets.

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

Impact on the consolidated statement of financial position

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

	Notes	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	**Carrying amounts under IFRS 16 at 1 January 2019 RMB'000**
Non-current assets				
Right-of-use assets	(a), (b)	–	79,491	**79,491**
Prepaid lease payments	(a)	52,842	(52,842)	**–**
Current assets				
Prepaid lease payments	(a)	1,248	(1,248)	**–**
Deposit, prepayments and other receivables - rental deposits	(b)	2,791	(331)	**2,460**
Current liabilities				
Lease liabilities		–	7,723	**7,723**
Non-current liabilities				
Lease liabilities		–	17,347	**17,347**

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (Continued)

New and amendments to IFRSs in issue but not yet effective

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

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

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

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

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

Amendments to IAS 1 and IAS 8 Definition of Material

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (Continued)

New and amendments to IFRSs in issue but not yet effective (Continued)

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that a liability should be classified as non-current if an entity has the right, the classification should not be affected by management intentions or expectations to settle the liability within 12 months;
- clarify that if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

Based on the Group's outstanding liabilities as at 31 December 2019, the application of the amendments will not result in reclassification of the Group's liabilities.

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

The New Framework:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (Continued)

New and amendments to IFRSs in issue but not yet effective (Continued)

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

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

3. Significant Accounting Policies

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Revenue from contracts with customers

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

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

Except for granting of licence that is distinct from other promised goods or services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Revenue from contracts with customers (Continued)

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

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

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Revenue from contracts with customers (Continued)

Variable consideration

For research and development service fee income that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

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

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

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Revenue from contracts with customers (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

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

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

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

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

Short-term leases and leases of low-value assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Leases (Continued)

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

Right-of-use assets

The cost of right-of-use asset includes:

a. the amount of the initial measurement of the lease liability;

b. any lease payments made at or before the commencement date, less any lease incentives received;

c. any initial direct costs incurred by the Group; and

d. an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

Refundable rental deposits

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

Lease liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Leases (Continued)

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

Lease liabilities (Continued)

The lease payments include:

a. fixed payments (including in-substance fixed payments) less any lease incentives receivable;

b. variable lease payments that depend on an index or a rate;

c. amounts expected to be paid under residual value guarantees;

d. the exercise price of a purchase option reasonably certain to be exercised by the Group; and

e. payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

Lease modifications

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Leases (Continued)

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

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

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

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

Foreign currencies

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

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

Borrowing costs

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

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

Government grants

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Retirement benefits costs

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

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Shares/share options granted to employees and a consultant

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Taxation

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

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

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

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Taxation (Continued)

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

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Research and development expenditure

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

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

In addition, corporates assets are allocated to individual cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents estimated selling price for inventories less estimated costs necessary to make the sale. Trial batches manufactured prior to regulatory approval (including raw materials cost) is charged to research and development expenses when they are produced.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Provisions

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

(i) Amortised cost and interest income

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets and contract assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including other loans, receivables due from directors of the Company and employees, trade receivables, other receivables, bank balances and cash and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and contract assets without signification financing component. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets subject to impairment assessment under IFRS 9 (Continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any recoveries made are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL

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

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

Preferred Shares, which contained redemption features and other embedded derivatives, are designated as at financial liabilities at FVTPL.

Financial liabilities at amortised cost

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Obligation arising from put options over the ordinary shares of a subsidiary written to non-controlling shareholders

Put options written by the Company to non-controlling shareholders as set out in note 31 are accounted for as derivatives and are recognised at fair value upon initial recognition. Any changes of their fair values in subsequent reporting dates are recognised in the profit or loss.

The gross financial liability arising from the put options is recognised when contractual obligation to repurchase the shares in a subsidiary is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the Group. The liability for the share redemption amount is initially recognised and subsequently measured at fair value of the financial instrument to be issued to exchange for the shares in a subsidiary with the corresponding debit to "other reserve" at initial recognition. Prior to the exercise of the put options by non-controlling shareholders, the remeasurement of the estimated gross obligations under the written put options to the non-controlling shareholders is recognised in the profit or loss.

Derecognition/Substantial modification of financial liabilities

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

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. Critical Accounting Judgement and Key Sources of Estimation Uncertainty

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

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

Critical judgement in applying accounting policies

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

Research and development expenses

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. Critical Accounting Judgement and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty

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

Provision of ECL for trade receivables

Trade receivables with significant balances are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for the trade receivables which are individually insignificant. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the industrial default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 39.

Useful lives of property, plant, and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is reference to the useful lives of property, plant and equipment of similar nature and functions in the industry. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete assets that have been abandoned or sold. As at 31 December 2019, the carrying amount of property, plant and equipment is RMB1,345 million (2018: RMB1,078 million) as disclosed in note 15.

Recognition of revenue arising from commercialization licence

The Group entered into a collaboration agreement and to provide a commercialisation licence to a customer. Upfront fee received is recorded under contract liabilities and recognised as revenue only when customers have ability to use the licence. Accordingly, revenue is recognise over time upon customer receives and consumes the benefits during the commercialisation stage of the respective products. During the year ended 31 December 2019, licence fee income related to commercialization licence of RMB17,868,000 was recognised based on the actual sales against the total budgeted sales during the commercialisation period. Management revise its total budgeted sales from time to time based on changes in facts and circumstances.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. Revenue from Contracts with Customers and Segment Information

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	2019 RMB'000	2018 RMB'000
Timing of revenue recognition		
A point in time		
Sales of pharmaceutical products	**1,015,871**	–
Licence fee income	**10,000**	–
	1,025,871	–
Overtime		
Research and development service fee income	**3,786**	9,477
Licence fee income	**17,868**	–
	21,654	9,477
	1,047,525	9,477

Sales of pharmaceutical products

For the sale of pharmaceutical products, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following delivery, the customer has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The normal credit term is 45 – 60 days upon delivery. Customers can only return or request refund if the goods delivered do not meet required quality standards. As at 31 December 2019, all outstanding sales contracts are expected to be fulfilled within 12 months after the end of the reporting period.

Research and development agreements with a customer

The Group entered into research and development agreements with a customer. The Group earns revenues by providing research services to its customers through fee-for-service contracts. Contract duration is over a year. Upfront payments received by the Group is initially recognised as a contract liability. Services revenue are recognised as a performance obligation satisfied over time as the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The Group uses cost incurred to date as an input method to measure progress towards complete satisfaction of these performance obligations. Payment for services is not due from the customer until the development are completed and therefore a contract asset is recognised over the period in which the services are performed.

As at 31 December 2019, transaction price allocated to the remaining performance obligation amounting to RMB87,000 and it is expected to recognised as revenue within a year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. Revenue from Contracts with Customers and Segment Information (Continued)

Licence fee income

The Group provides licence of its patented intellectual property ("IP") or commercialisation licence to customers and revenue is recognised when the customers obtain rights to access or use the underlying IP or licence. Licence fee income is recognised at a point of time upon the customer obtains control of IP or if control is transferred over time, e.g. commercialisation licence to customers for a term of period, revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation.

The consideration for licence comprises a fixed element (the upfront payment) and variable elements (including but not limited to development milestones and royalties).

For licence that the Group provided for customers' right to access, upfront fee is recognised as revenue when customers have ability to use the underlying IP of the licence and variable consideration is recognised only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future.

For licence associate with customers' right to use, upfront fee and variable consideration received is recorded under contract liabilities and recognised as revenue only when customers have ability to use the licence.

Segment information

For the purpose of resource allocation and assessment of segment performance, the chief executive officer of the Company, being the chief operating decision maker, focuses and reviews on the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

Geographical information

Substantially all of the Group's operations and non-current assets are located in the PRC. An analysis of the Group's revenue from external customers, analysed by delivery of goods and services, is detailed below:

Revenue by geographical location

	2019 RMB'000	2018 RMB'000
The PRC	**1,047,525**	9,477

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. Revenue from Contracts with Customers and Segment Information (Continued)

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	2019 RMB'000	2018 RMB'000
Customer A	**N/A***	9,177
Customer B (Note)	**933,853**	N/A*

* The corresponding revenue did not constitute over 10% of the total revenue of the Group.

Note: Revenue from customer B is mainly from sales of pharmaceutical products and licence fee income.

6. Other Income

	2019 RMB'000	2018 RMB'000
Bank interest income	**102,700**	20,678
Government grants income (note)	**41,381**	73,117
	144,081	93,795

Note: Government grants include subsidies from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery, which is recognised over the useful lives of the related assets; and (ii) the incentive and other subsidies for IPO, research and development activities and interest subsidies, which are recognised upon compliance with the attached conditions.

7. Other Gains and Losses

	2019 RMB'000	2018 RMB'000
Loss on disposal of property, plant and equipment	**–**	(3,316)
Gain from changes in fair value of wealth management plans (financial assets mandatorily measured at FVTPL) (note 23)	**2,627**	5,141
Loss from changes in fair value of other financial liabilities measured at FVTPL (note 31)	**–**	(4,338,044)
Net foreign exchange gains	**12,448**	64,129
	15,075	(4,272,090)

Notes to the Consolidated Financial Statements

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8. Collaboration Arrangement

The Group enter into collaborative and other similar arrangements to develop and commercialise drug candidates. Collaborative activities may include research and development, manufacturing, and commercialisation.

The collaboration agreements are structured such that each party contributes its respective skills in the various phases of the development projects. For certain of the agreements, it contains contractual terms regarding sharing of control over the relevant activities under the agreement and consider joint operation under *IFRS 11 Joint Arrangement*. Revenue, expenses, receivables and payables in connection with those collaboration arrangement, if any, are included in the related financial lines and footnotes.

The collaborations arrangements are not contracts with customers itself but are evaluated to determine whether any aspects of the arrangements are contracts with customers under *IFRS 15 Revenue from contract with customers*. Revenue related to products sold pursuant to these arrangements or licence provision for customers' access is recognised at a point of time and upfront received for providing commercialisation licence to customers for a term of period, is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation. All payments received in advance of performance under the contract are included in contract liabilities and recognised as revenue in accordance with above said timing.

In certain of these arrangements, collaborators require the Group to pay upfront or milestone payments for acquisition of commercial rights, contingent upon the occurrence of certain future events linked to the success of the asset in development by collaboration partners and the payments are only capitalised upon the inflow of economic benefit to the entity is probable. Furthermore, certain of these arrangements require royalty or profit-share payments to collaborators during commercialisation stage and recognised at the time the Group obligated to pay in accordance with the relevant terms. All these expenses are reported as "selling and marketing expenses".

Other expenses incurred pursuant to support the Group's research and development activities or upfront or development milestone paid for in-licensing of antibodies used in Group's research and development activities are accounted as internal research and development costs and reported under "research and development expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

9. Finance Costs

	2019 RMB'000	2018 RMB'000
Interest on bank borrowings	**40,025**	33,284
Interest arising from a contract which contains significant financing component (note 5)	**33,459**	43,932
Interest on lease liabilities	**1,499**	–
Total borrowing costs on financial liabilities that are not at FVTPL	**74,983**	77,216
Less: amounts capitalised in the cost of qualifying assets	**(15,493)**	(8,247)
	59,490	68,969

10. Loss for the Year

	2019 RMB'000	2018 RMB'000
Loss for the year has been arrived at after charging:		
Directors' emoluments (note 11)	**86,072**	112,865
Other staffs costs:		
Salaries and other allowances	**413,213**	171,552
Performance related bonus	**157,790**	31,509
Retirement benefit scheme contributions	**50,093**	19,045
Share-based payment expenses	**89,426**	36,248
Total staff costs	**796,594**	371,219
Auditors' remuneration	**4,121**	2,451
Release of prepaid lease payments	**–**	1,248
Depreciation of property, plant and equipment	**73,834**	62,814
Depreciation of right-of-use assets	**12,533**	–
Minimum lease payments under operating leases in respect of office premises and staff quarters	**–**	7,928

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For the year ended 31 December 2019

11. Directors', Chief Executive's and Employees' Emoluments

Directors

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

Year ended 31 December 2019

	Fees RMB'000	Salaries and other allowances RMB'000	Performance related bonus RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Executive directors:						
Yu, De-Chao Michael ("Dr. Yu")	–	2,826	12,120	86	60,632	75,664
Ede, Hao Xi Ronald	–	2,415	3,420	79	3,012	8,926
	–	5,241	15,540	165	63,644	84,590
Non-executive director:						
Chen, Shuyun	360	–	–	–	–	360
Independent non-executive directors:						
Cooney, Charles L.	360	–	–	–	–	360
Hsu, I-Yin Joyce	402	–	–	–	–	402
Chen, Kaixian	360	–	–	–	–	360
	1,122	–	–	–	–	1,122
	1,482	5,241	15,540	165	63,644	86,072

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For the year ended 31 December 2019

11. Directors', Chief Executive's and Employees' Emoluments (Continued)

Directors (Continued)

Year ended 31 December 2018

	Fees RMB'000	Salaries and other allowances RMB'000	Performance related bonus RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Executive directors:						
Dr. Yu	–	2,816	87,264	80	16,996	107,156
Ede, Hao Xi Ronald (note a)	–	1,385	3,501	62	–	4,948
	–	4,201	90,765	142	16,996	112,104
Non-executive directors:						
Auerbach, Daniel E (note b)	–	–	–	–	–	–
Knight, Stephen Christian (note b)	–	–	–	–	–	–
Shi, Yi (note c)	–	–	–	–	–	–
Cai, Daqing (note d)	–	–	–	–	–	–
Shen, Ye (note c)	–	–	–	–	–	–
Lu, Dazhong Simon (note c)	–	–	–	–	–	–
Zhang, Leidi (note c)	–	–	–	–	–	–
Chen, Shuyun (note e)	90	–	–	–	–	90
Wang, Junfeng (note f)	–	–	–	–	–	–
	90	–	–	–	–	90
Independent non-executive directors:						
Cooney, Charles L.	491	–	–	–	–	491
Hsu, I-Yin Joyce (note g)	90	–	–	–	–	90
Chen, Kaixian (note g)	90	–	–	–	–	90
	671	–	–	–	–	671
	761	4,201	90,765	142	16,996	112,865

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For the year ended 31 December 2019

11. Directors', Chief Executive's and Employees' Emoluments (Continued)

Directors (Continued)

Year ended 31 December 2018 (Continued)
Notes:

a. Ede, Hao Xi Ronald was appointed as an executive director of the Company on 4 June 2018.

b. Auerbach, Daniel E and Knight, Stephen Christian resigned as non-executive directors of the Company on 9 October 2018.

c. Shi, Yi, Shen, Ye, Lu, Dazhong Simon and Zhang, Leidi resigned as non-executive directors of the Company on 16 October 2018.

d. Cai, Daqing resigned as a non-executive director of the Company on 4 April 2018.

e. Chen, Shuyun was appointed as a non-executive director of the Company on 31 January 2018.

f. Wang, Junfeng was appointed as a non-executive director of the Company on 4 April 2018 and resigned on 16 October 2018.

g. Hsu, I-Yin Joyce and Chen, Kaixian were appointed as independent non-executive directors on 16 October 2018.

The executive directors' emoluments shown above were for their services as directors of the Company in connection with the management of the affairs of the Company and Group.

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

Dr. Yu is also the chief executive of the Company, and his emoluments disclosed above included those services rendered by him as the chief executive.

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

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

Notes to the Consolidated Financial Statements

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11. Directors', Chief Executive's and Employees' Emoluments (Continued)

Employees

The five highest paid individuals of the Group during the year included two directors (2018: two directors) of the Company, details of whose emoluments are set out above. The emoluments of the remaining three (2018: three) highest paid individuals who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries and other allowances	**6,854**	8,768
Performance related bonus	**2,942**	1,518
Share-based payment expenses	**19,559**	6,984
Retirement benefits scheme	**244**	172
	29,599	17,442

The emoluments of these employees included two directors of the Company (2018: two directors) during the reporting period were fell within the following bands:

	Number of individuals Year ended 31 December	
	2019	2018
HK$4,000,001 to HK$4,500,000	**1**	1
HK$7,000,001 to HK$7,500,000	**–**	1
HK$9,000,001 to HK$9,500,000	**–**	1
HK$10,000,001 to HK$10,500,000	**1**	–
HK$13,000,001 to HK$13,500,000	**1**	–
HK$16,000,001 to HK$16,500,000	**1**	–
HK$19,000,001 to HK$19,500,000	**–**	1
HK$85,500,001 to HK$86,000,000	**1**	–
HK$127,500,001 to HK$128,000,000	**–**	1
	5	5

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including two directors of the Company) and employees as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company nor the five highest paid individuals has waived or agreed to waive any emoluments during the years ended 31 December 2019 and 2018.

During the years ended 31 December 2019 and 2018, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. Further, no consideration was provided to or receivable by third parties for making available directors' services. There are also no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

12. Dividends

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

13. Income Tax Expense

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

Innovent Biologics (HK) Limited ("Innovent HK") is subject to Hong Kong profits tax on profits earned in Hong Kong. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

Under the US Tax Cuts and Jobs Act, the US corporate income tax rate has charged at flat rate of 21%.

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

信達生物製藥(蘇州)有限公司Innovent Biologics (Suzhou) Co., Ltd.* ("Innovent Suzhou") has been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau (the "STB") of Jiangsu Province and relevant authorities on 30 November 2016, and has been registered with the local tax authorities for enjoying the reduced 15% Enterprise Income Tax rate (the "EIT rate"). Accordingly, the profits derived by the subsidiary is subject to 15% EIT rate for the reporting period. Innovent Suzhou submitted the renewal application to STB of Jiangsu Province in August 2019 and the qualification as a High and New Technology Enterprise has been approved by the relevant tax authorities in March 2020.

* English name for identification only

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

13. Income Tax Expense (Continued)

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

	2019 RMB'000	2018 RMB'000
Loss before tax	**(1,719,950)**	(5,872,982)
Tax charge at the PRC EIT rate of 25%	**(429,987)**	(1,468,246)
Tax effect of expenses not deductible for tax purpose	**129,589**	1,191,944
Effect of research and development expenses that are additionally deducted (note)	**(203,937)**	(150,279)
Tax effect of tax losses not recognised	**453,171**	408,272
Tax effect of deductible temporary differences not recognised	**51,164**	18,309
Tax charge for the year	**–**	–

Note: Pursuant to Caishui [2018] circular No. 99, Innovent Suzhou and 蘇州信達生物科技有限公司Innovent Biologics Technology (Suzhou) Co., Ltd.* ("Innovent Technology") enjoy super deduction of 175% (2018: 175%) on qualifying research and development expenditures for the year ended 31 December 2019.

* English name for identification only

As at 31 December 2019, the Group has unused tax losses of RMB4,832 million (2018: RMB3,023 million), available for offset against future profits. Among the unused tax losses, RMB1,487 million (2018: RMB713 million) will be expired between 2020 to 2027 (2018: 2019 to 2026) while RMB1,583 million (2018: RMB727 million) and RMB1,762 million (2018: RMB1,583 million) will be expired in 2028 (2018: 2027) and in 2029 (2018: 2028). During the year ended 31 December 2019, unused tax losses of RMB4 million (2018: RMB76 million) was expired. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

As at 31 December 2019, the Group has deductible temporary differences mainly related to government grants income and contract liabilities of RMB566 million (2018: RMB361 million). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Consolidated Financial Statements

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14. Loss Per Share

(a) Basic

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(1,719,950)**	(5,771,492)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,177,686,162**	334,683,802

The computation of basic loss per share for both years excluded the unvested restricted shares of the Company. Details of these restricted shares are set out in note 33.

For the year ended 31 December 2018, the weighted average number of ordinary shares for the purpose of calculating basic loss per share has been retrospectively adjusted for the share subdivision as disclosed in note 32.

(b) Diluted

31 December 2019

The Company had two categories of potential ordinary shares, unvested restricted shares of the Company (note 33) and the shares options awarded under the Pre-IPO Share Incentive Plan (the "Pre-IPO Plan"), Restricted Shares Plan (the "RS Plan") and Post-IPO share option scheme (the "Post-IPO ESOP"), as details set out in note 33. As the Group incurred losses for the year ended 31 December 2019, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the year ended 31 December 2019 is the same as basic loss per share.

31 December 2018

The Company had four categories of potential ordinary shares, unvested restricted shares of the Company, over-allotment options, preferred shares issued by the Company and the shares options awarded under the Pre-IPO Plan. Diluted loss per share for the year ended 31 December 2018 did not assume vesting of restricted shares, conversion of series A, B, C and E preferred shares, and exercise of share options, as their inclusion would be anti-dilutive. As the Group incurred losses for the year ended 31 December 2018, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the year ended 31 December 2018 is the same as basic loss per share.

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For the year ended 31 December 2019

15. Property, Plant and Equipment

	Buildings RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2018	389,725	32,932	426,931	16,672	3,626	9,178	879,064
Additions	–	8,623	–	–	–	374,027	382,650
Transfer	–	3,998	18,183	11,768	1,484	(35,433)	–
Disposals	–	–	(5,241)	–	(161)	–	(5,402)
At 31 December 2018	**389,725**	**45,553**	**439,873**	**28,440**	**4,949**	**347,772**	**1,256,312**
Additions	**–**	**–**	**–**	**–**	**–**	**340,569**	**340,569**
Transfer	**–**	**7,632**	**48,160**	**28,304**	**1,756**	**(85,852)**	**–**
At 31 December 2019	**389,725**	**53,185**	**488,033**	**56,744**	**6,705**	**602,489**	**1,596,881**
DEPRECIATION							
At 1 January 2018	16,792	12,886	80,159	5,205	2,204	–	117,246
Provided for the year	8,396	4,998	43,676	5,088	656	–	62,814
Disposals	–	–	(1,711)	–	(90)	–	(1,801)
At 31 December 2018	**25,188**	**17,884**	**122,124**	**10,293**	**2,770**	**–**	**178,259**
Provided for the year	**8,397**	**8,124**	**46,756**	**9,336**	**1,221**	**–**	**73,834**
At 31 December 2019	**33,585**	**26,008**	**168,880**	**19,629**	**3,991**	**–**	**252,093**
CARRYING VALUE							
At 31 December 2019	**356,140**	**27,177**	**319,153**	**37,115**	**2,714**	**602,489**	**1,344,788**
At 31 December 2018	364,537	27,669	317,749	18,147	2,179	347,772	1,078,053

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

Buildings	2%
Leasehold improvement	Over the shorter of the term of the lease, or 5%
Plant and machinery	7% – 20%
Furniture, fixtures and equipment	10 – 33%
Motor vehicles	25%

As at 31 December 2019, the Group has pledged property, plant and equipment with a net book value of RMB570 million (2018: RMB612 million), to secure borrowings as disclosed in the note 28.

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16. Right-of-Use Assets

	Leasehold lands RMB'000	Buildings RMB'000	Total RMB'000
CARRYING AMOUNT			
As at 1 January 2019	54,090	25,401	79,491
Additions to right-of-use assets	–	24,558	24,558
Depreciation charge for the year	(1,248)	(11,285)	(12,533)
As at 31 December 2019	52,842	38,674	91,516

Expense relating to short-term leases and other leases with leases terms end within 12 months of the date of initial application of IFRS 16	2,862
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	731
Total cash outflow for leases	14,273

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 6 months to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for offices. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in this note.

17. Prepaid Lease Payments

	2018 RMB'000
The Group's prepaid lease payments comprise:	
Leasehold land in PRC	54,090
Analysed for reporting purposes as:	
Current asset	1,248
Non-current asset	52,842
	54,090

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18. Particulars of Subsidiaries

Details of the Company's principal operating subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital 31 December 2019	Issued and fully paid share capital/registered capital 31 December 2018	Shareholding/equity interests attributable to the Company as at **31 December 2019**	Shareholding/equity interests attributable to the Company as at 31 December 2018	Principal activities
Directly held:						
Innovent HK	Hong Kong 17 May 2011	Issued capital of HK$10,000 and paid-up capital of HK$10,000	Issued capital of HK$10,000 and paid-up capital of HK$10,000	**100%**	100%	Sales of drugs
Innovent Biologics (USA), Inc	United States of America 8 June 2018	Issued capital of nil and paid-up capital of nil	Issued capital of nil and paid-up capital of nil	**100%**	100%	Research, development and sales of drugs
Indirectly held:						
Innovent Suzhou	PRC 24 August 2011 (note a)	Registered capital of USD152,464,750 and paid-up capital of USD152,464,750 (note b)	Registered capital of USD52,464,750 and paid-up capital of USD52,464,750	**100%**	100%	Research, development and sales of drugs
Innovent Technology	PRC 8 July 2013 (note a)	Registered capital of RMB40,000,000 and paid-up capital of RMB40,000,000	Registered capital of RMB40,000,000 and paid-up capital of RMB40,000,000	**100%**	100%	Research, development and sales of drugs
Oriza Xinda	Hong Kong 20 March 2018	Issued capital of USD50,000 and paid-up capital of nil	Issued capital of USD50,000 and paid-up capital of nil	**100%**	100%	Inactive
Innovent Biotechnology Co., Ltd.	PRC 20 September 2019 (note c)	Registered capital of USD100,000,000 and paid-up capital of nil	N/A	**100%**	N/A	Research, development and sales of drugs

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18. Particulars of Subsidiaries (Continued)

None of the subsidiaries had issued any debt securities at the end of both years.

Note a: Innovent Suzhou is a foreign invested liability company and Innovent Technology is a domestic limited liability company.

Note b: During the year ended 31 December 2019, Innovent Suzhou increased its registered capital by USD100,000,000 and the amount was fully paid during the year.

Note c: Innovent Biotechnology Co., Ltd is a domestic limited liability company incorporated in PRC on 20 September 2019.

Details of non-wholly owned subsidiaries that have material non-controlling interests

On 1 June 2018, the Group has completed the equity transfer under a framework agreement and non-controlling interests of Innovent Suzhou have become preferred shareholders of the Company (note 31). As a result, as at 31 December 2018, there is no accumulated non-controlling interests. During the year ended 31 December 2018, loss allocated to non-controlling interests was RMB101,490,000.

	1 January to 1 June 2018 RMB'000
Revenue	3,697
Expenses	(435,097)
Loss for the period	(431,400)
Loss attributable to owners of the Company	(329,910)
Loss attributable to non-controlling interests of Innovent Suzhou	(101,490)
Loss for the period	(431,400)
Net cash outflow from operating activities	(266,606)
Net cash inflow from investing activities	549,274
Net cash inflow from financing activities	172,225
Effect of exchange rate changes	(1,994)
Net cash inflow	452,899

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For the year ended 31 December 2019

19. Inventories

	2019 RMB'000	2018 RMB'000
Raw materials	**241,715**	66,121
Work in progress	**61,528**	–
Finished goods	**55,354**	–
	358,597	66,121

20. Trade Receivables

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Trade receivables from contracts with customers	**247,854**	–

As at 1 January 2018, trade receivables from contracts with customers amounting to nil.

The Group allows an average credit period of 45 to 60 days to its trade customers. The following is an aged analysis of trade receivables, presented based on the invoice date.

	2019 RMB'000	2018 RMB'000
0 – 60 days	**247,854**	–

As at 31 December 2019, included in the Group's trade receivables balances are debtors with aggregate carrying amount of nil (2018: nil) which are past due as at reporting date.

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21. Deposits, Prepayments and Other Receivables

	2019 RMB'000	2018 RMB'000
Prepayments	**79,993**	37,102
Other receivables	**46,187**	12,736
Prepaid bonus (note a)	**98,299**	111,882
Receivables due from directors of the Company and employees (note b)	**–**	8,805
Other loans (note c)	**32,271**	21,999
Other tax recoverables	**141,888**	127,301
Rental deposits (note d)	**4,957**	2,791
	403,595	322,616
Analysed as:		
Non-current	**251,969**	250,307
Current	**151,626**	72,309
	403,595	322,616

Notes:

(a) On 26 August 2018, in consideration of future performance of their duties as directors of the Company, the Company granted bonuses in the total amount of RMB198.5 million to two directors of the Company (including Dr. Yu), which is equal to the sum of 1) subscription receivables from these directors of the Company in the amount of RMB76.4 million (comprising subscription receivables for restricted shares in the amount of RMB29.2 million and subscription receivables for share options due from two directors of the Company in the amount of RMB47.2 million); 2) an amount of RMB32.9 million due from these two directors of the Company in respect of the withholding tax resulting from the restricted shares and share options subscriptions; and 3) an amount of RMB89.2 million due from these two directors of the Company in respect of the withholding tax resulting from the grant of the prepaid bonuses as at 26 August 2018.

Based on the relevant terms of the directors' respective service agreements (which reflected the relevant contractual terms of these directors' bonus plan), the outstanding receivables and the amount paid or payable for these directors of the Company in respect of the withholding tax resulting from the share subscriptions and the grant of these bonuses as at 26 August 2018 were converted to bonuses paid in advance to directors of the Company. These directors of the Company shall be liable to return the whole or part of the bonuses and the relevant tax paid for them if certain service and/or performance conditions are not satisfied in accordance with the relevant terms of the respective directors' service agreements. This arrangement is considered as a non-cash transaction.

During the year ended 31 December 2019, RMB12.4 million (2018: RMB86.7 million) was recognised as bonus expense based on the underlying terms of bonus plan and recorded under administrative expenses in accordance with the relevant terms of services agreements and RMB12.3 million (2018: RMB12.4 million) is expected to be recognised in the next twelve months and therefore, it is classified as current assets.

Notes to the Consolidated Financial Statements

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21. Deposits, Prepayments and Other Receivables (Continued)

Notes: (Continued)

(b) During the year ended 31 December 2018, the directors of the Company approved the acceleration of the share options for the directors of the Company and employees and therefore, receivables of the unsettled exercise price and other costs paid on behalf of them recognised. Based on the bonus arrangement as disclosed in note 21(a), the receivables due from the directors of the Company has been converted to bonuses paid in advance to them. As at 31 December 2018, the balances of RMB8.8 million represents due from a consultant and employees for their share options related cost. The amounts are unsecured, non-interest bearing and repayable on demand.

During the year ended 31 December 2019, the Company has arranged loan agreements for the unsettled receivables with the consultant and employees and therefore, the amount has been reclassified to other loans as disclosed in note 21(c).

(c) On 2 May 2018, pursuant to the board resolution of the compensation committee of the Company, the board of the Company has approved the acceleration of exercise of shares options granted to 33 individuals. Along with the acceleration of share options, 9 individuals have signed separate loan agreements with the Company for onshore loan and 信達生物製藥(蘇州)有限公司("Innovent Suzhou") for offshore loan for financing their payment on exercising the share options and individual income tax.

During the year ended 31 December 2019, the Company has further entered loan agreements with remaining individuals regarding the unsettled subscription price and other costs in relation to the accelerated share options.

All of the loans are interest bearing at 3.5% per annum. The loans will be repaid according to the various repayment schedule before May 2024, in which RMB13.2 million (year ended 31 December 2018: RMB7.3 million) will be repaid within a year and classified as current receivables while the remaining RMB19.1 million (year ended 31 December 2018: RMB14.7 million) will be repaid after twelve months and classified as non-current receivables.

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

22. Contract Assets

	2019 RMB'000	2018 RMB'000
Research and development contract	**2,185**	7,505

As at 1 January 2018, contract assets amounted to nil.

A contract asset is recognised over the period of research and development services performed and represents the entity's right to collect considerations for the services transferred to date. Contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. The Group classifies these contract assets as current asset because the Group expects to collect upon the agreed payment terms, which is expected to be within one year.

There were no impairment losses recognised on any contract asset during the year ended 31 December 2019 (2018: nil).

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23. Other Financial Assets

	Current		Non-current	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Wealth management plan (note a)	**462,519**	–	**–**	–
Other investment at FVTPL (note b)	**–**	–	**1,984**	–
	462,519	–	**1,984**	–

Notes:

(a) The Group invested in wealth management plans managed by financial institutions in the PRC.

The principal is either guaranteed or unguaranteed by the relevant financial institutions with an expected return rate as stated in the contract ranging from 3.75% to 3.90% per annum as at 31 December 2019. All investments had maturity date within one year and classified as financial assets mandatorily measured at FVTPL. Change in fair value of the wealth management plans amounting to RMB2,627,000 is recognised during the year ended 31 December 2019. No wealth management plan was held by the Group as at 31 December 2018.

(b) On 19 December 2019, the Group subscribed 263,175 convertible redeemable shares which represent 6.44% of the equity of a private entity incorporated in United States of America. The Group has the right to demand the investees to redeem all of the shares held by the Group at guaranteed predetermined fixed amount upon the occurrence of redemption events which are outside the control of the issuer and accordingly the investment is measured at FVTPL. Details of fair value measurements are set out in note 39. No change in fair value is recognised during the year ended 31 December 2019.

Further, the Group also entitled to further subscribe a total of 2,523,377 convertible redeemable shares at a fixed price of US$1.0766 per share in accordance with the subscription agreement, which represents 6.44% of the enlarged equity of the private equity if the Group and other investors fully subscribe the convertible redeemable shares and converted. As at 31 December 2019, the fair value of the derivative instruments is considered as insignificant.

24. Bank Balances and Cash

	2019 RMB'000	2018 RMB'000
Cash at bank	**2,051,724**	4,524,788
Cash on hand	**58**	66
Term deposits	**2,180,860**	498
	4,232,642	4,525,352
Analysed as:		
Cash and cash equivalents	**2,425,806**	4,524,854
Term deposits with maturity date between three months to one year	**1,806,836**	–
Pledged bank deposits (note) (note 28)	**–**	498
	4,232,642	4,525,352

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For the year ended 31 December 2019

24. Bank Balances and Cash (Continued)

Note: Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group. As the Group can withdraw these deposits by replacing other pledged items, it is classified as current asset as at 31 December 2018, and was released during the year ended 31 December 2019.

Bank balances carry interest at market rates ranging as follows per annum:

	2019	2018
Term deposits	**1.76% – 4.18%**	1.35% – 4.65%
Cash at bank	**0.01% – 0.35%**	0.01% – 0.385%

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

	2019 RMB'000	2018 RMB'000
USD	**4,094,317**	4,228,536
HKD	**21,155**	1,692

25. Trade Payables

	2019 RMB'000	2018 RMB'000
Trade payables	**84,275**	42,821

The average credit period on trade purchases is 0 to 60 days. Ageing analysis of the Group's trade payables based on the invoice dates at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
0 – 30 days	**64,649**	36,950
31 – 60 days	**17,258**	889
Over 60 days	**2,368**	4,982
	84,275	42,821

Notes to the Consolidated Financial Statements

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26. Other Payables and Accrued Expenses

	2019 RMB'000	2018 RMB'000
Accrued expenses		
– Research and development expenses (note a)	**266,534**	393,440
– Payments under collaboration arrangement	**223,045**	–
– Direct selling and marketing expenses	**106,912**	50,155
– Legal and professional fee	**5,176**	7,410
– Issue costs and listing expenses	**–**	10,068
– Others	**26,610**	9,827
	628,277	470,900
Amounts due to partners of joint operations (note b)	**11,786**	2,905
Interest payables	**1,238**	1,185
Other payables	**34,443**	11,765
Other tax payable	**1,751**	1,082
Payables in respect of acquisition of property, plant and equipment	**54,550**	55,612
Staff payroll payables	**152,959**	57,049
	885,004	600,498

Notes:

a. Amounts included service fees paid to outsourced service providers including contract research organisation and clinical trial sites.

b. The amount is unsecured, non-interest bearing and repayable on demand.

27. Contract Liabilities

	2019 RMB'000	2018 RMB'000
Amounts received in advance for licence to commercialise	**623,513**	466,889
Analysed by		
Current	**41,727**	17,002
Non-current	**581,786**	449,887
	623,513	466,889

As at 1 January 2018, contract liabilities amounted to RMB349,665,000.

Notes to the Consolidated Financial Statements

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27. Contract Liabilities (Continued)

During the year ended 31 December 2019, the Group received collaboration fee on development cost sharing of RMB141.0 million (2018: RMB74.2 million) for granting a commercialisation licence to a customer. Since the years between the transfer of licence and customer's payments are, at contract inception, expected to be more than one year, the Group concluded that the contract contains a significant financing component and 4.9% and 11% (2018: 11%) were used in adjusting for the effect of time value of money over the promised amount of consideration and total interest expenses recognised during the year ended 31 December 2019 was RMB33.5 million (2018: RMB43.9 million). Both consideration received and total interest expenses recognised are recorded under contract liabilities at the end of the reporting period. With the commercialisation in March 2019, the Group commenced to recognise the relevant licence fee income over time on a systematic basis that is consistent with the customer receives and consumes the benefits during the commercialisation stage and licence fee income of RMB17.9 million was recognised during the year ended 31 December 2019 (2018: nil).

28. Borrowings

	2019 RMB'000	2018 RMB'000
Variable-rate borrowings – at amortised cost	**825,000**	792,000
Analysed as:		
Secured	**485,000**	495,000
Unsecured*	**340,000**	297,000
	825,000	792,000
The carrying amounts of the above borrowings are repayable**:		
Within one year	**17,000**	10,000
Within a period of more than one year but not exceeding two years	**35,000**	17,000
Within a period of more than two years but not exceeding five years	**373,000**	230,000
Within a period of more than five years	**400,000**	535,000
	825,000	792,000
Less: Amounts due within one year shown under current liabilities	**(17,000)**	(10,000)
Amounts shown under non-current liabilities	**808,000**	782,000

* In accordance with loan agreements, the Group is required to register the pledge with relevant authority upon receipt of the building certificate in which the relevant building is under construction progress with carrying amount of RMB387.6 million (2018: RMB322.6 million) as at 31 December 2019

** The amounts due are based on scheduled repayment dates set out in the loan agreements

Notes to the Consolidated Financial Statements

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28. Borrowings (Continued)

The ranges of effective interest rates on the Group's variable-rate borrowings are as follows:

	2019	2018
Effective interest rate:		
Variable-rate borrowings	**4.9%**	4.9%

The Group pledged the following assets to secure credit facilities granted to the Group:

	2019 RMB'000	2018 RMB'000
Property, plant and equipment (note 15)	**569,709**	611,667
Right-of-use assets – leasehold land (note 16)	**52,842**	54,090
Pledged bank deposits (note 24)	**–**	498
	622,551	666,255

29. Lease Liabilities

	2019 RMB'000
Lease liabilities payable:	
Within one year	**15,550**
Within a period of more than one year but not more than two years	**16,273**
Within a period of more than two years but not more than five years	**8,265**
Within a period of more than five years	**–**
	40,088
Less: Amount due for settlement with 12 months shown under current liabilities	**(15,550)**
Amount due for settlement after 12 months shown under non-current liabilities	**24,538**

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities set out below:

	2019 RMB'000
USD	**1,025**

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For the year ended 31 December 2019

30. Government Grants

	2019 RMB'000	2018 RMB'000
Subsidies related to property, plant and equipment (note)	**16,518**	15,955

Note: The Group received government subsidies for capital expenditure incurred for the plant and machineries. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

31. Other Financial Liabilities

In prior years, the Company entered into share purchase agreements with offshore independent investors and together with Innovent Suzhou, entered into investment agreement and option agreements with onshore investors, and issued five series of preferred Shares. Certain of Series B, Series C and Series D Preferred Shares were issued to onshore PRC investors that the relevant investments were paid into capital of Innovent Suzhou. The Company has entered into additional option agreements with the onshore PRC investors, in which each investor is entitled to options for subscribing the same number of the same series Preferred Shares issued by the Company (subject to anti-dilutive adjustments) ("Share Purchase Options"). Details and key terms of Preferred Shares and Share Purchase Options are set out in the Company's 2018 annual report.

On 10 April 2018, Innovent Suzhou, the Company and Innovent HK entered into a framework agreement (the "Framework Agreement") with ten onshore PRC investors to reorganise the group structure in preparation for the Company's IPO. Pursuant to the Framework Agreement, all onshore PRC investors (except China-Singapore Suzhou Industrial Park Ventures Co., Ltd. "CSVC") ("Mainstream PRC Investors") transfer all of their equity interests in Innovent Suzhou to Innovent HK for a total consideration of US$199,440,000 (equivalent to RMB1,277,972,000). Further, the Company entered into a convertible preferred share purchase agreement with each of Mainstream PRC Investors pursuant to which each of them agreed to subscribe the preferred shares of the Company accordingly at a total share subscription prices of US$199,440,000 (equivalent to RMB1,277,972,000). The equity transfer and preferred shares subscription by the Mainstream PRC investors came into effective on 1 June 2018.

In addition, pursuant to the Framework Agreement, CSVC transferred its relevant holding interest in Innovent Suzhou to Oriza Xinda, a special purpose vehicle, owned by CSVC's subsidiary, Hua Yuan, for a cash consideration of USD27,872,000 (equivalent to RMB178,598,000). The settlement of consideration was financed by a bridge loan provided by Innovent HK to Hua Yuan as such the proceeds was injected to Oriza Xinda as capital subscription. Hua Yuan further transferred its entire interest in Oriza Xinda to Innovent HK at the transfer price equivalent to the bridge loan. Innovent HK then offset the share transfer price against the bridge loan and concurrently Hua Yuan subscribed for 2,272,727 Series B Preferred Shares for a consideration equivalent to the bridge loan. The transactions were completed on 1 June 2018 and Oriza Xinda became a wholly owned subsidiary of Innovent HK.

As a result of the above said arrangement pursuant to the Framework Agreement, all Share Purchase Options held by onshore PRC investors have been cancelled and derecognised during the year ended 31 December 2018 and Innovent Suzhou, Innovent Technology and Oriza Xinda have become wholly-owned subsidiaries of the Group.

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31. Other Financial Liabilities (Continued)

The movement of the fair value of the Preferred Shares and gross obligation from Share Purchase Options written during the year ended 31 December 2018 is as follows:

	Preferred Shares USD'000	Gross obligation from Share Purchase Options written USD'000	Total USD'000	Shown in consolidated financial statements as RMB'000
At 1 January 2018	246,090	220,853	466,943	3,051,092
Issuance of Series E Preferred Shares	150,000	–	150,000	947,821
Exercise of Share Purchase Options	161,277	(161,277)	–	–
Change in fair value (note)	639,680	(59,576)	580,104	4,338,044
Automatic conversion of Preferred Share upon IPO	(1,197,047)	–	(1,197,047)	(8,336,957)
At 31 December 2018 and 2019	**–**	**–**	**–**	**–**

Note: Change in fair value presented in RMB includes effect of exchange on translation from USD balances.

As at 31 October 2018, all Preferred Shares were automatically converted into ordinary shares and the fair value of the Preferred Shares were measured at the IPO issue price of HK$13.98.

Changes in fair value of the other financial liabilities were recorded in "loss from changes in fair value of other financial liabilities measured at FVTPL". Management considered that fair value change in the other financial liabilities that are attributable to changes of credit risk of this liability is not significant.

32. Share Capital

	Number of ordinary shares	Amount USD'000
Authorised		
At 1 January 2018	443,999,007	44
Reclassification and re-designation on issuance of Series E Preferred Shares (note a)	(11,177,348)	(1)
Share subdivision (note b)	3,895,394,941	–
Automatic conversion of preferred shares upon IPO	671,783,400	7
At 31 December 2018 and 2019	**5,000,000,000**	**50**

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32. Share Capital (Continued)

	Number of shares	Amount USD'000	Equivalent amount of ordinary shares RMB'000
Issues and fully paid			
At 1 January 2018	11,989,492	1	8
Exercise of share options (note c)	9,010,004	1	6
Issuance of ordinary shares (note d)	2,235	–	–
Share subdivision (note b)	189,015,579	–	–
Issuance of shares on IPO (note e)	236,350,000	2	16
Issuance of shares on exercise of over-allotment option (note e)	35,452,000	–	2
Automatic conversion of preferred shares upon IPO	671,783,400	7	47
At 31 December 2018	**1,153,602,710**	**11**	**79**
Issuance of ordinary shares (note f)	**97,000,000**	**1**	**7**
Exercise of share options (note g)	**11,959,500**	**–**	**1**
At 31 December 2019	**1,262,562,210**	**12**	**87**

Notes:

(a) On 31 January 2018, the Company redesignated and reclassified 11,177,348 ordinary shares into Series E Preferred Shares.

(b) With effect from 12 June 2018, each of the Company's authorised and issued 500,000,000 shares of a par value of US$0.0001 have been subdivided into ten shares of US$0.00001 par value each so that the authorised share capital of the Company shall be US$50,000 divided into (i) 4,328,216,600 authorised ordinary shares of a par value of US$0.00001, (ii) 50,000,000 Series A Preferred Shares of a par value of US$0.00001 each, (iii) 136,363,660 Series B Preferred Shares of a par value of US$0.00001 each, (iv) 158,894,480 Series C Preferred Shares of a par value of US$0.00001 each, (v) 214,751,780 Series D Preferred Shares of a par value of US$0.00001 each, (vi) 111,773,480 Series E Preferred Shares of a par value of US$0.00001 each.

(c) On 1 May 2018, the Company issued 9,010,004 ordinary shares of US$0.0001 par value each to Great Biono Fortune LP pursuit to an acceleration of options granted under the Pre-IPO Plan, with a total exercise price of US$10,076,000 (equivalent to RMB63,874,000). The exercise price of the share options was settled through current accounts with directors of the Company and other loans to employees of the Group.

(d) During the year ended 31 December 2018, the Company issued 2,235 ordinary shares of US$0.0001 par value each to one of the independent directors of the Company to settle parts of his remuneration payable to him of US$30,000 (equivalent to RMB190,000).

Notes to the Consolidated Financial Statements

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32. Share Capital (Continued)

Notes: (Continued)

(e) In connection with the Company's IPO, 236,350,000 and 35,452,000 ordinary shares of US$0.00001 par value each were issued at HK$13.98 per share for a total gross cash consideration of HK$3,304,173,000 and HK$495,619,000 (equivalent to RMB2,933,147,000 and RMB438,216,000), on 31 October 2018 and 22 November 2018, respectively.

(f) On 4 October 2019, (1) the Company, (2) Dr. Yu and Great Biono Fortune LP (collectively referred to as the "Vendors") and (3) Morgan Stanley & Co. International plc and Goldman Sachs (Asia) L.L.C. (collectively referred to as the "Placing Agents") entered into a Placing and Subscription Agreement. An aggregate of 97,000,000 ordinary shares (the "Placing Shares") held by the Vendors have been placed by the Placing Agents. All Placing Shares was subscripted by HKSCC Nominees Limited at HK$24.60 with net proceeds (after deducting all applicable costs and expenses, including commission and levies) of HK$2,351.3 million (equivalent to RMB2,122.7 million) on 9 October 2019. After that, the Company allotted and issued 97,000,000 ordinary shares to the Vendors on 18 October 2019 at HK$24.60 per share with the net proceeds of HK$2,351.3 million (equivalent to RMB2,122.7 million). The net proceeds received by the Company was recognised as share capital at par value of US$0.00001 each and the remaining amount was recognised as share premium of the Company.

(g) During the year ended 31 December 2019, a total of 11,959,500 ordinary shares were issued to the Group's employees as the result of exercise of share options after vesting period under the Pre-IPO Plan with a total exercise price of US$845,000 (equivalent to RMB5,888,000).

33. Share-Based Payment Transactions

(i) Pre-IPO Plan

On 10 May 2012, the shareholders of the Company approved the adoption of the Pre-IPO Plan for the purpose of incentivising, retaining and rewarding certain employees, board members and individual consultant or adviser who renders bona fide services to the Company or its subsidiaries ("Eligible Person") for their contributions the Group's business, and to align their interests with those of the Group. The Pre-IPO Plan divided into two separate equity programs: (a) share award program and (b) option and share appreciation rights grant program. The overall limit on the number of underlying shares which may be delivered pursuant to all awards granted under the Pre-IPO Plan is 165,476,820 shares of the Company, subject to any adjustments for other dilutive issuances.

(a) Share award program

On 23 December 2016, the Company issued an aggregate of 950,000 (after subdivision: 9,500,000) restricted shares of the Company for a subscription price of US$1.10 per share, in exchange of the share options granted to Dr. Yu previously.

The restricted shares shall initially be unvested and subject to repurchase by the Company at subscription price paid by the employees upon voluntary or involuntary termination of employment (the "Repurchase Option"). One forth (25%) of the restricted shares shall vest on 10 January 2017 and the remaining portion (75% of the restricted shares) shall be vested rateably on a monthly basis over a 36-months vesting period and released from the Repurchase Option, except for vesting due to specific clause and reasons.

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33. Share-Based Payment Transactions (Continued)

(i) Pre-IPO Plan (Continued)

(a) Share award program (Continued)

The eligible employees shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of any unvested shares and the eligible employees shall not transfer any vested shares, or any interest therein until the employees has offered the Company the right to purchase the vested shares at the same price and on the same terms and conditions as those offered to any prospective transferee.

On 18 February 2017, the Company further entered into a restricted share agreement to which 3,020,697 (after subdivision: 30,206,970) ordinary shares at subscription price of US$1.1 per share for a total consideration of US$3,323,000 (equivalent to RMB22,845,000) pursuant to which the vesting is subject to accomplishment of certain performance milestones conditions and such restricted shares have been vested during 2017.

No additional restricted shares was granted during the years ended 31 December 2018 and 2019 under the Pre-IPO Plan.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income for restricted shares granted to employees and directors of the Company are RMB109,000 (2018: RMB331,000) for the year ended 31 December 2019.

The following table summarised the Group's unvested restricted shares movement.

	Numbers of unvested restricted shares	Weighted average grant date fair value per share RMB
Unvested as at 1 January 2018	494,792	10.37
Vested	(1,306,250)	(10.37)
Share subdivision	3,384,378	
Unvested as at 31 December 2018	**2,572,920**	**1.04**
Vested	**(2,375,000)**	**(1.04)**
Unvested as at 31 December 2019	**197,920**	**1.04**

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33. Share-Based Payment Transactions (Continued)

(i) Pre-IPO Plan (Continued)

(b) Option and share appreciation rights grant program

Except as provided otherwise in the grant letter or offer in any other form by the board of directors, 25% of the granted options shall vest on the first vesting date, and the remaining 75% shares shall vest on a monthly basis over the next 36 months. The first vesting date should be determined by the Company and grantees for each grant agreement. The granted options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options may not be exercised until they vest. The share options granted are exercisable from the respective vesting dates to the last day of the ten-year period after the grant date.

The following table discloses movements of the Company's share options held by grantees during the periods:

	Number of share options			
	Directors of the Company		Employees	
	Year ended		Year ended	
	2019	2018	**2019**	2018
At the beginning of the period	**–**	5,551,100	**71,910,000**	4,194,000
Granted	**–**	400,000	**–**	35,210,904
Forfeited	**–**	–	**(2,432,500)**	(1,619,500)
Exercised (note a)	**–**	(5,951,100)	**(11,959,500)**	(3,058,904)
Share subdivision (note b)	**–**	–	**–**	37,183,500
At the end of the period	**–**	–	**57,518,000**	71,910,000

Notes:

(a) On 1 May 2018, pursuant to the board resolution of the compensation committee, the directors of the Company has approved the acceleration of the vesting of 5,289,486 options and exercise of 9,010,004 options (including both the previously vested and accelerated ones). During the year ended 31 December 2019, 11,959,500 options were exercised.

(b) As a result of the share subdivision on 12 June 2018, the number of the outstanding share options were adjusted from 4,131,500 to 41,315,000.

As at 31 December 2019, 35,530,000 (2018: 12,440,000 (after the effect of the share subdivision)) outstanding options were exercisable.

For the outstanding options, vesting period ranges from 9 May 2015 to 8 October 2024, weighted average remaining contractual life being 8.13 years, exercise price ranges from US$0.02 to US$1.34 and weighted average exercise price being US$0.24.

Notes to the Consolidated Financial Statements

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33. Share-Based Payment Transactions (Continued)

(i) Pre-IPO Plan (Continued)

(b) Option and share appreciation rights grant program (Continued)

The following table discloses the weighted average exercise price of the Company's share options held by grantees during the periods:

	Weighted average exercise price			
	Directors of the Company		Employees	
	Year ended		Year ended	
	2019	2018*	**2019**	2018*
Granted	**N/A**	US$0.20	**N/A**	US$0.25
Forfeited	**N/A**	N/A	**US$0.18**	US$0.13
Exercised	**N/A**	US$0.09	**US$0.07**	US$0.16

* Adjusted by the effect of share subdivision

Details of the fair value measurement of options granted in 2018 is set out in the Company's 2018 annual report.

No share appreciation rights was outstanding nor issued during any of the reporting period.

The total expenses recognised in the condensed consolidated statement of profit or loss and other comprehensive income for share options granted to directors of the Company and employees are RMB31,858,000 (2018: RMB52,913,000) for the year ended 31 December 2019.

(ii) Post-IPO ESOP

On 13 October 2018, shareholders resolution was passed to adopt the Post-IPO ESOP. The purpose of the Post-IPO ESOP is to encourage participants to work towards enhancing the value of the Company. The total number of shares which may be issued upon exercise of all options to be granted under the Post-IPO ESOP is 111,815,071, being no more than 10% of the shares in issue on the date the shares commence trading on the Stock Exchange.

The following table discloses movements of the Company's share options held by grantees under post-IPO ESOP during the periods:

	Number of share options			
	Directors of the Company		Employees	
	Year ended		Year ended	
	2019	2018	**2019**	2018
At the beginning of the period	**–**	–	**–**	–
Granted	**5,095,238**	–	**19,780,345**	–
At the end of the period	**5,095,238**	–	**19,780,345**	–

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For the year ended 31 December 2019

33. Share-Based Payment Transactions (Continued)

(ii) Post-IPO ESOP (Continued)

75% of the granted options shall vest in 2022 and the remaining shall vest in 2023. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options may not be exercised until they vest. The share options granted are exercisable from the respective vesting dates to the last day of the ten-year period after the grant date.

For the outstanding options, vesting period ranges from 14 March 2020 to 14 March 2025, weighted average remaining contractual life being 9.40 years, exercise price ranges from HK$25.85 to HK$28.30 and weighted average exercise price being HK$27.99.

As at 31 December 2019 and 2018, no outstanding options were exercisable.

The following table discloses the weighted average exercise price of the Company's share options held by grantees during the periods:

	Weighted average exercise price			
	Directors of the Company		Employees	
	Year ended		Year ended	
	2019	2018	**2019**	2018
Granted	**HK$28.30**	N/A	**HK$27.91**	N/A

Fair value of share options granted

During the year ended 31 December 2019, Binomial Options Pricing Model was used to determine the fair value of the options granted. Key assumptions, such as expected dividend yield, post-vesting exit rate, expected exercise multiple, risk-free interest rate and volatility, are determined by the directors of the Company with best estimate.

The key inputs into the model were as follows:

	2019
Fair value per option on grant date	**HK$15.18 – HK$19.28**
Weighted average share price of the Company on grant date	**HK$25.85 – HK$28.30**
Exercise price	**HK$25.85 – HK$28.30**
Expected volatility	**61.25% – 62.64%**
Risk-free rate	**1.05% – 1.80%**
Expected dividend yield	**0%**
Post-vesting exit rate	**0**
Expected exercise multiple	**2.2 – 2.8**

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33. Share-Based Payment Transactions (Continued)

(ii) Post-IPO ESOP (Continued)

Fair value of share options granted (Continued)

The directors of the Company estimated the risk-free interest rate based on the yield of Hong Kong Government Bonds issued under the Institutional Bond Issuance Programme with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date. The total expense recognised in the consolidated statement of profit or loss and other comprehensive income for share options granted to directors of the Company and employees are RMB58,390,000 (2018: nil) for the year ended 31 December 2019.

(iii) RS Plan

On 15 October 2018, the board of directors approved the RS Plan to issue 55,907,535 restricted shares within two years of the Company's IPO. The purpose of the RS Plan is to enable the directors, officers, and other key contributors and employees of the Group to share the success of the Company and stimulate the efforts of such persons on the Group's behalf.

(a) A director

On 14 June 2019, the Company granted an aggregate of 6,901,796 restricted shares to Dr. Yu with nil consideration.

The restricted shares shall initially be unvested and subject to repurchase by the Company upon the Repurchase Option. The restricted shares shall be vested on a 20% per annum over a 5 years vesting period with the first vesting date as May 2020 and released from the Repurchase Option, subject to the accomplishment of certain non-market performance conditions.

(b) Employees

On 2 May 2019, 14 June 2019, 29 August 2019 and 4 December 2019, the Company granted a maximum of 102,648, 1,056,000, 1,555,000 and 4,207,082 restricted shares at nil consideration to 7, 9, 63 and 75 employees of the Group, subject to the accomplishment of certain non-market performance conditions respectively.

The restricted shares shall initially be unvested. 75% of the restricted shares shall vest in 2022 while the remaining shall vest in 2023, subject to the performance condition to be fulfilled.

On 2 May 2019, the Company granted a maximum of 2,732,437 restricted shares at nil consideration to 2 employees of the Group, subject to the accomplishment of certain non-market performance conditions.

The restricted shares shall initially be unvested. 50% of the restricted shares shall vest in 2024 while another 50% shall vest in 2025, subject to the performance condition to be fulfilled.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

33. Share-Based Payment Transactions (Continued)

(iii) RS Plan (Continued)

Both the director of the Company and eligible employees shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of any unvested shares and the eligible employees shall not transfer any vested shares, or any interest therein until the employees has offered the Company the right to purchase the vested shares at the same price and on the same terms and conditions as those offered to any prospective transferee.

The following table summarised the Group's unvested restricted shares movement.

	Post IPO	
	Number of unvested restricted shares	Weighted average grant date fair value per share HK$
Unvested as at 1 January 2019	–	–
Granted	16,554,963	23.4
Unvested as at 31 December 2019	**16,554,963**	**23.4**

The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the unvested restricted shares as of the grant dates and is recognising the amount as compensation expense over the vesting period for each separately vesting portion of the unvested restricted shares. The total expense recognised in the consolidated statement of profit or loss and other comprehensive income for restricted shares granted to employees of the Group and directors of the Company are RMB62,713,000 (2018: nil) for the year ended 31 December 2019.

The fair value of the Company's restricted shares was determined using the closing price of each share as stated in the daily quotation sheet issued by the Stock Exchange on the grant date.

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34. Operating Leases Commitments

The Group as lessee

At the end of 31 December 2018, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and staff quarters which fall due as follows:

	2018 RMB'000
Within one year	8,704
In the second to fifth year inclusive	18,131
	26,835

35. Capital Commitment

	2019 RMB'000	2018 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
Acquisition of property, plant and equipment	**75,442**	107,414
Other investment at FVTPL	**18,952**	–
	94,394	107,414

36. Retirement Benefit Plans

The PRC

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the relevant local government authority in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make specified contributions. The total expense recognised in profit or loss of RMB50,258,000 (2018: RMB19,187,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

37A. Transactions and Balances with Related Parties of a Shareholder

Except as disclosed elsewhere in the consolidated financial statements, the Group also entered into the following significant transactions during the reporting period with certain related parties of a shareholder which has the authority to appoint a director in the Company's board.

Nature of transaction	**2019 RMB'000**	2018 RMB'000
Collaboration fee received	**N/A**	74,192
Consulting service expenses paid	**N/A**	(3,742)

Note: The shareholder ceased to be related party of the Group since the date of IPO of the Company on the Stock Exchange.

37B. Transactions with Dr. Yu

Historically, the Group used certain domain names which are owned by Dr. Yu for free. On 11 June 2018, the Group and Dr. Yu formalised the arrangement and entered into agreement pursuant to which Dr. Yu agreed to licence his rights in the domain names to Innovent Suzhou for use by it and the Group in connection with business and operations on an exclusive and royalty-free basis for a term commencing from the date of the agreement until such times that Dr. Yu ceases to hold shares or ceases to be a director of the Company. Such rights in the domain names are not transferable to any third parties.

37C. Compensation of Key Management Personnel

The remuneration of directors of the Company and other members of key management was as follows:

	2019 RMB'000	2018 RMB'000
Short-term benefits	**25,332**	101,351
Retirement benefit scheme contributions	**238**	232
Share-based payment expenses	**73,267**	29,540
	98,837	131,123

The remuneration of key management personnel is determined by the management of the Company having regard to the performance of individuals and market trends.

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38. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its shareholders and maintaining an adequate capital structure. The Group's overall strategy remain unchanged from prior year.

The capital structure of the Group consists of debts, which includes bank borrowings disclosed in note 28, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of the capital. The Group will balance its overall capital structure through the payment of dividends and new shares issues as well as the issue of new debt and redemption of existing debts.

39. Financial Instruments

39a. Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Amortised cost	**4,563,911**	4,571,683
Mandatorily measured at FVTPL	**464,503**	–
Financial liabilities		
Amortised cost	**1,011,292**	906,288

39b. Financial risk management objectives and policies

The Group's financial instruments include trade receivables, rental deposits, other receivables, receivables due from directors of the Company and employees, other loans, other financial assets, bank balances and cash, trade payables, other payables, amounts due to partners of joint operations and borrowings. Details of these financial instruments are disclosed in the respective notes.

The risks associated with the Group's financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

39. Financial Instruments (Continued)

39b. Financial risk management objectives and policies (Continued)

Market risk

Currency risk

Certain bank balances and cash, other receivables and trade and other payables are denominated in foreign currencies of respective group entities which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange of the Group exposure should the need arise.

The carrying amounts of certain significant foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
USD	**4,117,105**	4,244,681	**(1,457)**	(97)
HKD	**21,155**	–	**–**	–
GBP	**–**	–	**–**	(4,040)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase in RMB against the relevant foreign currency. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in post-tax loss where RMB strengthens 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit. The disclosure below only reflects the impact of USD as impacts from the remaining relevant foreign currency are insignificant.

	2019 RMB'000	2018 RMB'000
Impact of USD on profit (loss) for the year	**200,322**	212,229

The directors of the Company considered the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of the reporting period does not reflect the exposure during the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

39. Financial Instruments (Continued)

39b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to other loans (note 21) and cash flow interest rate risk in relation to variable-rate bank borrowings (note 28) and bank balances (note 24). The Company currently does not enter into any hedging instrument for both of the fair value interest rate risk and cash flow interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease in the prevailing rate of relevant bank is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for variables rate bank borrowings, with all other variables held constant, the Group's post-tax loss for the year ended 31 December 2019 would increase/decrease by RMB3,506,000 (2018: RMB3,960,000).

Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable.

Other price risk

The Group is exposed to other price risk through its investments in other financial assets measured at FVTPL. The change may be caused by factors relating to the financial instrument itself, and it may also be caused by market factors. The Group has designated a team to monitor the price risk and will consider hedging the risk exposure should the need arises.

Sensitivity analysis

The sensitivity analysis have been determined based on the exposure to other price risk at the reporting date. If the prices of the respective instruments had been 5% higher/lower, the post-tax profit for the year ended 31 December 2019 would increase/decrease by RMB19,756,000 as a result of the changes in fair value of other financial assets measured at FVTPL.

Notes to the Consolidated Financial Statements

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39. Financial Instruments (Continued)

39b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, contract assets, receivables due from directors of the Company and employees, bank balances, other receivables, other loans and rental deposits.

In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Trade receivables/ contract assets	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Trade receivables and contract assets arising from contracts with customers

The Group has concentration of credit risk as 81.7% (2018: N/A) and 94.1% (2018: N/A) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

39. Financial Instruments (Continued)

39b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables and contract assets arising from contracts with customers (Continued)

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for debtors with significant balances, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers.

Trade receivables with significant outstanding balances with aggregate gross carrying amount of RMB238,774,000 as at 31 December 2019 (2018: nil) are assessed individually. The balances is from a counterparty which has low risk of default and usually settled within credit period. The exposure to credit risk for the balance is assessed within lifetime ECL (non-credit impaired). The remaining trade receivables with gross carrying amount of RMB9,080,000 as at 31 December 2019 (2018: nil) are assessed based on debtors' ageing because these customers with common risk characters.

Other receivables, other loans, receivables due from directors of the Company and employees and rental deposits

For the purpose of impairment assessment for other receivables, other loans and rental deposits, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for these financial assets, the directors of the Company have taken into account the financial positions of the counterparties in estimating the probability of default of each of the other receivables and other current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12m ECL allowance is insignificant.

Bank deposits and investment in wealth management plan

The credit risk on liquid funds and investment in wealth management plan of the Group is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Notes to the Consolidated Financial Statements

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39. Financial Instruments (Continued)

39b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	**2019 Gross carrying amount RMB'000**	2018 Gross carrying amount RMB'000
Financial asset at amortised cost						
Rental deposits	21	N/A	N/A (note a)	12m ECL	**4,957**	2,791
Other loans	21	N/A	N/A (note a)	12m ECL	**32,271**	21,999
Receivables due from directors of the Company and employees	21	N/A	N/A (note a)	12m ECL	**–**	8,805
Bank balances	24	A1 – A3	N/A	12m ECL	**4,232,584**	4,525,286
Other receivables	21	N/A	N/A (note a)	12m ECL	**34,688**	–
	21	N/A	N/A (note a)	12m ECL	**11,499**	12,736
					46,187	12,736
Trade receivables – contracts with customers	20	N/A	Low risk (note c)	Lifetime ECL (provision matrix)	**9,080**	–
			N/A (note b)	Lifetime ECL	**238,774**	–
					247,854	–
Other item						
Contract assets	22	N/A	Low risk (note c)	Lifetime ECL (provision matrix)	**2,185**	7,505

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

39. Financial Instruments (Continued)

39b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes:

(a) For the purposes of internal credit risk management, the Group uses repayment history or other relevant information to assess whether credit risk has increased significantly. As at 31 December 2019, the balances of rental deposits, other loans, receivables due from directors of the company and employees, other receivables are not past due and the internal credit rating of these balances are considered as low risk.

(b) For trade receivables with significant balances, the amount is individually assessed at lifetime ECL.

(c) For trade receivables and contract assets, the Group has applies the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances, the Group determines the ECL on these items by using a provision matrix, group by past due status. The following tables provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances with gross carrying amounts of RMB238,774,000 respectively as at 31 December 2019 (2018: nil) were assessed individually.

Gross carrying amount

	2019 Trade receivables RMB'000	**Contract assets RMB'000**	2018 Trade receivables RMB'000	Contract assets RMB'000
Current (not past due)	**9,080**	**2,185**	–	7,505

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the management monitors the utilisation of borrowings, and renews the borrowings upon expiry based on the actual operation requirement of the Group. The Group relies on bank borrowings as a significant source of liquidity.

As at 31 December 2019, the Group has available unutilised short-term bank loan facilities of RMB85,000,000 (2018: RMB128,000,000).

The following table details the Group's remaining contractual maturity for the trade and other payables which has been drawn up based on the undiscounted cash flows based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of the reporting period.

Notes to the Consolidated Financial Statements

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39. Financial Instruments (Continued)

39b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity table

	Weighted average effective interest rate %	Repayable on demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 - 2 years RMB'000	2 - 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2019								
Trade payables	-	84,275	-	-	-	-	84,275	84,275
Other payables	-	102,017	-	-	-	-	102,017	102,017
Bank borrowings – variable rate	4.9%	14,924	41,933	73,672	464,505	434,667	1,029,701	825,000
		201,216	41,933	73,672	464,505	434,667	1,215,993	1,011,292
Lease liabilities	4.9%	5,459	13,417	15,929	7,636	-	42,441	40,088
At 31 December 2018								
Trade payables	-	42,821	-	-	-	-	42,821	42,821
Other payables	-	71,467	-	-	-	-	71,467	71,467
Bank borrowings – variable rate	4.9%	14,420	33,843	54,863	329,148	586,622	1,018,896	792,000
		128,708	33,843	54,863	329,148	586,622	1,133,184	906,288

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39. Financial Instruments (Continued)

39c. Fair value measurements of financial instruments

The fair value of financial assets (except for those set out below) are determined in accordance with generally accepted pricing models based on the discounted cash flow analysis using prices from observable current market transactions.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets/ financial liabilities	Fair value as at 2019 RMB'000	2018 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
(1) Other financial assets – wealth management plan	**462,519**	–	Level 2	Income approach – in this approach, the discounted cash flow method was used to estimate the return from the underlying assets.	N/A	N/A
(2) Other financial assets – other investment at FVTPL	**1,984**	–	Level 2	Recent transaction price	N/A	N/A

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

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40. Reconciliation of Liabilities or Assets Arising from Financing Activities

The table below details changes in the Group's liabilities or assets arising from financing activities, including both cash and non-cash changes. Liabilities or assets arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payables RMB'000 (note 26)	Lease liabilities RMB'000 (note 29)	Borrowings RMB'000 (note 28)	Preferred Shares RMB'000	Accrued issue costs RMB'000	Total RMB'000
At 1 January 2018	748	–	510,000	1,607,998	–	2,118,746
Financing cash flows (note)	(32,847)	–	282,000	947,821	(134,474)	1,062,500
Exercise of Share Purchase Options	–	–	–	1,033,428	–	1,033,428
Interest expenses	33,284	–	–	–	–	33,284
Transaction costs attributable to issuance of new shares	–	–	–	–	136,104	136,104
(Gain) loss on fair value changes of other financial liabilities	–	–	–	4,747,710	–	4,747,710
Automatic conversion of Preferred Shares upon IPO	–	–	–	(8,336,957)	–	(8,336,957)
At 31 December 2018	1,185	–	792,000	–	1,630	794,815
Adjustment upon application of IFRS 16	–	25,070	–	–	–	25,070
As at 1 January 2019 (restated)	**1,185**	**25,070**	**792,000**	**–**	**1,630**	**819,885**
Financing cash flows (note)	**(39,972)**	**(10,680)**	**33,000**	**–**	**(1,630)**	**(19,282)**
Interest expenses	**40,025**	**1,499**	**–**	**–**	**–**	**41,524**
New lease entered	**–**	**24,199**	**–**	**–**	**–**	**24,199**
At 31 December 2019	**1,238**	**40,088**	**825,000**	**–**	**–**	**866,326**

Note: The cash flows from interest payables, lease liabilities, borrowings, Preferred Shares and accrued issue costs make up the net amount of proceeds and repayments in the consolidated statement of cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

41. Statement of Financial Position and Reserves of the Company

	2019 RMB'000	2018 RMB'000
Non-current assets		
Investment in a subsidiary (note)	**2,312,648**	1,122,929
Other financial assets	**1,984**	–
Other receivables	**25,656**	29,649
Amount due from subsidiaries	**3,796,786**	2,530,544
	6,137,074	3,683,122
Current assets		
Other receivables	**42,929**	11,156
Amount due from subsidiaries	**684**	555
Bank balances	**3,080,141**	3,237,852
	3,123,754	3,249,563
Current liabilities		
Trade payables	**–**	97
Other payables and accrued expenses	**19,395**	16,338
Amount due to subsidiaries	**46,235**	3,505
	65,630	19,940
Net current assets	**3,058,124**	3,229,623
Net assets	**9,195,198**	6,912,745
Capital and reserves		
Share capital	**87**	79
Reserves	**9,195,111**	6,912,666
Total equity	**9,195,198**	6,912,745

Note: During the both years, changes in interest in a subsidiary was attributed by the deemed return of investment pursuant to the execution of the Framework Agreement (as defined in note 31).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

41. Statement of Financial Position and Reserves of the Company (Continued)

The movement of the reserves of the Company are as follows:

	Share premium RMB'000	Share-based payments reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	54,208	28,779	(380,080)	(297,093)
Loss and total comprehensive expenses for the year	–	–	(4,479,694)	(4,479,694)
Issuance of ordinary shares	190	–	–	190
Exercise of share options	124,046	(60,178)	–	63,868
Issue of shares pursuant to IPO	3,371,345	–	–	3,371,345
Transaction costs attributable to issuance of new shares	(136,104)	–	–	(136,104)
Vesting of restricted shares	647	(647)	–	–
Recognition of equity-settled share based payment	–	53,244	–	53,244
Automatic conversion of Preferred Shares upon IPO	8,336,910	–	–	8,336,910
At 31 December 2018	**11,751,242**	**21,198**	**(4,859,774)**	**6,912,666**
Gain and total comprehensive income for the year	**–**	**–**	**786**	**786**
Issuance of ordinary shares	**2,122,702**	**–**	**–**	**2,122,702**
Exercise of share options	**10,670**	**(4,783)**	**–**	**5,887**
Vesting of restricted shares	**648**	**(648)**	**–**	**–**
Recognition of equity-settled share based payment	**–**	**153,070**	**–**	**153,070**
At 31 December 2019	**13,885,262**	**168,837**	**(4,858,988)**	**9,195,111**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

42. Major Non-Cash Transactions

During the year ended 31 December 2019, the Group entered into new lease agreements for the use of offices for 1 – 3 years. At the dates of lease commencement, the Group recognised an aggregate amounts of RMB24.6 million of right-of-use assets and RMB24.2 million lease liabilities.

43. Events After the End of the Reporting Period

Except as disclosed elsewhere of the consolidated financial statements, the Group has the following subsequent event entered into subsequent to 31 December 2019.

a. In 12 February 2020, the Company and Morgan Stanley & Co. International plc entered into a Placing and Subscription Agreement. An aggregate of 78,000,000 ordinary shares have been placed at a placing price of HK$30.2 per share. The net proceeds from the placing amount to approximately HK$2,330.61 million (RMB2,100.55 million).

b. The outbreak of COVID-19 in China and the subsequent quarantine measures imposed by the Chinese government in early 2020 have created challenges to the business operations of the Group. The Group has implemented comprehensive measures to minimize delays and disruptions to the business operations. The Group has been closely monitoring the situation as the management continues to execute commercialisation, regulatory and clinical development plans and strategies.

   Given the dynamic nature of these circumstances, the directors of the Company consider that the financial effects on the Group's consolidated financial statements cannot be reasonably estimated as at the date these financial statements are authorised for issue, but are expected to affect the consolidated results for the year 2020 at a minimal extent.

Four Year Financial Summary

Condensed Consolidated Income Statements

	For the year ended 31 December			
	2016 (RMB'000)	2017 (RMB'000)	2018 (RMB'000)	**2019 (RMB'000)**
Revenue	–	18,538	9,477	**1,047,525**
Cost of sales	–	–	–	**(124,878)**
Other income	33,307	64,406	93,795	**144,081**
Other gains and losses	(81,931)	(42,079)	(4,272,090)	**15,075**
Research and development expenses	(384,653)	(611,922)	(1,221,687)	**(1,294,724)**
Administrative expenses	(52,875)	(79,490)	(220,315)	**(255,299)**
Selling and marketing expenses				
– Direct selling and marketing expenses	(4,505)	(8,278)	(136,006)	**(692,515)**
– Payments under collaboration arrangement	–	–	–	**(499,725)**
Listing expenses	–	–	(57,187)	**–**
Finance costs	(53,799)	(57,225)	(68,969)	**(59,490)**
Loss and total comprehensive expenses for the year	(544,456)	(716,050)	(5,872,982)	**(1,719,950)**

Condensed Consolidated Statements of Financial Position

	For the year ended 31 December			
	2016 (RMB'000)	2017 (RMB'000)	2018 (RMB'000)	**2019 (RMB'000)**
Current assets	1,870,750	1,445,755	4,686,261	**5,455,423**
Inventories	36,631	57,722	66,121	**358,597**
Trade receivables	–	–	–	**247,854**
Deposits, prepayments and other receivables	23,756	53,762	72,309	**151,626**
Contract assets	–	–	7,505	**2,185**
Income tax recoverables	13,874	13,068	13,726	**–**
Other financial assets	782,250	809,484	–	**462,519**
Prepaid lease payments	1,248	1,248	1,248	**–**
Bank balances and cash	1,012,991	510,471	4,525,352	**4,232,642**
Current liabilities	76,199	163,276	670,321	**1,043,556**
Trade payables	21,198	34,836	42,821	**84,275**
Other payables and accrued expenses	55,001	122,540	600,498	**885,004**
Contract liabilities	–	900	17,002	**41,727**
Borrowings	–	5,000	10,000	**17,000**
Lease liabilities	–	–	–	**15,550**
Net current assets	1,794,551	1,282,479	4,015,940	**4,411,867**
Non-current assets	945,050	1,011,461	1,426,316	**1,775,106**
Non-current liabilities	3,697,819	3,916,068	1,247,842	**1,430,842**
Net (liabilities) assets	(958,218)	(1,622,128)	4,194,414	**4,756,131**
(Deficiency of total equity) total equity	(958,218)	(1,622,128)	4,194,414	**4,756,131**

Definitions

"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Articles of Association"	the thirteenth amended and restated articles of association of the Company adopted on 15 October 2018 with effect from Listing, as amended from time to time
"AGM"	the annual general meeting of the Company to be held on Friday, 12 June 2020
"Alector"	Alector, Inc., the shares of which are listed on the Nasdaq Global Select Market (Ticker Symbol: ALEC)
"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 of the Listing Rules
"Chi-Med"	Hutchison China Meditech Limited, the shares of which are listed on the Alternative Investment Market of London Stock Exchange plc and the Nasdaq Global Select Market (Ticker Symbol: HCM)
"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
"Chipscreen Bioscience"	Shenzhen Chipscreen Biosciences Co., Ltd, the shares of which are listed on Shanghai Stock Exchange (Ticker Symbol: 688321)
"Coherus"	Coherus BioSciences, Inc., the shares of which are listed on the Nasdaq Global Market (Ticker Symbol: CHRS)
"Company", "our Company" or "the Company"	Innovent Biologics, Inc. (信達生物製藥), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 28 April 2011
"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

Definitions

"Dr. Yu"	Dr. De-Chao Michael Yu, our Chief Executive Officer, Chairman of the Board and Executive Director
"Eli Lilly" or "Lilly"	Eli Lilly and Company, a U.S. company, organised and existing under the laws of the State of Indiana on 17 January 1901, having a place of business at Lilly Corporate Center, Indianapolis, Indiana 46285
"GMP"	good manufacturing practice
"Group", "our Group", "the Group", "we", "us" or "our"	the Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant 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
"Incyte"	Incyte Biosciences International Sàrl, a subsidiary of Incyte Corporation (the shares of which are listed on the Nasdaq Global Select Market (Ticker Symbol: INCY))
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"Innovent HK"	Innovent Biologics (HK) Limited, a company incorporated under the laws of Hong Kong on 17 May 2011 and one of the Company's principal subsidiaries
"Innovent Suzhou"	Innovent Biologics (Suzhou) Co., Ltd. (信達生物製藥(蘇州)有限公司), a company established under the laws of the PRC on 24 August 2011 and one of the Company's principal subsidiaries
"IPO"	initial public offering
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	31 October 2018, the date on which the Shares are listed and on which dealings in the Shares are fist permitted to take place on the Stock Exchange

Definitions

"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 GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"MOST"	Ministry of Science and Technology of China
"MSCI China Index"	Morgan Stanley Capital International China Index
"NDA"	new drug application
"NHFPC"	China National Health and Family Planning Commission
"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
"NRDL"	the National Reimbursement Drug List
"Post-IPO ESOP"	the post-IPO share option scheme adopted by the Company on 12 June 2018
"Pre-IPO Share Incentive Plan"	the pre-IPO share incentive plan adopted by the Company on 10 May 2012 as amended from time to time
"Prospectus"	the prospectus of the Company dated 18 October 2018
"Remuneration Committee"	the remuneration committee of the Company
"Restricted Shares"	restricted share(s), being a contingent right to receive Share(s) awarded under the RS Plan
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the year ended 31 December 2019
"RS Plan"	the Innovent Biologics, Inc. 2018 Restricted Share Plan adopted by the Company on 15 October 2018

Definitions

"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$0.00001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. FDA"	The U.S. Food and Drug Administration
"%"	per cent

Innovent

信达生物制药

Innovent Biologics Group

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