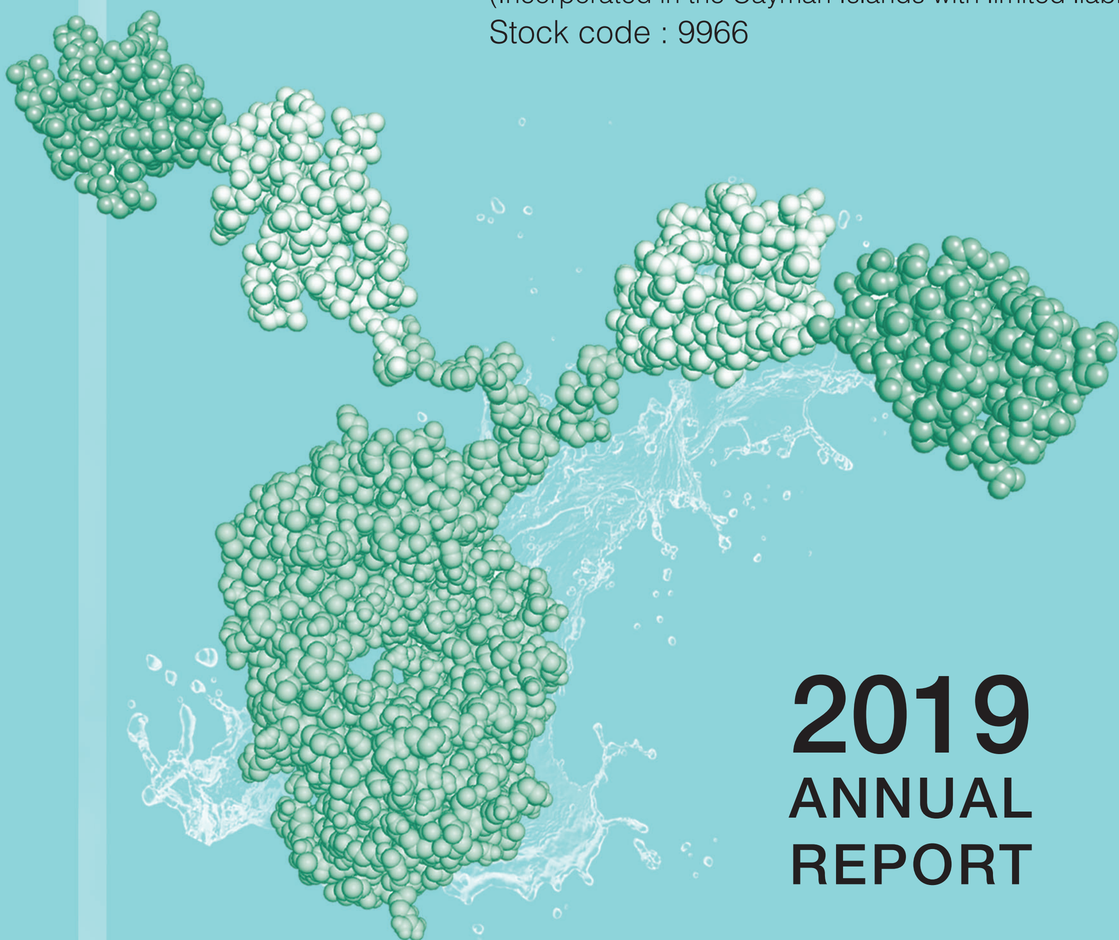
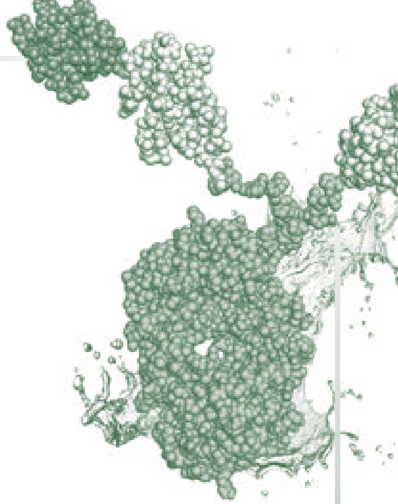
康宁杰瑞
ALPHAMAB ONCOLOGY

ALPHAMAB ONCOLOGY
康寧傑瑞生物製藥

(Incorporated in the Cayman Islands with limited liability)
Stock code : 9966



2019 ANNUAL REPORT



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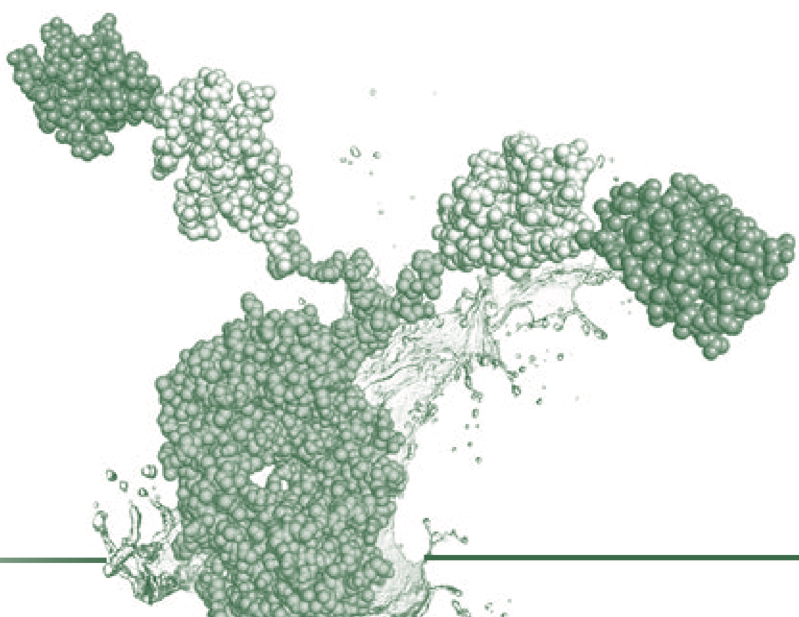

Company Profile

OVERVIEW

We are a leading clinical-stage biopharmaceutical company in China with a fully integrated proprietary biologics platform in bispecifics and protein engineering. Our mission is to deliver world-class innovative therapeutic biologics to treat patients globally by applying our unique drug discovery and development capabilities. We believe our unique drug discovery and development capabilities are demonstrated by our strong R&D track record and supported by our proprietary technologies, platforms and expertise.

PIPELINE

Our highly differentiated in-house pipeline consists of eight oncology drug candidates, including four in clinical stage.

- *KN046* – a BsAb immune checkpoint inhibitor simultaneously targeting two clinically-validated immune checkpoints, PD-L1 and CTLA-4, representing a potential breakthrough, next-generation immuno-oncology blockbuster drug. The results from the phase I clinical trials have shown a favorable safety profile, and early efficacy signals on NPC, gastrointestinal cancers (including pancreatic cancer) and other tumor types. We have adopted a fast/first-to-market approach on selecting indications and we plan to submit the first BLA for KN046 in China for fast track indication around the end of 2021. We are also conducting clinical trials for several major cancer indications, including NSCLC, TNBC, ESCC and pancreatic cancer. The preliminary results of our phase II clinical trial in China indicate promising efficacy of KN046 for NSCLC and TNBC, especially the combination therapy with chemotherapy. Combo trials of KN046 and KN026 are ongoing.

- *KN026* – a next-generation anti-HER2 BsAb that can simultaneously bind two distinct clinically-validated epitopes of HER2, resulting in potentially superior efficacy. As of the Latest Practicable Date, in our China phase I clinical trial of KN026, KN026 had shown early efficacy signals on heavily pre-treated breast cancer patients as well as a favorable safety profile. We plan to complete a phase Ib trial for HER2 High breast cancer in China by the first half of 2020. We are also conducting a phase II clinical trial for first line HER2-positive breast cancer (combination with docetaxel), late line HER2-overexpressing breast and GC/GEJ in China and a phase I clinical trial for HER2-overexpressing solid tumors, including but not limited to breast cancer and GC/GEJ, in the United States.

- *KN019* – a CTLA-4-based immunosuppressant fusion protein with potential broad applications in both autoimmune diseases and oncology treatment-induced immune disorders. We have started a phase II trial for RA in December 2019 and plan to expand to oncology treatment-induced immune disorder indications in the future.

- *KN035* – potentially the first subcutaneously injectable PD-L1 inhibitor worldwide, offering advantages in safety, convenience, compliance, access to patients not suitable for intravenous infusion, and lower medical cost. Invented by us and jointly developed with 3D Medicines, KN035 is currently undergoing a phase II pivotal clinical trial for dMMR/MSI-H solid tumors and a phase III pivotal trial for BTC in China. The first BLA for KN035 is expected to be filed by the end of 2020 for dMMR/MSI-H solid tumors.

The depth and breadth of our in-house R&D and manufacturing capabilities are demonstrated by the following: (i) structure-guided protein engineering capability to develop protein building blocks in various formats, including sdAbs and engineered proteins; (ii) proprietary CRIB and CRAM platforms for bispecifics and antibody mixtures, respectively; and (iii) state-of-the-art manufacturing capability to be further strengthened by new facilities with an expected capacity of over 30,000L, designed and built to meet NMPA and EU/FDA's cGMP standards.

Corporate Information

Board of Directors	**Executive Directors:** Dr. XU Ting *(Chairman of the Board and Chief Executive Officer)* Ms. LIU Yang **Non-Executive Directors:** Mr. XU Zhan Kevin Mr. QIU Yu Min **Independent Non-Executive Directors:** Dr. JIANG Hualiang Mr. WEI Kevin Cheng Mr. WU Dong
Audit Committee	Mr. WEI Kevin Cheng *(Chairman)* Mr. WU Dong Mr. QIU Yu Min
Remuneration Committee	Mr. WU Dong *(Chairman)* Ms. LIU Yang Mr. WEI Kevin Cheng
Nomination Committee	Dr. XU Ting *(Chairman)* Dr. JIANG Hualiang Mr. WU Dong
Strategy Committee	Ms. LIU Yang *(Chairman)* Dr. XU Ting Dr. JIANG Hualiang Mr. XU Zhan Kevin
Joint Company Secretaries	Mr. SHUAI Qi Terry Ms. WONG Yee Man
Authorized Representatives	Ms. LIU Yang Mr. SHUAI Qi Terry

Registered Office	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head Office and Principal Place of Business in China	Rooms 401 & 501, Building C23 No. 218 Xinghu Street Suzhou Industrial Park Suzhou Jiangsu Province, PRC
Principal Place of Business in Hong Kong	Room 1901, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Legal Adviser	**Sidley Austin** 39/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Auditor	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35/F One Pacific Place 88 Queensway Admiralty Hong Kong
Compliance Adviser	**Somerley Capital Limited** 20/F, China Building 29 Queen's Road Central Hong Kong

Principal Share Registrar	**Conyers Trust Company (Cayman) Limited** Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Stock Code	9966
Company Website	http://www.alphamabonc.com/

Chairman's Statement

Dear Shareholders:

It is a great pleasure to share with you, on behalf of our Board, the first annual report of the Group. I would like to take this opportunity to thank you for your continuous support and am delighted to share with you our results in 2019.

2019 was an extraordinary year for Alphamab Oncology. We successfully completed series B round of pre-IPO financing and the Listing on December 12, 2019. As a public company with access to international capital markets, Alphamab Oncology is well positioned to achieve further fast growth and create value for our Shareholders.

As a leading clinical-stage biopharmaceutical company in China with a fully integrated proprietary biologics platform in bispecifics and protein engineering, we are dedicated to the R&D and commercialization of our portfolio products.

KN046, our PD-L1/CTLA-4 bispecific antibody, has demonstrated a favorable safety profile as well as promising efficacy in multiple solid tumor types, including NSCLC, TNBC, ESCC, pancreatic cancer, thymic carcinoma, in the late-line and/or frontline setting, based on the results from hundreds of patients dosed in our clinical trials. We have presented part of these promising clinical trial results at the 2019 annual meeting organized by American Society of Clinical Oncology and received strong interest from the industry.

KN026, our HER2 bispecific antibody, has achieved over 30% ORR at the recommended phase II dose levels for late-stage breast cancer patients who have failed multiple prior treatments in China. We are also testing KN026 in GC patients with different levels of HER2 expression. In addition, we have initiated trials in solid tumors with HER2 overexpression in the U.S. The combination trial of KN026 and KN046 in solid tumor with HER2 expression is also ongoing. We expect that KN026 could potentially address significant unmet medical needs from broad indications with excellent efficacy.

As disclosed in our Prospectus, we are in collaboration with 3D Medicines to develop KN035, which is potentially the first subcutaneously injectable PD-L1 inhibitor globally. Currently KN035 is approaching the final stage for two pivotal trials in China. The validation process for KN035 has commenced. As a part of the preparation for global registration trials of KN035, our facilities have successfully passed an inspection by an EU Qualified Person on behalf of the European Medicines Agency. We have also entered into a cooperation agreement with Simcere and 3D Medicines on March 30, 2020 for the marketing and commercialization of KN035 for oncology indications in Mainland China.

We also started phase II clinical trials for KN019 in RA in China in 2019. Meanwhile, we are also looking into applications for controlling immune-related adverse events from immune-oncology treatments.

We have been and will make continuous efforts on innovative R&D work. We have been advancing several preclinical stage bispecific antibodies and exploring combination trials for KN046 and KN026 involving different therapies including chemotherapy, radiation therapy and target therapy. We are also looking into innovative modalities, such as cell therapy, oncolytic virus and gene editing to further enrich our pipeline.

We are delighted to complete the phase I construction of our new campus which has two 2,000L production lines and a 72,000 square meter headquarter. Most of the clinical trial materials for KN026, KN046 and KN019 will be produced at our new campus and shipped to clinic trial sites globally.

Looking forward, our Board and management team are confident that our company will thrive in this fast-growing industry. I would like to thank all our colleagues for their dedication and contribution. Our gratitude is also extended to our Shareholders, our partners and CROs for their continuous support.

Yours sincerely,
Dr. XU Ting (徐霆)
Executive Director, Chairman of the Board and Chief Executive Office

Definitions and Glossary of Technical Terms

"3D Medicines"	3D Medicines (Beijing) Co., Ltd. (思路迪(北京)醫藥科技有限公司), a company incorporated under the laws of the PRC on December 22, 2014, an Independent Third Party collaborating with us in the development of KN035
"Advantech I"	Advantech Capital Investment I Limited, a company incorporated in the Cayman Islands and one of our pre-IPO investors
"Advantech II"	Advantech Capital II AlphaMab Partnership L.P., a limited partnership registered in the Cayman Islands and one of our pre-IPO investors
"AGM"	the annual general meeting of the Company to be held at 9:00 a.m. on Monday, May 25, 2020 at No. 175, Fangzhou Road, Suzhou Industry Park, Suzhou, Jiangsu, China or any adjournment thereof
"Alphamab Australia"	Alphamab (Australia) Co Pty Ltd, a company incorporated in Australia on November 20, 2017 and a direct wholly-owned subsidiary of Jiangsu Alphamab
"Alphamab Oncology (BVI)"	Alphamab Oncology (BVI) Ltd., a business company incorporated in the BVI and a direct wholly-owned subsidiary of our Company
"Alphamab Oncology (HK)"	Alphamab Oncology (HK) Limited, a limited liability company incorporated in Hong Kong on May 11, 2018
"Articles of Association"	articles of association of our Company conditionally adopted on November 24, 2019 with effect from the Listing Date
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Company
"bispecific"	in reference to antibodies, antibodies that "Advantech I" combine two antigen-recognizing elements into a single construct, able to recognize and bind to two different antigens (or epitopes)
"BLA"	biologic license application
"Board"	the board of directors of our Company

"BsAb"	bispecific monoclonal antibody
"BVI"	the British Virgin Islands
"CDE"	Center for Drug Evaluation (藥品審評中心)
"cGMP"	current good manufacturing practice
"China" or "PRC"	the People's Republic of China, and for the purpose of this annual report only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CMC"	chemistry, manufacturing and controls processes in the development, licensure, manufacturing and ongoing marketing of pharmaceutical products
"CMO(s)"	contract manufacturing organizations, which provide support to the pharmaceutical industry in the form of manufacturing services outsourced on a contract basis
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "the Company"	Alphamab Oncology (康寧傑瑞生物製藥), an exempted company with limited liability incorporated under the laws of the Cayman Islands on March 28, 2018
"connected person"	has the meaning ascribed thereto under the Listing Rules
"connected transaction"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Xu and/or Rubymab
"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purposes of this annual report, our Core Product refers to KN046
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules

"CRAM platform"	the charge repulsion induced antibody mixture platform, used to engineer antibody mixtures
"CRIB platform"	the charge repulsion improved bispecific platform, used to engineer heterodimeric Fc-based BsAbs
"CRO(s)"	contract research organizations, which provide support to the pharmaceutical, biotechnology and medical device industries in the form of R&D services outsourced on a contract basis
"CTLA-4"	cytotoxic T-lymphocyte-associated protein 4, a protein expressed on all T-cells but which is expressed at the highest level on regulatory T-cells (Treg) and contributes to the suppressor function of Treg and acts as an off-switch to T-cell immune response to cancer cells
"deficient mismatch repair" or "dMMR"	ability of a cell in correcting mistakes made when DNA is copied in a cell Mismatch repair deficient cells usually have many DNA mutations, which may lead to cancer
"Director(s)" or "our Director(s)"	the directors of our Company, including all executive, non-executive and independent non-executive directors
"Dr. Xu"	Dr. Xu Ting (徐霆), the founder, chairman, executive Director and chief executive officer of our Company
"Dr. Xu's Family Trust"	a discretionary family trust in the process of establishment by Dr. Xu as settlor for the benefits of Dr. Xu's family members, of which South Dakota Trust is a trustee
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time
"ESCC"	esophageal squamous cell carcinoma
"EU"	the European Union

"FDA"	the U.S. Food and Drug Administration, a federal agency of the U.S. Department of Health and Human Services responsible for regulating food and drugs
"FVTPL"	Fair Value through Profit or Loss
"GC"	gastric cancer
"GEJ"	gastroesophageal junction cancer
"Global Offering"	the offer for subscription of an aggregate of 206,313,000 Shares (including Shares issued and allotted pursuant to the Over-allotment Option) at offer price of HK$10.2 under the Hong Kong public offering and the international offering
"Group" or "our Group" or "we"	our Company and all of our subsidiaries or, where the context so requires, any companies that became our subsidiaries as part of the Reorganization and the oncology businesses operated by such subsidiaries or their predecessors, Suzhou Alphamab (as the case may be)
"HER2"	human epidermal growth factor receptor 2
"HER2 High"	a high level of HER2 expression in tumors, typically assigned with a "++" or "+++" value in immunohistochemistry, or scored as positive in FISH
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRSs"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China and clinical trial notification in Australia
"Independent Third Party(ies)"	party or parties that is or are not a connected party within the meaning of the Listing Rules

"Jiangsu Alphamab"	Jiangsu Alphamab Biopharmaceuticals Co., Ltd. (also known as Jiangsu Alphamab Pharmaceuticals Co., Ltd.) (江蘇康寧傑瑞生物製藥有限公司), a limited liability company established in the PRC on July 14, 2015 and our wholly owned subsidiary
"Joint Global Coordinators"	Morgan Stanley Asia Limited, CLSA Limited and Jefferies Hong Kong Limited
"KN035"	an anti-PD-L1 recombinant humanized single domain antibody invented by the Group
"Latest Practicable Date"	April 13, 2020, being the latest practicable date prior to the printing of this purpose of ascertaining the information contained herein
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Date"	December 12, 2019, the date on which dealings in our Shares first commence on the Main Board of the Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market
"metastatic"	in reference to any disease, including cancer, disease producing organisms or of malignant or cancerous cells transferred to other parts of the body by way of the blood or lymphatic vessels or membranous surfaces
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"MSI-H"	microsatellite instability-high, a feature of cancer's genetic coding with a high amount of instability in a tumor

"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
"Nomination Committee"	the nomination committee of the Company
"Non-competition Undertaking"	the non-competition undertaking dated November 24, 2019 and entered into by the Controlling Shareholders in favor of our Company
"NPC"	nasopharyngeal carcinoma
"NSCLC"	non-small cell lung cancer
"ODD"	orphan drug designation
"ORR"	objective response rate, which is equal to the sum of complete response (CR) and PR
"Over-allotment Option"	the option granted by our Company to the international underwriters and exercised by the Joint Global Coordinators (on behalf of the international underwriters) pursuant to which our Company allotted and issued additional 26,910,000 Shares at the offer price of HK$10.2 under the Global Offering on January 8, 2020
"PAG Growth"	PAG Growth I (BVI) Limited, a business company incorporated under the laws of the BVI and one of our pre-IPO investors
"PD"	progressive disease, cancer that is growing, spreading or getting worse
"PD-1"	programmed cell death protein 1, an immune checkpoint receptor expressed on some T-cells, B-cells and macrophages that turns off the T-cell mediated immune response as part of the process that discourages a healthy immune system from attacking other cells in the body
"PD-(L)1"	PD-1 and/or PD-L1

"PD-L1"	programmed death ligand 1, a protein on the surface of a normal cell or a cancer cell that can attach to PD-1 on the surface of the T-cell that causes the T-cell to turn off its ability to kill the cancer cell
"Pearlmed"	Pearlmed Ltd., a company incorporated in the BVI on March 22, 2018 and wholly owned by Mr. XUE Chuanxiao as of the Latest Practicable Date
"pharmacokinetics" or "PK"	the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
"PR"	partial response, refers to a decrease in the size of a tumor, or in the extent of cancer in the body, in response to treatment
"Pre-IPO Share Option Plans"	the pre-IPO share option plan I adopted by our Company on October 16, 2018, which was further amended on March 29, 2019 and the pre-IPO share option plan II adopted by our Company on March 29, 2019, as amended from time to time, the principal terms of which are set out in "Directors' Report – Pre-IPO Share Option Plans" to this annual report
"Prospectus"	the prospectus of the Company dated December 2, 2019
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2019
"rheumatoid arthritis" or "RA"	a chronic, systemic inflammatory disorder that may affect many tissues and organs, but principally attacks synovial joints
"Rubymab"	Rubymab Ltd., a company incorporated in the BVI on March 22, 2018 and wholly owned by Dr. Xu's Family Trust as of the Latest Practicable Date

"sdAb"	single domain antibody
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	common stock of the Company, par value US$0.000002 per share
"Shareholder(s)"	holder(s) of our Share(s)
"Sky Diamond"	Sky Diamond Co., Ltd., a company incorporated in the BVI on June 1, 2018 and wholly owned by Mr. ZHANG Xitian
"South Dakota Trust"	South Dakota Trust Company LLC, the trustee of Dr. Xu's Family Trust
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Strategy Committee"	the strategy committee of the Company
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Suzhou Alphamab"	Suzhou Alphamab Co., Ltd. (蘇州康寧傑瑞生物科技有限公司), a limited liability company established in the PRC on November 6, 2008 and our connected person as of the Latest Practicable Date
"Suzhou Dingfu"	Suzhou Dingfu Target Biotechnology Co., Ltd. (蘇州丁孚靶點生物技術有限公司), a limited liability company established in the PRC on December 2, 2011
"TNBC"	triple-negative breast cancer, any breast cancer that does not express the genes for estrogen receptor (ER), progesterone receptor (PR) and HER2/neu
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

"U.S. dollar(s)" or "US$"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax; all amounts are exclusive of VAT in this annual report except where indicated otherwise
"we", "us" or "our"	the Company or the Group, as the context requires
"%"	per cent

Financial Highlights

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31,		
	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*
Other income	**34,429**	783	1,428
Fair value change of convertible redeemable preferred shares	**(542,291)**	(26,284)	–
R&D expenses	**(166,654)**	(65,608)	(53,221)
Administrative expenses	**(117,736)**	(25,857)	(13,025)
Reorganization related expenses	**–**	(69,416)	–
Finance costs	**(3,606)**	(1,507)	(8)
Listing expenses	**(36,561)**	(4,911)	–
Other losses	**(321)**	(9,833)	–
Loss before taxation	**(832,740)**	(202,633)	(64,826)
Income taxation	**–**	–	–
Loss for the year	**(832,740)**	(202,633)	(64,826)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	For the year ended December 31,		
	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	**410,115**	170,790	35,362
Current assets	**2,444,468**	656,103	11,215
Non-current liabilities	**228,128**	1,011,121	10,000
Current liabilities	**200,530**	82,800	10,266
Net assets/(liabilities)	**2,425,925**	(267,028)	26,311

* The Shares of the Company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on December 12, 2019.

Business Highlights

Since the Listing Date, we have been making significant progress with respect to our drug pipeline and business operations, including the following milestones and achievements:

- Successfully dosed the first patient in a phase II clinical trial of KN019, an immunosuppressant fusion protein drug candidate based on CTLA-4, for rheumatoid arthritis treatment.

- Completed the construction of the phase I of the new manufacturing facilities, located at No. 175, Fangzhou Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province, PRC, with a 4,000L (2x2,000L) production capacity.

- Reached a regional collaborative partnership agreement among Jiangsu Alphamab, TRACON Pharmaceuticals, Inc. (the shares of which are listed on the Nasdaq Global Select Market (Ticker Symbol: TCON)) ("**Tracon**") and 3D Medicines to develop and commercialize KN035, an anti-PD-L1 sdAb invented by the Group, in the field of human therapeutic applications for sarcoma.

- Commenced an investigator-sponsored phase II clinical trial of KN046 for second-line or later-line treatment of pancreatic cancer in the fourth quarter of 2019.

- Successfully issued and allotted additional 26,910,000 ordinary shares of the Company pursuant to the over-allotment option, representing approximately 15% of the maximum number of offer shares initially available under the global offering, at the offer price of HK$10.20 per share.

- Reached an agreement with Suzhou Zelgen Biopharmaceuticals Co., Ltd. ("**Zelgen**"), a company listed on the science and technology innovation board of The Shanghai Stock Exchange (stock code: 688266), for the clinical development of a combination therapy of KN046 and Donafenib Tosylate ("**Donafenib**"), a multi-target kinase inhibitor, for the treatment of malignant tumors such as advanced hepatocellular carcinoma.

- Successfully dosed the first patient in a phase II clinical trial of KN026 for first-line HER2-positive breast cancer (in combination with docetaxel) and late-line HER2-overexpressing breast cancer in China.

- The FDA awarded ODD to KN035 for the treatment of biliary tract cancer.

- Jiangsu Alphamab passed the on-site inspection of an EU qualified person (the "**EU Qualified Person**").

- Four IND applications of PD-L1/CTLA-4 bispecific antibody and HER2 bispecific antibody of the Group were accepted by the CDE of the NMPA in January and February 2020 respectively.

- Jiangsu Alphamab and Pfizer Inc. ("**Pfizer**") entered into a clinical trial collaboration and supply agreement to advance a clinical trial investigating KN026 in combination with Pfizer's product, Ibrance® (Palbociclib), a kinase inhibitor, to treat HER2-positive breast cancer.

- Jiangsu Alphamab, Jiangsu Simcere Pharmaceutical Co., Ltd. (江蘇先聲藥業有限公司) ("**Simcere Pharmaceutical**") and 3D Medicines entered into a cooperation agreement (the "**Simcere Agreement**") on March 30, 2020 for the marketing and commercialization of KN035 for oncology indications in Mainland China.

- Jiangsu Alphamab and 3D Medicines entered into a supplemental agreement to the KN035 co-development agreements with 3D Medicines on March 30, 2020 for the allocation of gains generated from the collaboration of KN035 in the field of human therapeutic applications for sarcoma.

- Jiangsu Alphamab and 3D Medicines entered into another supplemental agreement to the KN035 co-development agreements on March 30, 2020 for the allocation of gains for KN035 sold in Mainland China.

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 leading clinical-stage biopharmaceutical company in China with a fully integrated proprietary biologics platform in bispecifics and protein engineering. Our mission is to deliver world-class innovative therapeutic biologics to treat patients globally by applying our unique drug discovery and development capabilities. We believe these capabilities are demonstrated by our strong R&D track record and supported by our proprietary technologies, platforms and expertise.

PRODUCT PIPELINE

Our highly differentiated in-house pipeline consists of eight oncology drug candidates, including four in clinical stage. The following summarizes our product pipeline as of the Latest Practicable Date:

Drug candidate	Target(s)	Main indications(1)	Therapeutic biologic product classification	Commercial rights	Status**					Expected first BLA submission
					Pre-clinical(2)	Dose escalation Phase Ia/I	Dose expansion phase Ib/II	Pivotal phase II/III	NCT Number	
KN046*	PD-L1/ CTLA4	Solid tumors(3), NSCLC, TNBC, GI cancers including pancreatic cancer	Category 1	Global(4)	China (the NMPA)(6)(7)		Phase Ib/II		NCT03838848 NCT03872791 NCT03925870 NCT04054531	3Q 2021
					Australia (the TGA)(8)		Phase Ib		NCT03529526	
KN026	HER2/ HER2	HER2-overexpressing mBC and GC/GEJ	Category 1	Global(4)	China (the NMPA)(6)		Phase II		NCT03925974 NCT04165993	4Q 2022
					United States (the FDA)(9)	Phase I			NCT03847168 NCT03619681	
KN019	B7	RA, post-transplant kidney rejection	Category 7	Global(4)	China (the NMPA)(6)		Phase II		NCT04038970	Planning stage
KN035	PD-L1	BTC, MSI-H or dMMR solid tumors, HCC, GC	Category 1	Co-development(5)	China (the NMPA)(6)			Phase II/III	NCT03478488 NCT03667170	By the end of 2020
					Rest of the world(10)				NCT02827968 NCT03248843	
KN052	Undisclosed bispecifics(11)			Global					Not available	Not available
KN053				Global						
KN055				Global						
KN058				Global						

Abbreviations: NSCLC = non-small cell lung cancer, TNBC = triple-negative breast cancer, mBC = metastatic breast cancer, GC = gastric cancer, GEJ = gastroesophageal junction cancer, HCC = hepatocellular carcinoma, BTC = biliary tract cancer, RA = rheumatoid arthritis, MSI-H = high microsatellite instability, dMMR = DNA mismatch repair, GI cancer = gastrointestinal cancer

* Denotes Core Product.

** Denotes the most advanced ongoing clinical trials.

Notes:

(1) We also plan to develop (i) KN046 for esophageal squamous cell carcinoma; and (ii) KN046 in combination with KN026 for HER2-positive cancers, including gastric cancers/gastroesophageal cancer, other types of gastrointestinal cancers, breast cancer, urothelial cancer, non-small cell lung cancer and gynecological tumors, etc.

(2) Among the four pre-clinical bispecific candidates, two are at preliminary pre-clinical study stage and two are at lead optimization stage.

(3) The phase Ib study of KN046 targeted various types of solid tumors, with a focus on late-line unresectable metastatic nasopharyngeal carcinoma, urothelial cancer and melanoma. It should be noted that these indications are not major cancer indications in China, each with a relatively low cancer incidence and representing a small fraction of the total cancer population in China, according to the market research report prepared by China Insights Consultancy Limited. We plan to submit the first BLA for KN046 in China for nasopharyngeal carcinoma around the end of 2021.

(4) No licensing partner as of the Latest Practicable Date.

(5) We invented KN035 in-house and currently are jointly developing it with 3D Medicines. According to the co-development agreements with 3D Medicines, upon receiving the BLA approval for KN035, 3D Medicines would be responsible for its global commercialization. We own the right to manufacture and supply KN035 to 3D Medicines and are entitled to profit sharing.

(6) All of our clinical-stage drug candidates received Umbrella IND approvals from the NMPA. Some indications may not require a non-pivotal phase II clinical trial prior to beginning the pivotal phase II/III clinical trials in China. Based on our experience, the need for comparison studies for our drug candidates is considered on a case-by-case basis and based on communications with the NMPA.

(7) We conducted the China phase Ia clinical trial as a bridging study to leverage our clinical trial data in Australia.

(8) Except for the phase I clinical trial, we do not expect to conduct any other clinical trials or make any registration filing for KN046 in Australia.

(9) KN026 received the IND approval from the FDA in October 2018.

(10) Phase I clinical trials are ongoing in the U.S. and Japan. KN035 received the IND approvals from the FDA and the Japan Pharmaceuticals and Medical Devices Agency in November 2016 and May 2017, respectively. 3D Medicines is responsible for clinical trials and registration filings under the co-development agreements with 3D Medicines.

(11) Due to commercial sensitivity, we do not disclose additional details of these BsAb drug candidates for oncology treatment.

The depth and breadth of our in-house R&D and manufacturing capabilities are demonstrated by the following: (i) structure-guided protein engineering capability to develop protein building blocks in various formats, including sdAbs and engineered proteins; (ii) proprietary charge repulsion improved bispecific platforms and charge repulsion induced antibody mixture platforms for bispecifics and antibody mixtures, respectively; and (iii) state-of-the-art manufacturing capability to be further strengthened by new facilities with an expected capacity of over 30,000L, designed and built to meet NMPA, EU and FDA's current good manufacturing practice standards.

COMMERCIALIZATION

To date, we have not commercialized any products. We plan to build our own commercialization team in China with an initial focus on late-stage drug candidates and assemble a team of personnel dedicated to medical affairs and governmental affairs in 2020 to prepare for the upcoming launch of KN046 in 2021. After the launch of KN046, we plan to further expand our team to actively seek insurance and reimbursement opportunities from third-party payers and government reimbursement programs to support the ongoing commercial operations of KN046 and the upcoming launch of KN026. We expect our team to cover major provinces and municipalities in China, especially the ones with relatively well-developed economies and high levels of discretionary income. We intend to continue to expand our team in anticipation of more product launches and more approved indications.

BUSINESS REVIEW

Events during the Reporting Period

The Company was successfully listed on the Main Board of the Stock Exchange on December 12, 2019. Since then, we have been making significant progress with respect to our drug pipeline and business operations.

- On December 16, 2019, the first patient was successfully dosed in a phase II clinical trial of KN019, a CTLA-4-based immunosuppressant fusion protein drug candidate self-developed by us, for rheumatoid arthritis treatment. Currently, the Company has performed comprehensive pre-clinical studies on KN019, and the phase I clinical trial for KN019 completed in China has exhibited favorable safety and Pharmacokinetics (PK) profiles and indicated good pharmacological effects in healthy subjects. For further details, please refer to the Company's announcement dated December 16, 2019.

- In December 2019, the construction of the phase I of the new manufacturing facilities, located at No. 175, Fangzhou Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province, PRC with a 4,000L (2x2,000L) production capacity, was completed. Phase I of the new facilities has a commercial production capacity of 4,000L (2x2,000L) and a planned gross floor area of 53,867 square meters. For further details, please refer to the Company's announcement dated December 18, 2019.

- On December 20, 2019, we entered into a regional collaborative partnership agreement with Tracon and 3D Medicines to develop and commercialize KN035 in the field of human therapeutic applications for sarcoma (the "**Field**"), pursuant to which Tracon has been granted an exclusive and non-transferable license in the U.S., Canada, Mexico and each of their dependent territories (the "**Collaborative Territory**") for KN035 (the "**Tracon Agreement**"). Under the Tracon Agreement, Tracon is responsible for, among other things, develop and commercialize KN035 in the Field within the Collaborative Territory at its own cost, and 3D Medicines and Jiangsu Alphamab are in turn entitled to receive a royalty fee paid by Tracon at the amount of teens to mid-double digits percentage of the relevant net sales of KN035. Such royalty shall be split between 3D Medicines and Jiangsu Alphamab according to a ratio they mutually agree. Jiangsu Alphamab will supply KN035 to Tracon for its clinical trials and commercialization at pre-negotiated prices. For further details, please refer to the Company's announcement dated December 20, 2019.

- In the fourth quarter of 2019, we commenced investigator-sponsored phase II clinical trials of KN046 for second-line or later-line treatment of pancreatic cancer.

Events after the Reporting Period

- On January 4, 2020, the over-allotment option described in the Prospectus has been fully exercised by the international underwriters, pursuant to which the Company allotted and issued 26,910,000 ordinary shares of the Company, representing approximately 15% of the maximum number of offer shares initially available under the global offering, at the offer price of HK$10.20 per share.

- On January 7, 2020, Jiangsu Alphamab reached an agreement with Zelgen for the clinical development of a combination therapy of KN046, a recombinant humanized PD-L1/CTLA-4 bispecific antibody independently developed by Jiangsu Alphamab, and Donafenib, a multi-target kinase inhibitor, for the treatment of malignant tumors such as advanced hepatocellular carcinoma.

- On January 9, 2020, the first patient was dosed in the phase II clinical trial of KN026, an anti-HER2 bispecific antibody self-developed by us, for first-line HER2-positive breast cancer (in combination with docetaxel) and late-line HER2-overexpressing breast cancer in China.

- On January 18, 2020, FDA rewarded ODD to KN035 for the treatment of biliary tract cancer. The ODD is aimed at encouraging the development of innovative drugs to treat orphan diseases with a population of less than 200,000 target patients in the U.S. Drug candidates with ODD qualify for seven-year FDA-administered market orphan drug exclusivity (ODE). In addition, FDA also rewarded ODD drugs with comprehensive incentives including tax credit for clinical trial cost, waiver of BLA user fee, subsidies for R&D costs, protocol assistance and expedited regulatory approval pathway.

- On February 3, 2020, Jiangsu Alphamab passed the on-site inspection of the EU Qualified Person. The inspection is for the preparation of the reliable supply for global clinical trials and subsequent manufacturing for the commercialization of KN035. The EU Qualified Person conducted a comprehensive, strict and systematic inspection mainly on the quality control system and facilities in the biopharmaceutical production base of Jiangsu Alphamab located at Suzhou Industrial Park, Suzhou Area of Jiangsu Pilot Free Trade Zone, China. The scope of the inspection covers production workshops, warehouses and related support systems in the BioBay in Suzhou Industrial Park, as well as the new warehouse and the quality control laboratory located at No. 175, Fangzhou Road, Suzhou Industrial Park. For further details, please refer to the Company's announcement dated February 7, 2020.

- On January 23, 2020 and February 10, 2020, four IND applications of PD-L1/CTLA-4 bispecific antibody and HER2 bispecific antibody of the Group have been accepted by the CDE of the NMPA. The IND applications accepted by CDE are for anti-tumor pipeline projects involving KN046 (a BsAb immune checkpoint inhibitor) and/or KN026 (a BsAb anti-HER2 antibody). For further details, please refer to the Company's announcement dated February 20, 2020.

- On March 27, 2020, Jiangsu Alphamab and Pfizer entered into a clinical trial collaboration and supply agreement to advance a clinical trial investigating KN026 in combination with Pfizer's product, Ibrance® (Palbociclib), a kinase inhibitor. The clinical trial is a phase 1b/2, open-label and multi-center study to evaluate the efficacy, safety and tolerability of KN026 in combination with Ibrance® (Palbociclib) in patients with locally advanced unresectable or metastatic HER2-positive breast cancer. For further details, please refer to the Company's announcement dated March 27, 2020.

- On March 30, 2020, Jiangsu Alphamab, Simcere Pharmaceutical and 3D Medicines entered into the Simcere Agreement for the marketing and commercialization of KN035. Under the Simcere Agreement, Simcere Pharmaceutical was granted an exclusive marketing right in respect of oncology indications of KN035 and the rights of first refusal under in-licenses or transfers in Mainland China subject to the terms and conditions of the Simcere Agreement. Jiangsu Alphamab, as the exclusive manufacturer, is responsible for supplying KN035 to 3D Medicines at pre-negotiated prices and 3D Medicines will sell KN035 to the relevant customers in accordance with the instructions of Simcere Pharmaceutical, while Simcere Pharmaceutical will charge a marketing fee to 3D Medicines. For further details, please refer to the Company's announcement dated March 30, 2020.

- On March 30, 2020, Jiangsu Alphamab and 3D Medicines entered into a supplemental agreement to the KN035 co-development agreements, pursuant to which, both parties agreed that (1) the gains from drug supplies by Jiangsu Alphamab as a KN035 oncology drug producer shall be exclusively owned by Jiangsu Alphamab; (2) the gains to be shared by Jiangsu Alphamab and 3D Medicines under the Tracon Agreement and gains from transfer, delegation or otherwise disposal of the rights of KN035 in the Field within the Collaborative Territory under the Tracon Agreement shall be shared by Jiangsu Alphamab and 3D Medicines as to 65% and 35%, respectively. For further details, please refer to the Company's announcement dated March 30, 2020.

- On March 30, 2020, Jiangsu Alphamab and 3D Medicines entered into another supplemental agreement to the KN035 co-development agreements, pursuant to which, both parties agree that, among other matters, the gains for KN035 sold in Mainland China, payable by 3D Medicines to Jiangsu Alphamab, should be calculated based on the agreed method. For further details, please refer to the Company's announcement dated March 30, 2020.

The global epidemic of COVID-19 may have potential negative impact on the Group's business, including but not limited to the advancement of clinical trials, approval of regulatory registration and procurement of raw materials. The Group will continue to monitor the epidemic situation and react actively to such impact.

Future Development

The Group will continue to strive for delivering world-class innovative therapeutic biologics to treat patients globally by applying our unique drug discovery and development capabilities. To accomplish this mission, we will commit to advancing clinical development of our product pipeline, including developing KN046 for various major cancer indications as well as selected indications using a fast/first-to-market approach. We will also strategically focus on cancers with HER2 expression in our KN026 clinical development plan. In the meantime, leveraging our strong in-house R&D capabilities, we will further advance our pre-clinical programs of four bispecific immune-oncology drug candidates and will leverage our technology platforms to discover, validate and select targets and lead candidates to enrich our early-stage pipeline with a focus on immuno-oncology-based bispecific and multi-specific drugs. We will also continue to optimize our manufacturing process and technologies to enhance product quality and control costs. To maximize the commercial value of our assets with global rights, we will also continue to actively seek strategic collaboration opportunities for our core products, such as co-development, collaboration in combination development, and licensing.

Cautionary Statement required by Rule 18A.05 of the Listing Rules: The Company cannot guarantee that it will be able to successfully develop, or ultimately market our drug candidates, namely, KN046, KN026, KN019, KN035, KN052, KN053, KN055 and KN058. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the Shares of the Company.

FINANCIAL REVIEW

Overview

For the year ended December 31, 2019, the Group recorded other income of RMB34.4 million, as compared with RMB0.8 million for the year ended December 31, 2018, and the loss and total comprehensive expense of RMB832.7 million, as compared with RMB202.6 million for the year ended December 31, 2018. The R&D expenses of the Group amounted to RMB166.7 million for the year ended December 31, 2019, as compared with RMB65.6 million for the year ended December 31, 2018. The fair value change of convertible redeemable preferred shares of the Group amounted to RMB542.3 million for the year ended December 31, 2019, as compared with RMB26.3 million for the year ended December 31, 2018. The administrative expenses amounted to RMB117.7 million for the year ended December 31, 2019 as compared with RMB25.9 million for the year ended December 31, 2018. The finance costs amounted to RMB3.6 million for the year ended December 31, 2019 as compared with RMB1.5 million for the year ended December 31, 2018. The listing expenses of the Group amounted to RMB36.6 million for the year ended December 31, 2019, as compared with RMB4.9 million for the year ended December 31, 2018.

We currently have no products for commercial sale. For the year ended December 31, 2019, we did not generate any revenue from product sales.

Other Income

The Group's other income primarily consists of interest income, government grants and other miscellaneous income.

For the year ended December 31, 2019, the Group's other income increased by RMB33.6 million to RMB34.4 million, compared to RMB0.8 million for the year ended December 31, 2018, primarily due to the increase in interest income and government grants. Our interest income of RMB29.4 million during the Reporting Period refers to the interest we generated from bank balances, which primarily consisted of bank deposits of proceeds from our pre-IPO investments and global offering. In 2019, we recorded government grants of RMB5.0 million during the Reporting Period, primarily including (i) subsidies from the PRC local government in support of oncology drug development and successful initial public offering of the Company; and (ii) unconditional subsidies from the Australian government which are specifically for supporting the R&D activities carried out in Australia.

Other Losses

The Group's other gains and losses primarily consists of net exchange gains or losses in relation to the impact of foreign currency translation.

For the year ended December 31, 2019, we recorded RMB0.3 million of other losses, compared to RMB9.8 million of other losses for the year ended December 31, 2018, mainly due to the impact of foreign currency fluctuation, in particular, the exchange rates amongst the RMB, the Hong Kong dollar and the U.S. dollar.

Fair Value Change of Convertible Redeemable Preferred Shares

The Group's fair value change of convertible redeemable preferred shares refers to the fair value losses of the series A preferred shares we issued in October 2018 and series B preferred shares we issued in May 2019, which takes into account exchange rate changes.

For the year ended December 31, 2019, we recorded RMB542.3 million of the fair value losses of convertible redeemable preferred shares, compared to RMB26.3 million of the fair value losses for the year ended December 31, 2018, primarily attributable to the automatic conversion of all preferred shares in the ordinary shares upon the Listing. After the automatic conversion, we do not recognize any further loss or gain on fair value changes from preferred shares.

R&D Expenses

The Group's R&D expenses were primarily comprised of (i) third-party contracting costs related to services provided by contract research organizations, contract manufacturing organizations, clinical trial sites, consultants and other service providers during the R&D of our pipeline products; (ii) staff costs for our R&D staff, including salary, bonus and share option incentives; (iii) raw materials costs in relation to the R&D of our drug candidates; (iv) office rental costs, utilities and depreciation and amortization; and (v) other miscellaneous expenses, which primarily include expenses for patent application registration services and logistics expenses of drug samples for clinical trials.

For the year ended December 31, 2019, our R&D expenses increased by RMB101.0 million to RMB166.7 million, compared to RMB65.6 million for the year ended December 31, 2018, primarily due to (i) the increase in the number of ongoing clinical trials, (ii) the expansion of the scale of our clinical studies, (iii) the advancement of clinical trials of our drug candidates, and (iv) the increase in staff cost due to the increase in our R&D staff and the increase in the compensation mainly due to options rewarded to the staff. The following table sets forth the breakdown of our R&D expenses by nature for the years indicated.

	For the year ended December 31,			
	2019		2018	
	(RMB in thousands, except percentages)			
Third-party contracting costs	**77,451**	**46.5%**	34,096	52.0%
Staff costs	**43,040**	**25.8%**	10,713	16.3%
Raw material costs	**28,486**	**17.1%**	7,673	11.7%
Office rental costs, utilities, and depreciation and amortization	**12,279**	**7.4%**	9,988	15.2%
Others	**5,398**	**3.2%**	3,138	4.8%
Total	**166,654**	**100.0%**	65,608	100.0%

Administrative Expenses

The Group's administrative expenses primarily comprise staff costs for our administrative staff, including salary, bonus and share option incentives.

Our administrative expenses increased by RMB91.9 million to RMB117.7 million for the year ended December 31, 2019, from RMB25.9 million for the year ended December 31, 2018, primarily because (i) we further increased our headcount to expand our clinical operation, manufacturing capability, quality control and other key business functions and (ii) we recorded significantly increased share-based payment expenses in relation to the pre-IPO share options granted by the Company under the pre-IPO share option schemes.

Finance Costs

The Group's finance costs primarily comprise of (i) bank borrowings and (ii) lease liabilities related to our leases of office premises and R&D facilities.

Our finance costs amounted to RMB3.6 million for the year ended December 31, 2019, as compared to RMB1.5 million for the year ended December 31, 2018, primarily because of the interest expenses on bank borrowings incurred for the construction of our new manufacturing facilities, which was completed in late 2019.

Listing Expenses

We recorded listing expenses of RMB4.9 million and RMB36.6 million for the years ended December 31, 2018 and 2019, respectively, reflecting the increase of fees paid to professional parties engaged in preparation for our Listing in 2019.

Income Taxation

The Company is exempted from taxation under the laws of the Cayman Islands. Alphamab Oncology (BVI) Ltd., a company incorporated in the BVI and a direct wholly-owned subsidiary of our Company, is exempted from taxation under the laws of the BVI.

Our PRC subsidiaries are subject to a standard China enterprise income tax rate of 25% under the EIT Law. We have made all the required tax filings with the relevant tax authorities in the PRC. Jiangsu Alphamab was entitled to a deduction of 175% of qualifying R&D expenses since January 2018.

Alphamab Oncology (HK) Limited, a limited liability company incorporated in Hong Kong on May 11, 2018, is subject to Hong Kong profits tax at a rate of 16.5% on estimated assessable profit. We made no provision for taxation in Hong Kong as we had no assessable profits in Hong Kong during the Reporting Period.

Under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017 of Australia, corporate entities who qualify as "small business entities" are eligible for the lower corporate tax rate at 27.5%. Alphamab (Australia) Co Pty Ltd, a company incorporated in Australia and a direct wholly-owned subsidiary of Jiangsu Alphamab, is qualified as a small business entity and is subject to a corporate tax rate of 27.5%.

We had unused tax losses of RMB245.0 million and RMB504.5 million available for set off against future profits as of December 31, 2018 and 2019, respectively. No deferred tax asset was recognized in respect of the unused tax losses as of December 31, 2018 and 2019 due to the unpredictability of future profit.

Loss for the Year

As a result of the above factors, the loss of the Company increased by RMB630.1 million to RMB832.7 million for the year ended December 31, 2019 from RMB202.6 million for the year ended December 31, 2018.

Property, Plant and Equipment

Property, plant and equipment primarily consists of our new manufacturing, R&D facilities and office premises.

Our property, plant and equipment increased by RMB227.1 million to RMB332.0 million as of December 31, 2019, compared to RMB104.9 million as of December 31, 2018, primarily attributable to the construction of our new facilities in 2019.

Right-of-use Assets

Under IFRS 16, we recognize right-of-use assets with respect to our property leases. Our right-of-use assets are depreciated over the lease term or the useful life of the underlying asset, whichever is shorter.

Our right-of-use assets increased by RMB14.5 million to RMB42.4 million as of December 31, 2019, compared to RMB27.9 million as of December 31, 2018, primarily due to increases in right-of-use assets for the lease of our office premises in Suzhou, Shanghai and Beijing in 2019.

Deposits for Acquisition of Property, Plant and Equipment

Deposits for acquisition of property, plant and equipment decreased by RMB22.7 million to RMB4.3 million as of December 31, 2019, compared to RMB27.0 million as of December 31, 2018, primarily due to the completion of the construction of phase I of our new facilities in late 2019.

Inventories

The Group's inventories consist of raw materials and other consumables used in the R&D of our drug candidates.

Our inventories increased by RMB18.8 million to RMB25.9 million as of December 31, 2019, compared to RMB7.1 million as of December 31, 2018, primarily due to the increased raw materials and other consumables in our inventory for our R&D activities.

Other Receivables, Deposits and Prepayments

The Group's other receivables, deposits and prepayments primarily consist of (i) other receivables, deposits and prepayments mainly related to prepayments made in connection with our purchase of raw materials and payments to contract research organizations and other third parties for services relating to our clinical trials; and (ii) VAT recoverable in connection with the procurement of raw materials, third-party services, machinery and equipment for our new facilities, which can offset the VAT to be incurred upon commercialization.

Our other receivables, deposits and prepayments increased by RMB41.3 million to RMB67.6 million as of December 31, 2019, compared to RMB26.3 million as of December 31, 2018, primarily because of (i) the increase in VAT recoverable due to the increased procurement of machinery and equipment for our new facilities, as well as raw materials and third-party services for our R&D activities; and (ii) the increase in other receivables, deposits and prepayments related to increased purchases of raw materials and third-party services for clinical trials.

Cash and Cash Equivalents and Time Deposits with Original Maturity Over Three Months

Our cash and cash equivalents mainly comprise of (i) cash at banks and on hand and (ii) time deposits within original maturity less than three months. As of December 31, 2019, the Group's cash and cash equivalents increased to RMB1,867.9 million from RMB633.7 million as of December 31, 2018. The increase primarily resulted from the proceeds of the global offering.

The Group's cash at banks and on hand amounted to RMB54.1 million as of December 31, 2019, compared to RMB95.5 million as of December 31, 2018. To enjoy higher interest rates on the proceeds from our financings, we also placed our cash in time deposits with licensed commercial banks in China and Hong Kong. Time deposits of RMB538.3 million and RMB1,813.8 million as of December 31, 2018 and 2019, respectively, had maturities of less than three months and were recorded as cash and cash equivalents. We also had time deposits of RMB502.9 million as of December 31, 2019 which had maturities of over three months.

Financial Assets Measured at FVTPL

The Group's financial assets measured at FVTPL mainly represent RMB-denominated wealth management products we purchased from commercial banks in the PRC.

Our financial assets measured at FVTPL increased from nil as of December 31, 2018 to RMB11.7 million as of December 31, 2019, primarily due to the purchase of non-principal-guaranteed wealth management products as our financial investments.

We believe that we can make better use of our cash by utilizing wealth management products, such as structured deposits, to enhance our income without interfering with our business operations or capital expenditures. We make investment decisions based on our estimated capital requirements for the next three months and our annual budget, taking into account the duration, expected returns and risks of the wealth management product. We generally limit purchases to low-risk, short-term products from reputable commercial banks. Our finance department is responsible for the purchase of wealth management products, which is reviewed by our senior management team. In the future, we intend to continue taking a disciplined approach regarding purchasing low-risk wealth management products with a short maturity period based on our operational needs.

Trade and Other Payables

The Group's trade and other payables primarily consist of payables for the construction of our new facilities and the procurement of equipment and machinery for our new facilities. Our trade and other payables also include accrued R&D expenses and staff costs, which largely relate to staff costs payable to R&D personnel. We also recorded (i) accrued listing expenses and new share issuance costs for the professional parties engaged for the global offering, (ii) trade payables to suppliers of raw materials and third-party services, and (iii) interest payables.

Our trade and other payables increased from RMB67.2 million as of December 31, 2018 to RMB146.0 million as of December 31, 2019, primarily due to (i) accrued listing expenses in relation to the global offering; (ii) an increase in trade payables in connection with our clinical trials; (iii) an increase in payables in connection with the procurement of property and equipment; and (iv) an increase in accrued staff costs as we provisioned more salaries and benefits in line with our increased headcount in 2019.

Amount Due to a Related Company

Our amount due to a related company, Suzhou Alphamab, decreased from RMB5.1 million as of December 31, 2018 to RMB0.8 million as of December 31, 2019. Our amounts due to Suzhou Alphamab as of December 31, 2018 and 2019 were primarily rent and utilities payable to Suzhou Alphamab.

Lease Liabilities

The Group's lease liabilities are in relation to properties we leased for our manufacturing and R&D activities and our office premises. We recognize a lease liability with respect to all lease agreements in which we are the lessee, except for short term leases and leases of low value assets. For these leases, we generally recognize the lease payments as an operating expense on a straight-line basis over the term of the lease. The lease liability is initially measured at present value that are not paid at the commencement date of the lease and subsequently adjusted by interest accretion and lease payments.

Our lease liabilities increased from RMB11.0 million as of December 31, 2018 to RMB23.2 million as of December 31, 2019, primarily due to entering into new lease for business operations, manufacturing and R&D activities in 2019.

Fair Value of Convertible Redeemable Preferred Shares

The fair value of our convertible redeemable preferred shares decreased from RMB900.6 million as of December 31, 2018 to nil as of December 31, 2019, primarily due to the automatic conversion of all preferred shares into ordinary shares upon the Listing.

Contract Liabilities

We recorded contract liabilities of RMB10.0 million and RMB11.7 million as of December 31, 2018 and 2019, respectively. Our contract liabilities represented the RMB10.0 million upfront payment we received from 3D Medicines and such amount is adjusted for the effects of the time value of money at a discount rate of 4.35% taking into consideration of the credit characteristics of the Group. We own the right to manufacture and supply KN035 to 3D Medicines. After the approval and commercialization of KN035, we will recognize revenue on the upfront payment received. None of the contract liabilities were recognized as revenue during the Reporting Period.

Liquidity and Source of Funding

Our primary uses of cash are to fund our clinical trials, manufacturing, purchase of equipment and raw materials and other expenses. During the Reporting Period, we primarily funded our working capital requirements through proceeds from the global offering, pre-IPO investments and bank borrowings. We closely monitor uses of cash and cash balances and strive to maintain a healthy liquidity for our operations.

Borrowings

As of December 31, 2019, our bank borrowings of RMB230 million, had effective interest rates of 4.99%. As of December 31, 2019, our bank borrowings were secured by property, plant and equipment of RMB276.7 million and land use rights in our right-of-use assets of RMB22.7 million.

Key Financial Ratios

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

	As of December 31,	
	2019	2018
Current ratio[1]	**12.19**	7.92
Quick ratio[2]	**12.06**	7.84
Gearing ratio[3]	**0.68**	NM[4]

Notes:

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

(2) Quick ratio represents 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 total equity and multiplied by 100%.

(4) Gearing ratio is not meaningful as our total equity was negative (deficiency of total equity) as of December 31, 2018.

Material Investments

The Group did not make any material investments during the year ended December 31, 2019. In addition, other than the manufacturing facility construction plan as disclosed in sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, there is no current plan of the Group for material investments or additions of material capital assets as of December 31, 2019.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the year ended December 31, 2019.

Pledge of Assets

As of December 31, 2019, the Group had a total RMB276.7 million of property, plant and equipment and RMB22.7 million of land use rights pledged to secure its loans and banking facilities.

Contingent Liabilities

As of December 31, 2019, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that is likely to have a material and adverse effect on our business, financial condition or results of operations.

Foreign Exchange Exposure

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

Employees and Remuneration

As of December 31, 2019, the Group had 224 employees. The total remuneration cost incurred by the Group for the year ended December 31, 2019 was RMB146.8 million, as compared to RMB28.2 million for the year ended December 31, 2018.

The remuneration package of our employees includes salary, bonus and share option incentives, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

The Company also has adopted pre-IPO share option plans. Please refer to the section headed "Statutory and General Information – D. Pre-IPO Share Option Plans" in Appendix V to the Prospectus for further details.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. XU Ting (徐霆), aged 47, is the founder, the chairman of our Board, an executive Director and the Chief Executive Officer of our Company. Dr. Xu was appointed as a Director and the chairman of the Board on March 28, 2018 and October 31, 2018, respectively. Dr. Xu was re-designated as an executive Director on July 3, 2019. Dr. Xu has been serving as the chief executive officer of our Company since October 1, 2018. Dr. Xu is primarily responsible for overall management of the business strategy, corporate development and R&D of our Group and oversight of the commercial suitability and sustainability of our Group. Dr. Xu is also a director and the general manager of Jiangsu Alphamab.

Dr. Xu has more than 16 years of experience in pharmaceutical R&D. Prior to founding our Group, from November 2003 to June 2007, Dr. Xu worked at EMD Serono Research Institute Inc. (now part of Merck KGaA). From June 2007 to 2010, Dr. Xu served as senior scientist of Biogen IDEC Inc., a global biotechnology company, the shares of which are listed on NASDAQ (ticker symbol: BIIB). In November 2008, Dr. Xu founded Suzhou Alphamab, the predecessor and a connected person of our Company, and has been serving as a director of Suzhou Alphamab since its incorporation. Dr. Xu currently holds certain positions in our connected persons including a chairman of Suzhou Alphamab, a chairman of Suzhou SmartNuclide Biopharmaceutical Co., Ltd. (蘇州智核生物醫藥科技有限公司) and a chairman of Suzhou BioNovoGene Biotech Co., Ltd. (蘇州帕諾米克生物醫藥科技有限公司). In addition, Dr. Xu also currently serves as a director of Shanghai Kangjing Bioscience Co., Ltd. (上海康景生物醫藥科技有限公司) and a director of Suzhou Oncoimmune Co., Ltd. (蘇州昂康免疫科技有限公司). He also held several positions in Suzhou Dingfu, including the chairman and general manager from November 2011 to July 2018 and the legal representative from November 2011 to September 2018.

Dr. Xu obtained his bachelor's degree in biochemistry from Nanjing University (南京大學) in the PRC in July 1993 and his master's and doctoral degree in molecular biology and Biochemistry from Chinese Academy of Science (中國科學院) in the PRC in December 1997. Dr. Xu was a post-doctoral fellow of Tufts University in the U.S. from January 1998 to October 2000 and a post-doctoral fellow of Harvard University in the U.S. from November 2000 to March 2002. Dr. Xu was awarded the Science and Technology Leading Talent (科技領軍人才) by Suzhou Industry Park Administration Committee (蘇州工業園區管理委員會) in 2009, and was a member of national Thousand People Plan by the Organization Department of the Central Committee of the CPC (中共中央組織部) in 2013 and was granted the Mayor Award (市長獎) by Suzhou Municipal People's Government (蘇州市人民政府) in 2017.

Ms. LIU Yang (劉陽), aged 48, was appointed as our Director on October 31, 2018 and re-designated as our executive Director on July 3, 2019. She was also appointed as the Vice President, Corporate Operations of our Company on October 1, 2018. Since joining our Group, Ms. Liu has participated in the daily operations of our Group and is primarily responsible for corporate operations and management, including human resources, administration and supply chain of the Group. Ms. Liu also holds several positions with other members of our Group including a vice president of Jiangsu Alphamab and a director of Alphamab Australia.

Ms. Liu has extensive experience in the biotechnology industry and worked as a physician for four years. Prior to joining our Group, Ms. Liu served as an attending physician in internal medicine at the First People's Hospital of Lianyungang City (連雲港第一人民醫院) from July 1994 to July 1997. From March 1999 to May 2001, she worked at Ironwood Pharmaceuticals, Inc. (formerly known as Microbia, Inc.). Ms. Liu also worked at ImmunoGen. Inc. from 2003 to 2010. She also served as a vice president of Suzhou Dingfu.

Ms. Liu obtained her bachelor's degree in medicine from Xuzhou Medical University (徐州醫科大學) in the PRC in July 1994. Ms. Liu is the spouse of Dr. Xu.

NON-EXECUTIVE DIRECTORS

Mr. XU Zhan Kevin (許湛), aged 38, was appointed as our Director on November 8, 2018 and re-designated as our non-executive Director on July 3, 2019. Mr. Xu is primarily responsible for participating in formulating our Company's corporate and business strategies.

Mr. Xu currently serves as a managing director with PAG Asia Capital, an affiliate of PAG (formerly known as Pacific Alliance Group), where Mr. Xu has been a member since September 2011. In addition, Mr. Xu holds positions in the following companies including a director of Zhejiang Hisun BioRay Bio-pharmaceutical Co., Ltd. (浙江海正博鋭生物製藥有限公司) since September 2019, a director of Sinopharm Rosino (Shanghai) Commercial Factoring Co., Ltd. (國藥融匯(上海)商業保理有限公司) since October 2018, a director of Shenzhen Samoyed Financial Services Co., Ltd. (深圳薩摩耶互聯網金融服務有限公司) since September 2018, a director of Shenzhen Qianhai Dadao Financial Services Co., Ltd. (深圳前海大道金融服務有限公司) since December 2016, a director of Inner Mongolia Youran Dairy Co., Ltd. (內蒙古優然牧業有限責任公司) since December 2015 and a director of Shenzhen Qianhai Dashu Financial Services Co., Ltd. (深圳前海大數金融服務有限公司) since November 2015. From January 2006 to August 2007, Mr. Xu worked at Morgan Stanley Asia Limited, where he was responsible for consulting services for corporate securities issuance and mergers and acquisitions. From August 2007 to June 2009, Mr. Xu served as an associate of TPG Capital Limited. From November 2009 to August 2011, Mr. Xu served as a senior associate in the investment general team of Apax Partners Hong Kong Limited.

Mr. Xu obtained his bachelor's degree in electronic information engineering from Zhejiang University (浙江大學) in the PRC in June 2003. He later obtained his master's degree in management science and engineering from Stanford University in the U.S. in January 2006.

Mr. QIU Yu Min (裘育敏), aged 47, was appointed as our Director on October 31, 2018 and re-designated as our non-executive Director on July 3, 2019. Mr. Qiu is primarily responsible for participating in formulating our Company's corporate and business strategies. Prior to joining our Group, Mr. Qiu has over 15 years of experience in medical and healthcare advisory and investment industry. In addition, Mr. Qiu has been a partner of investment department at Advantech Capital (尚珹投資) since October 2017. Since September 26, 2018, he has served as a director of TOT Biopharm International Company Limited (東曜藥業股份有限公司), the shares of which are listed on the Stock Exchange (stock code: 1875) and is currently a non-executive director and a member of audit and connected transactions review committee of TOT Biopharm International Company Limited. Mr. Qiu also holds directorship in the following companies including Heal Force Bio-Meditech Holdings Limited, Arrail Group Limited, Shanghai Wiwide UKang Network Technology Co., Ltd. (上海邁外迪佑康網絡科技有限公司), Shenzhen Huakang Quanjing Information Technology Co., Ltd. (深圳市華康全景資訊技術有限公司), HBM Holdings Limited, KBP Biosciences Holdings Limited, Shandong Henry Pharmaceutical Technology Co., Ltd. (山東亨利醫藥科技有限責任公司), Zhejiang Daoming Pharmaceutical Technology Co., Ltd. (浙江導明醫藥科技有限公司) and Dongyao Pharmaceutical Co., Ltd. (東曜藥業有限公司).

Prior to joining our Group, Mr. Qiu worked at Vancouver Coastal Health Authority until 2007. From April 2007 to May 2010, he served as a manager of the healthcare advisory team of PricewaterhouseCoopers Consultants (Shenzhen) Ltd. Beijing Branch (普華永道諮詢(深圳)有限公司北京分公司), where he was responsible for providing consulting services in the medical industry. From May 2010 to April 2013, Mr. Qiu served as the vice president in investment department of GL Capital (德福資本), where he was responsible for investment in healthcare industry. From May 2013 to December 2015, Mr. Qiu held multiple positions in New Horizon Capital (新天域資本) including a director and an executive director. Mr. Qiu was an executive director of Advantech Capital (尚珹投資) from January 2016 to September 2017 and has been serving as a partner of Advantech Capital since October 2017.

Mr. Qiu obtained his bachelor's degree in power engineering from East China University of Technology (華東工業大學) in the PRC in July 1994. He obtained his master's degree in business management in finance from University of British Columbia in Canada in May 2004. Mr. Qiu has been a chartered financial analyst conferred by the Chartered Financial Analyst Institute since 2007 and a certified management analyst conferred by the Institute of Management Accountants since May 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. JIANG Hualiang (蔣華良), aged 55, was appointed as an independent non-executive Director on November 24, 2019. Dr. Jiang is primarily responsible for supervising and providing independent judgement to our Board.

Dr. Jiang joined Shanghai Institute of Materia Medica, Chinese Academy of Sciences (中國科學院上海藥物研究所) in August 1995 and successively served as different positions including a research fellow, a director and a research director of State Key Laboratory of Drug Research (新藥研究國家重點實驗室). He is also serving as an adjunct professor at Shenyang Pharmaceutical University (瀋陽藥科大學) since September 2015. Dr. Jiang was recognized as an Academician of Chinese Academy of Sciences (中國科學院院士) in November 2017. Dr. Jiang was awarded the Second Prize of State Technological Invention Award (國家技術發明獎二等獎) by State Council of the People's Republic of China (中華人民共和國國務院) in 2017, the First Prize of Shanghai Science and Technology Award (上海市科學技術獎一等獎) by Shanghai Municipal People's Government (上海市人民政府) twice in 2003 and 2015 and the Second Prize of National Natural Science Award (國家自然科學獎二等獎) by State Council of the People's Republic of China in 2007.

Dr. Jiang obtained a bachelor's degree in chemistry from Nanjing University (南京大學) in the PRC in July 1987, a master degree in physical chemistry from East China Normal University (華東師範大學) in the PRC in July 1992 and a doctoral degree in medicinal chemistry from Shanghai Institute of Materia Medica, Chinese Academy of Sciences (中國科學院上海藥物研究所) in the PRC in July 1995.

Mr. WEI Kevin Cheng (蔚成), aged 52, was appointed as an independent non-executive Director on November 24, 2019. Mr. Wei's main responsibility includes serving as the chairman of the Audit Committee.

Mr. Wei is currently a managing partner of Fontainburg Corporation Limited, a corporate finance advisory firm. Mr. Wei has held the following positions in certain public companies: an independent non-executive director and the chairman of audit and compliance committee of Nexteer Automotive Group Limited, a company listed on the Stock Exchange (stock code: 1316) since June 2013, an independent non-executive director and the chairman of audit committee and a member of remuneration committee, nomination committee and risk management committee of Tibet Water Resources Ltd., a company listed on the Stock Exchange (stock code: 1115) since March 2011 and an independent director and the chairman of audit committee of Alpha Peak Leisure Inc., a company listed on the Toronto Stock Exchange (TSX-V: AAP), since November 2017. Mr. Wei's prior directorship include an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee of the board of Wisdom Sports Group, a company listed on the Stock Exchange (stock code: 1661), from June 2013 to February 2018 and an independent director and the chairman of audit committee of the board of Hunter Maritime Acquisition Corp., which was delisted from NASDAQ in 2019, from April 2019 to July 2019. He also served as the chief financial officer of IFM Investments Limited, a real estate services company headquartered in Beijing, from December 2007 to September 2013. IFM Investments Limited was delisted from NYSE in 2015. Prior to that, from July 2006 to October 2007, Mr. Wei served as the chief financial officer of Solarfun Power Holdings Co., Limited (ticker symbol: SOLF), a NASDAQ listed solar company (currently known as Hanwha SolarOne Co., Ltd. and relisted on NASDAQ as Hanwha SolarOne (ticker symbol: HSOL)). From September 2003 to July 2005, Mr. Wei served as the head of internal audit for LG.Philips Displays International Ltd.

Mr. Wei became a member of the American Institute of Certified Public Accountants in February 1999. He graduated in June 1991 from Central Washington University in the U.S., where he received his bachelor's degree in science (cum laude) with a double major in accounting and business administration.

Mr. WU Dong (吳冬), aged 50, was appointed as an independent non-executive Director on November 24, 2019. Mr. Wu is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Wu is currently serving as a venture partner at 6 Dimensions Capital (蘇州通和毓承投資合夥企業(有限合夥)), a leading venture capital firm specializing in the healthcare industry to invest in companies in their early stages of formation or progress for development. He is also the founder and an executive director of Shanghai Jiuben Technology Co., Ltd. (上海究本科技有限公司). Prior to joining 6 Dimensions Capital, Mr. Wu had worked for Johnson & Johnson (a company listed on the NYSE, stock code: JNJ) for over 10 years from August 2007 to March 2018 and served different positions including the head of Asia Pacific Innovation Center, a vice president of global engineering and emerging market R&D, the Emerging Market Innovation Centre Leader, a vice president of Research Development & Engineering, Asia Pacific and a senior director of emerging market R&D.

Mr. Wu received his bachelor's degree in applied chemistry from Fudan University (復旦大學) in the PRC in July 1992 and an executive master of business administration from China-Europe International Business School (中歐國際商學院) in the PRC in September 2005.

SENIOR MANAGEMENT

Dr. XU Ting (徐霆) is the chairman of the Board, Chief Executive Officer and an executive Director. Please see "Executive Directors" section on pages 35 to 36 for details of his biography.

Mr. SHUAI Qi Terry (帥琪), aged 42, was appointed as our Chief Financial Officer in May 5, 2018. Mr. Shuai is primarily responsible for investor relations and financial planning of our Group.

Prior to joining our Group, Mr. Shuai has around 10 years of experience in investment banking and private equity investment, and six years of experience in pharmaceutical research. From March 2002 to February 2008, Mr. Shuai served as a research scientist at Abbott Laboratories. From July 2008 to April 2010, Mr. Shuai served as an associate at the global banking and market division of the Hong Kong and Shanghai Banking Corporation Limited (HSBC). From May 2010 to May 2011, Mr. Shuai served as an associate at the investment banking division of Credit Suisse (Hong Kong) Limited. From May 2011 to July 2015, Mr. Shuai worked at Morgan Stanley Asia Limited with his last position as an executive director. From July 2015 to June 2016, Mr. Shuai served as a vice president of Bain Capital Asia, LLC. From September 2016 to May 2018, Mr. Shuai served as a director and Head of Healthcare, Asia, in the Corporate & Investment Banking Division of the Hong Kong branch of Deutsche Bank AG.

Mr. Shuai obtained his bachelor's degree in polymer from the University of Science and Technology of China (中國科學技術大學) in the PRC in July 2000, his master's degree in Chemistry from Columbia University in the U.S. in February 2002 and his master's degree in business administration from the Booth School of Business of the University of Chicago in the U.S. in July 2008.

Dr. LIU Mike (劉銘), aged 54, was appointed as our Senior Vice President, Business Development on May 1, 2018. Dr. Liu is primarily responsible for business development of our Group. Dr. Liu also serves as the senior vice president of Jiangsu Alphamab. Dr. Liu served as the executive vice president of Suzhou Alphamab from May 2016 to April 2018. Prior to joining Suzhou Alphamab, Dr. Liu had served various positions in a number of pharmaceutical companies including a manager of Purdue Pharma L.P. from May 2001 to August 2005, where he was responsible for licensing and business development, an associate director of Alexion Pharmaceuticals Inc. from September 2005 to November 2010, where he was responsible for global commercial development, and the head of global business development of Jiangsu Hengrui Medicine Co., Ltd. (江蘇恒瑞醫藥股份有限公司) from December 2010 to May 2016.

Dr. Liu obtained his bachelor's degree in biochemistry from Nanjing University (南京大學) in the PRC in June 1988, his doctoral degree in cancer biology and biochemistry from Eppley Cancer Institute of University of Nebraska in the U.S. in May 1995 and his master's degree in business administration from Washington University in the U.S. in May 2001.

Ms. LIU Yang (劉陽) is the Vice President, Corporate Operations and, an executive Director. Please see "Executive Directors" section on page 36 for details of her biography.

Mr. WAN Yumin (萬玉民), aged 48, was appointed as the Vice President, Government Affairs and Public Relations of our Company on January 14, 2019. Mr. Wan is primarily responsible for government affairs, legal affairs and public relations of our Group. Mr. Wan also serves as a vice president of Jiangsu Alphamab. Prior to joining our Group, Mr. Wan served as a researcher at Astronaut Center of China (中國太空人科研訓練中心) from 1993 to March 2017. From April 2018 to January 2019, he served as a researcher at National Center for Science & Technology Evaluation (國家科技評估中心) where he was responsible for policy advice and project management.

Mr. Wan obtained his bachelor's degree in biochemistry from Nanjing University (南京大學) in the PRC in July 1993 and his master's degree in biochemistry and molecular biology from China Agricultural University (中國農業大學) in the PRC in July 2000.

Mr. KONG Liang (孔亮), aged 39, was appointed as our Vice President, Clinical Operation on June 1, 2018. Mr. Kong is primarily responsible for clinical trials of our Group. Mr. Kong joined our Group in June 2018 and served as a vice president of Jiangsu Alphamab. In December 2019, Mr. Kong was awarded as Leader of Gusu in Innovation and Entrepreneurship. He has 16 years' experience in contract research organization (CRO) and biotechnology.

Prior to joining our Group, from November 2013 to September 2017, Mr. Kong served as a clinical operation director of FibroGen (China) Medical Technology Development Co., Ltd. (FibroGen). He is a contributor to the NMPA approval of FibroGen's Roxadustat, a first-in-class hypoxia-inducible factor prolyl hydroxylase inhibitor (HIF-PHI) for the treatment of patients with anemia caused by chronic kidney disease (CKD) in patients who are dialysis-dependent (DD). China is the first country to approve Roxadustat globally. From September 2017 to May 2018, Mr. Kong served as the clinical operation vice president of Hua Medicine (Shanghai) Ltd., an indirectly wholly-owned subsidiary of Hua Medicine, a biotechnology company, the shares of which are listed on the Stock Exchange (stock code: 2552), where he was responsible for the oversighting of clinical operation. He worked at Roche from 2012 to 2013 as a global study manager to manage Trastuzumab global studies. He also worked at global or local leading CRO companies including Apex China Co., Ltd and Fountain Medical Development Ltd.

Mr. Kong obtained his master's degree in pharmaceutics from Pharmaceutical University (中國藥科大學) in the PRC in June 2004.

Mr. YU Ji (虞驥), aged 42, was appointed as our Vice President, Manufacturing in July 15, 2019. Mr. Yu is primarily responsible for manufacturing management of our Group.

Prior to joining our Group, from May 2003 to June 2019, Mr. Yu served as several positions including the general manager of manufacturing department at Zhejiang Hisun Pharmaceutical Co., Ltd. (浙江海正藥業股份有限公司), where he was mainly responsible for biological manufacturing.

Mr. Yu received his bachelor's degree in biochemical engineering from Zhejiang University of Technology (浙江工業大學) in the PRC in June 2000 and his Master's degree in biochemical engineering from Zhejiang University (浙江大學) in the PRC in March 2003.

Mr. YANG Shaowei (楊少偉), aged 44, was appointed as our Vice President, Quality on July 1, 2019. He served as our Head of Quality from June 2017 to July 2019. Mr. Yang is primarily responsible for the quality management of our Group. Mr. Yang also served as an executive director of quality department of Jiangsu Alphamab.

From September 2011 to April 2014, Mr. Yang served as the head of quality assurance compliance of Zhejiang Tianyuan Biological Pharmaceutical Co., Ltd. (浙江天元生物藥業有限公司), a pharmaceutical company which is owned by Novartis Group, where he was responsible for GMP compliance. From April 2014 to June 2015, Mr. Yang served as a quality assurance director in Suzhou Alphamab. From July 2015 to June 2017, Mr. Yang served as the head of quality department in Sanofi (Beijing) Pharmaceuticals Co., Ltd. (賽諾菲(北京)製藥有限公司).

Mr. Yang obtained his bachelor's degree in physiology from Nanjing University (南京大學) in the PRC in July 1996.

Save as disclosed above, none of our Directors and senior management held any directorship in any public companies the shares of which are listed in the Stock Exchange or overseas stock markets during the three years prior to the date of this annual report.

To the best of the Board's knowledge, information and belief, save as disclosed in the annual report, our Directors and senior management do not have any relationship amongst them.

JOINT COMPANY SECRETARIES

Mr. SHUAI Qi Terry (帥琪) was appointed as one of our joint company secretaries on July 3, 2019. Please refer to his biography under "Senior Management" section on page 40.

Ms. WONG Yee Man (黃綺汶) was appointed as one of our joint company secretaries on July 3, 2019. Ms. Wong is a manager of Corporate Services of Vistra Corporate Services (HK) Limited. She has over nine years of experience in providing a full range of company secretarial and compliance services to private and listed companies. Ms. Wong obtained a bachelor's degree in science majoring in risk management from The University of Hong Kong and a master of science in professional accounting and corporate governance 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 (now known as The Chartered Governance Institute) in the United Kingdom since 2012. She is currently a joint company secretary of ManpowerGroup Greater China Limited and the company secretary of Home Control International Limited, both of which are listed on the Main Board of the Stock Exchange (stock codes: 2180 and 1747).

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 presents this corporate governance report in the Group's annual report for the year ended December 31, 2019.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices.

The Company was only listed on the Main Board of the Stock Exchange on December 12, 2019. Since the Listing Date to December 31, 2019, the Company has complied with all applicable code provisions set out in the Corporate Governance Code except for the following deviations:

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Xu currently serves as the chairman of the Board and the chief executive officer of the Company. He is the founder of the Group and has been operating and managing the Group since its establishment. Our Directors believe that it is beneficial to the business operations and management of the Group that Dr. Xu continues to serve as both the chairman of the Board and the chief executive officer of the Company.

Pursuant to code provision A.1.1 of the Corporate Governance Code, board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. As the Company was only listed on December 12, 2019, no Board meeting was held during the period from December 12, 2019 to December 31, 2019. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the Corporate Governance Code.

Pursuant to code provision C.3.3(e)(i) of the Corporate Governance Code, members of the audit committee should liaise with the board and senior management and the audit committee must meet, at least twice a year, with the Company's auditor. As the Company was only listed on December 12, 2019, no Audit Committee meeting was held during the period from December 12, 2019 to December 31, 2019. Going forward, the Audit Committee will fully comply with the requirement under code provision C.3.3(e)(i) of the Corporate Governance Code to convene at least 2 meetings in each financial year and meet the external auditor.

The Company regularly reviews its compliance with corporate governance codes and the Board believes that save as disclosed above, the Company was in compliance with the applicable code provisions of the Corporate Governance Code from the Listing Date to December 31, 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code from the Listing Date to December 31, 2019.

The Company's relevant employees, who are likely to be in possession of unpublished price-sensitive information ("**Inside Information**") of the Company, have also been subject to the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company from the Listing Date to December 31, 2019.

The Company has also established a policy on Inside Information to comply with its obligations under the SFO and the Listing Rules. In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

BOARD OF DIRECTORS

The Board currently comprises two executive Directors, two non-executive Directors and three independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors:

Dr. XU Ting (徐霆) *(Chairman of the Board and Chief Executive Officer)*
Ms. LIU Yang (劉陽)

Non-Executive Directors:

Mr. XU Zhan Kevin (許湛)
Mr. QIU Yu Min (裘育敏)

Independent Non-Executive Directors:

Dr. JIANG Hualiang (蔣華良)
Mr. WEI Kevin Cheng (蔚成)
Mr. WU Dong (吳冬)

The biographical details of the Directors are set out in the section headed "Profiles of Directors and Senior Management" on pages 35 to 43 of this annual report.

Save that Dr. Xu and Ms. Liu Yang are spouse, none of the members of the Board is related to one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the Corporate Governance 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. Xu, 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

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

As the Company was only listed on December 12, 2019, no Board meeting was held during the period from December 12, 2019 to December 31, 2019. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the Corporate Governance Code.

Attendance record of Directors

During the period from Listing Date to December 31, 2019, no Board meeting, committee meeting and general meeting was held by the Company.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from the Listing Date to December 31, 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from November 24, 2019 or until the third annual general meeting of the Company since the Listing Date (whichever is sooner). Independent non-executive Directors are required to inform the Company if there is any change that may affect his/her independence.

APPOINTMENT AND RE-ELECTION 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, identifying and recommending individuals suitably qualified to become Board members, 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.

Code Provision A.4.1 of the Corporate Governance Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election.

Each of the Directors, including non-executive Directors, is appointed for a term of three years and is subject to retirement by rotation once every three years.

Pursuant to Article 84(1) of the Articles of Association, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office 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, Dr. XU Ting, Mr. XU Zhan Kevin and Mr. QIU Yu Min shall retire at the AGM and, being eligible, will offer themselves for re-election pursuant to Article 84(1) of the Articles of Association.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for making all major decisions of the Company including the approval and monitoring of all major policies of the Group and overall strategies, internal control and risk management systems, notifiable and connected transactions, nomination of the Directors and joint company secretaries, and other significant financial and operational matters.

All of the Directors have full and timely access to all relevant information as well as the advice and services of the joint company secretaries, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions are periodically reviewed. Approval must be obtained from the Board before any significant transaction is entered into.

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. The terms of reference of the Board committees are available for viewing on the websites of the Company and the Stock Exchange.

Audit Committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to, among others, (i) review and supervise the financial reporting process and internal controls system of the Group, (ii) review and approve connected transactions and to advise the Board, and (iii) review the Company's internal audit function to ensure co-ordination between the internal and external auditors, to ensure that internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness. The Audit Committee comprises two independent non-executive Directors and one non-executive Director, namely Mr. WEI Kevin Cheng, Mr. WU Dong and Mr. QIU Yu Min. Mr. WEI Kevin Cheng, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2019 and has met with the independent auditor, Deloitte Touche Tohmatsu, Certified Public Accountants ("**Deloitte**"). The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

According to the requirement under the Code Provision C.3.3(e)(i) of the Corporate Governance Code and the terms of reference of the Audit Committee, the Audit Committee will hold at least two meetings a year and will also meet the external auditor at least twice a year without the presence of the executive Directors. During the period from the Listing Date to December 31, 2019, the Audit Committee has not convened any meeting as the Company was only listed on December 12, 2019. Going forward, the Audit Committee will fully comply with the requirement under the Code Provision C.3.3(e)(i) of the Corporate Governance Code and its terms of reference.

Remuneration Committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. 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 our Directors and senior management, to engage in assessing performance of executive directors, and to review and approve the compensation payable to executive directors and senior management in accordance with service contracts. The Remuneration Committee comprises one executive Director and two independent non-executive Directors, namely Mr. WU Dong, Ms. LIU Yang and Mr. WEI Kevin Cheng. Mr. WU Dong is the chairman of the committee.

According to the terms of reference of the Remuneration Committee, the Remuneration Committee will hold at least one meeting a year. During the period from the Listing Date to December 31, 2019, the Remuneration Committee has not convened any meeting as the Company was only listed on December 12, 2019.

Details of the remuneration payable to each Director of the Company for the year ended December 31, 2019 are set out in Note 13 to the Financial Statements.

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

Remuneration to the senior management by bands (RMB)	**Number of senior management**
0 – 1,000,000	3
1,000,001 – 5,000,000	4
5,000,001 – 10,000,000	1
Total	8

Nomination Committee

We have established a nomination committee in compliance with the Code on Corporate Governance. The primary duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Dr. Xu, Dr. JIANG Hualiang and Mr. WU Dong. Dr. Xu is the chairman of the committee.

According to the terms of reference of the Nomination Committee, the Nomination Committee will hold at least one meeting a year. During the period from the Listing Date to December 31, 2019, the Nomination Committee has not convened any meeting as the Company was only listed on December 12, 2019.

The Nomination Policy was approved and adopted by the Board on November 24, 2019 for evaluating and selecting any candidate for directorship. The Nomination Committee would consider the following criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy), any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

The composition and diversity of the Board were considered by adopting the Board Diversity Policy including the necessary balance of skills and experience appropriate for the requirements of the business development of the Company and for effective leadership. All the executive and non-executive Directors possess extensive and diversified experience in management and broad industrial experience. The three independent non-executive Directors possess professional knowledge in management, finance, accountancy and legal, respectively with broad and extensive experience in business advisory and management, respectively. A summary of the Board Diversity Policy is set out below:

Purpose

The Board Diversity Policy aims to set out the approach to achieve diversity of the Board and enable the Board to comply with the Corporate Governance Code.

Board Diversity Policy Statement

The Company considers increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from several aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

In reviewing the structure, size, composition and diversity of the Board, the Nomination Committee has considered the measurable objectives as set out in the Board Diversity Policy. The Nomination Committee is of the view that the diversity level of the Board is appropriate in terms of knowledge, experience and skills of the directors. However, the Nomination Committee will continue to observe the Board Diversity Policy and consider potential candidates against the objective criteria set out in the Board Diversity Policy in order to achieve increasing diversity at the Board level.

Strategy Committee

We have established a strategy committee. The primary duties of the Strategy Committee are to review and advise on our mid to long term strategic positioning and development plans and to monitor the implementations of our development plans. The Strategy Committee comprises two executive Directors, one non-executive Director and one independent non-executive Director, namely Ms. LIU Yang, Dr. Xu, Dr. JIANG Hualiang and Mr. XU Zhan Kevin. Ms. LIU Yang is the chairman of the committee.

According to the terms of reference of the Strategy Committee, the Strategy Committee will hold at least one meeting a year. During the period from the Listing Date to December 31, 2019, the Strategy Committee has not convened any meeting as the Company was only listed on December 12, 2019.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in code provision D.3.1 of the Corporate Governance Code and such duties have been delegated to the Audit Committee.

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 Corporate Governance 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 required, provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**") in accordance with the Corporate Governance 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 of the Company, realized or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed. All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six years from the date of declaration shall be forfeited and shall revert to the Company.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2019.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors keep abreast of the responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

The Directors are continually provided with information relating to the developments in the legal and regulatory regime and the business and market environments to facilitate the execution of their responsibilities. Continuing briefings and professional development for the Directors were arranged by the Company and its professional advisers.

During the year ended December 31, 2019 and prior to the Listing, all of the Directors, namely, Dr. Xu, Ms. LIU Yang, Mr. XU Zhan Kevin, Mr. QIU Yu Min, Dr. JIANG Hualiang, Mr. WEI Kevin Cheng and Mr. WU Dong participated in a training session conducted by Sidley Austin, our legal adviser as to Hong Kong law, on connected transactions, corporate governance and continuing obligations of listed companies and its directors.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed Deloitte as the external auditor for the year ended December 31, 2019. A statement by Deloitte about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 80 to 84.

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

Services rendered for the Company	**Fees paid and payable (RMB'000)**
Audit service	
IPO services	4,825
Annual audit services	2,460
Sub-total	7,285
Non-audit service	
Tax advising services	44
Internal control review for the listing	400
Sub-total	444
Total	7,729

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems 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.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Board has delegated the Audit Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. The review covers all material controls, including financial, operational and compliance controls.

The Group has also established a set of internal control procedures and system and adopted corporate governance practices to facilitate the effective operation of our business. The Group has adopted an information disclosure policy which sets out comprehensive guidelines in respect of handling and dissemination of inside information.

The Company is committed to excellence and continual improvement and will continue to encourage innovation while maintaining a low-risk profile. Employees are encouraged to adopt a positive approach to risk management, which further strengthens the risk-aware culture (as opposed to risk-adverse culture) of the Group. Risk management is incorporated into the strategic and operational processes at all levels within the Group in order to minimize the impact of risk. Opportunities and risks are identified and are proactively assessed and monitored by employees on an on-going basis.

The Group has established an internal audit function to carry out the analysis and independent appraisal of the adequacy and effective of the Company's risk management and internal control systems. Relevant personnel have been designated to 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 audit team of any risks or internal control measures.

The risk management and internal control systems for the Group was reviewed by the internal consultant of the Company prior to the Company's Listing and has been reviewed by the internal auditor for the Reporting Period. No significant deficiency was located and no material issue was noted or discussed, which required management's attention. The Board is of the view that the risk management and internal control systems for the Reporting Period are effective and adequate.

Going forward, the Board, to be supported by the Audit Committee as well as the management report and the internal audit findings, will review the effectiveness of the risk management and internal control systems of the Group, including the financial, operational, compliance controls and risk management annually. The annual review will also cover the financial reporting and staff qualifications, experience and relevant resources.

Arrangements are in place to facilitate employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Group.

JOINT COMPANY SECRETARIES

Mr. SHUAI Qi Terry, 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 engaged Ms. WONG Yee Man, a manager of the corporate services department of Vistra Corporate Services (HK) Limited, as the joint company secretary to assist Mr. SHUAI Qi Terry in discharging the duties of a company secretary of the Company. Her primary contact person at the Company is Mr. SHUAI Qi Terry, the joint company secretary of the Company.

During the year ended December 31, 2019, Ms. WONG Yee Man has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year. Mr. SHUAI Qi Terry was appointed as one of our joint company secretaries on July 3, 2019 and had taken relevant professional training before the Listing Date. Mr. SHUAI Qi Terry will take no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules commencing from the financial year ending December 31, 2020.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings by Shareholders

Pursuant to Article 58 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company for the transaction of any business specified in such requisition.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves may convene the general meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Proposals at General Meetings

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (as 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 person for election as a Director, they are available on the Company's website at **http://www.alphamabonc.com/**.

Putting Forward Enquiries to the Board and Contact Details

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

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong by post with attention to Ms. WONG Yee Man/Mr. SHUAI Qi Terry, the Joint Company Secretaries or email to ir@alphamabonc.com, for the attention of the Joint Company Secretaries.

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 endeavors 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 **http://www.alphamabonc.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

Pursuant to the special resolutions of the sole shareholder of the Company passed on May 15, 2019 and November 24, 2019, respectively, the third and fourth amended and restated memorandum and articles of association of the Company were adopted with effect from May 27, 2019 and the Listing Date, respectively.

During the period from December 12, 2019 to December 31, 2019, the Company did not make any significant changes to its constitutional documents. A latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

GOING CONCERN

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to the Shareholders through the optimization of the debt and equity balance.

There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's liability to continue as a going concern.

Directors' Report

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 December 31, 2019.

BOARD OF DIRECTORS

The Board currently comprises two executive Directors, two non-executive Directors and three independent non-executive Directors.

The Directors during the year ended December 31, 2019 and up to the date of this annual report were:

Executive Directors:

Dr. XU Ting (徐霆) *(Chairman of the Board and Chief Executive Officer)*
Ms. LIU Yang (劉陽)

Non-Executive Directors:

Mr. XU Zhan Kevin (許湛)
Mr. QIU Yu Min (裘育敏)

Independent Non-Executive Directors:

Dr. JIANG Hualiang (蔣華良)
Mr. WEI Kevin Cheng (蔚成)
Mr. WU Dong (吳冬)

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on March 28, 2018 as an exempted limited liability company under the laws of the Cayman Islands. The Company's Shares were listed on the Main Board of the Stock Exchange on December 12, 2019.

PRINCIPAL ACTIVITIES

We are a leading clinical-stage biopharmaceutical company in China with a fully-integrated proprietary biologics platform in bispecifics and protein engineering. Our mission is to deliver world-class innovative therapeutic biologics to treat patients globally by applying our unique drug discovery and development capabilities. We believe our unique drug discovery and development capabilities are demonstrated by our strong R&D track record and supported by our proprietary technologies, platforms and expertise.

RESULTS

The results of the Group for the year ended December 31, 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 85 to 86 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual 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 section headed "Important Events After the Reporting Period" in this annual report. The discussion of the Company's key relationships with its employees, suppliers and others that have a significant impact on the Company is set out in the section headed "Key Relationships with the Stakeholders" in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

- we may be unable to obtain regulatory approval for our drug candidates;
- clinical drug development involves a lengthy and expensive process with uncertain outcomes, and we may be unable to commercialize our drug candidates on a timely basis;
- if our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates;
- we may not be able to identify, discover or develop new drug candidates;
- we have incurred significant net losses since inception and expect to continue to incur losses, and may never achieve or maintain profitability;
- we may need to obtain substantial additional financing to fund our operations;
- we may not be successful in developing enhancing or adapting to new technologies and methodologies;
- we have very limited experience in commercializing drug candidates;
- we may not be able to obtain sufficient patent protection for our drug candidates; and
- we have collaborated with third parties in the development of drug candidates and combination therapies and may seek collaboration opportunities and strategic alliances in the future.

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

It is our corporate and social responsibility in promoting a sustainable and environmental-friendly environment. We strive to minimize our environmental impact and to build our corporation in a sustainable way.

We are subject to environmental protection and occupational health and safety laws and regulations in China. In 2019, we complied with the relevant environmental and occupational health and safety laws and regulations in China and we did not have any incidents or complaints, which had a material and adverse effect on our business, financial condition or results of operations.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2019, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

EMPLOYEE AND REMUNERATION POLICIES

As at December 31, 2019, the Group had 224 employees.

The number of employees employed by the Group varies from time to time depending on need. The remuneration package of our employees includes salary and bonus, which are generally determined by their qualifications, industry experience, position and performance. The Company makes contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

The Company also has adopted the Pre-IPO Share Option Plans to provide incentives for certain employees. Please refer to the section headed "Pre-IPO Share Option Plans" in this annual report for further details.

The total remuneration cost incurred by the Group for the year ended December 31, 2019 was RMB146.8 million, as compared to RMB28.2 million for the year ended December 31, 2018.

During the year ended December 31, 2019, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

MAJOR SUPPLIERS

For the year ended December 31, 2019, our major suppliers primarily consisted of machinery and equipment suppliers and construction service providers for our new facilities, as well as raw materials suppliers and third-party service providers for our clinical trials and pre-clinical studies. We have maintained stable business relationships with our major suppliers for approximately two to three years. For the procurement of machinery and equipment and construction services related to our new facilities, we generally settle payments pursuant to a payment schedule. For raw material procurement, we engaged Independent Third Party CROs to provide certain services in our pre-clinical studies and clinical trials during the Reporting Period. These services primarily include performing laboratory tests and statistical analyses, conducting data collection and subject monitoring in our clinical trials, and carrying out certain studies based on our study design, which are time and labor intensive.

For the year ended December 31, 2019, purchases from the Group's five largest suppliers amounted to RMB42.5 million (2018: RMB27.5 million), accounting for approximately 35.3% (2018: 45.6%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended December 31, 2019 amounted to RMB10.7 million (2018: RMB8.2 million), accounting for approximately 8.9% (2018: 13.6%) of the Group's total purchase amount for the same year.

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

During the year ended December 31, 2019, the Group did not experience any significant disputes with its suppliers.

MAJOR CUSTOMERS

The Group currently has no products for commercial sale and did not generate any revenue from product sales for the year ended December 31, 2019.

KEY RELATIONSHIP WITH STAKEHOLDERS

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

Relationship with Our Employees

We endeavor to cultivate talented and loyal employees by treating our employees with dignity, respect and fairness. We conduct new employee training, as well as professional and compliance training programs for employees. We enter into employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees usually includes salary, bonus and share option incentives, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

Relationship with Shareholders

We recognize the importance of protecting the interests of the Shareholders and of having effective communication with them. We believe communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, annual reports and results announcements.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last three financial years, as extracted from the audited consolidated financial statements, is set out on page 206 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 39 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2019 are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2019 and details of the Shares issued during the year ended December 31, 2019 are set out in Note 28 to the consolidated financial statements.

DONATION

During the year ended December 31, 2019, the Group made charitable donations of HK$1,000,000.

DEBENTURE ISSUED

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

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Plan as set out in this annual report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2019.

DIVIDENDS

The Board did not recommend the distribution of a final dividend for the year ended December 31, 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 December 31, 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 December 31, 2019, our Company had retained nil profits under IFRSs as reserves available for distribution to our equity Shareholders.

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2019 are set out in the consolidated statement of changes in equity on pages 89 to 91 and in Note 38 to the consolidated financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2019 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 26 to the consolidated financial statements.

CONVERTIBLE BONDS

As at the date of this annual report, the Company has not issued any convertible bonds.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

As at the date of this annual report, the Company has not entered into any loan agreement which contains covenants requiring specific performance of the Controlling Shareholders.

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 Listing Date.

The non-executive Director has signed a letter of appointment with the Company for an initial term of three years with effect from the Listing Date.

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 November 24, 2019.

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

None of the Directors have an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the Note 36 to the consolidated financial statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2019.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has undertaken to us in the Non-Competition Undertaking that, during the period of the Non-competition Undertaking, it/he shall not, and shall procure its/his close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with any business engaged by any member of our Group, or hold interest in any companies or business that compete directly or indirectly with the business currently or from time to time engaged in by our Group. For further details, please refer to the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" of the Prospectus.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus and save for their respective interests in the Group, none of the Directors and the Controlling Shareholders was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended December 31, 2019.

We have received annual written confirmations from the Controlling Shareholders, consisting of Dr. Xu and Rubymab, of the compliance with the provisions of the Non-competition Undertaking by such Controlling Shareholders and their close associates.

The independent non-executive Directors have reviewed the compliance with the Non-competition Undertaking during the year ended December 31, 2019 based on the information and confirmation provided by or obtained from the Controlling Shareholders, and were satisfied that our Controlling Shareholders have duly complied with the Non-competition Undertaking.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2019.

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

As of the Latest Practicable Date, the interests and short positions of the Directors or chief executives of our Company and their associates 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 were as follows:

Long Positions in the Shares of the Company

Name of Directors	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest
Dr. Xu	Founder of a discretionary trust Beneficial owner	328,500,000[1] (L)	35.55%
Ms. LIU Yang	Beneficiary of a trust	328,500,000[1] (L)	35.55%

Note:

(1) These Shares are directly held by Dr. Xu's Family Trust, of which Dr. Xu will act as the settlor and protector for the benefits of his family members with South Dakota Trust acting as the trustee.

(L) – Long position.

Long Positions in the Underlying Shares of the Company

Name of Directors	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest
Dr. Xu	Beneficial owner	21,296,450 (L)	2.31%
	Interest of spouse	2,240,000[1] (L)	0.24%
Ms. LIU Yang	Beneficial owner	2,240,000 (L)	0.24%
	Interest of spouse	21,296,450[1] (L)	2.31%

Note:

(1) Dr. Xu and Ms. LIU Yang are spouses, and therefore are deemed to be interested in the underlying Shares in respect of the options granted under the Pre-IPO Share Option Plans held by each other under the SFO.

(L) – Long position.

Save as disclosed above, as at December 31, 2019, none of the Directors or chief executives of the Company of their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

As of the Latest Practicable Date, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company or their associates) 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 Substantial Shareholders	Nature of interest	Number of Shares	Approximate percentage of shareholding interest
Rubymab	Beneficial owner	328,500,000[1] (L)	35.55%
South Dakota Trust	Trustee	328,500,000[1] (L)	35.55%
Mr. ZHANG Xitian	Interest in a controlled corporation	85,750,000[2] (L)	9.28%
Sky Diamond	Beneficial owner	85,750,000[2] (L)	9.28%
Mr. XUE Chuanxiao	Interest in a controlled corporation	85,750,000[3] (L)	9.28%
Pearlmed	Beneficial owner	85,750,000[3] (L)	9.28%
PAG Growth	Beneficial owner	49,691,190[4] (L)	5.38%
PAG Growth I LP	Interest in a controlled corporation	49,691,190[4] (L)	5.38%
PAG Growth Capital GP I Limited	Interest in a controlled corporation	49,691,190[4] (L)	5.38%
PAG Growth Limited	Interest in a controlled corporation	49,691,190[4] (L)	5.38%
Pacific Alliance Group Limited	Interest in a controlled corporation	49,691,190[4] (L)	5.38%
PAG Holdings Limited	Interest in a controlled corporation	49,691,190[4] (L)	5.38%
Roseworth Investments Limited	Interest in a controlled corporation	49,691,190[4] (L)	5.38%

Name of Substantial Shareholders	Nature of interest	Number of Shares	Approximate percentage of shareholding interest
SHAN Weijian	Interest in a controlled corporation	49,691,190(4) (L)	5.38%
Pang Kee Chan Hebert	Interest in a controlled corporation	49,691,190(5) (L)	5.38%
Advantech Capital Partners II Limited	Interest in a controlled corporation	49,691,190(5) (L)	5.38%
Advantech Capital II L.P.	Interest in a controlled corporation	49,691,190(5) (L)	5.38%
Advantech Capital II Master Investment Limited	Interest in a controlled corporation	49,691,190(5) (L)	5.38%
Advantech Capital II Investment Partners Limited	Interest in a controlled corporation	49,424,035(5) (L)	5.35%
Advantech I	Interest in a controlled corporation	49,424,035(5) (L)	5.35%
	Beneficial owner	267,155(5) (L)	0.03%
Advantech II	Beneficial owner	49,424,035(5) (L)	5.35%
GIC Private Limited	Interest in a controlled corporation	49,424,035(5) (L)	5.35%
GIC Special Investments Private Limited	Interest in a controlled corporation	49,424,035(5) (L)	5.35%
GIC (Ventures) Pte. Ltd.	Interest in a controlled corporation	49,424,035(5) (L)	5.35%
Highbury Investment Pte Ltd	Interest in a controlled corporation	49,424,035(5) (L)	5.35%

Notes:

(1) The entire share capital of Rubymab is wholly owned by South Dakota Trust as the trustee of Dr. Xu's Family Trust, of which Dr. Xu acts as the settlor and protector for the benefits of his family members with South Dakota Trust acting as the trustee.

(2) Sky Diamond is wholly owned by Mr. ZHANG Xitian. Therefore, Mr. Zhang is deemed to be interested in the Shares in which Sky Diamond is interested under the SFO.

(3) Pearlmed is wholly owned by Mr. Xue Chuanxiao. Therefore, Mr. Xue is deemed to be interested in the Shares in which Pearlmed is interested under the SFO.

(4) Each of PAG Growth I LP (as the largest shareholder holding 70% in PAG Growth), PAG Growth Capital GP I Limited (as the general partner of PAG Growth I LP), PAG Growth Limited (as the sole shareholder of PAG Growth Capital GP I Limited), Pacific Alliance Group Limited (as the largest shareholder holding 55% in PAG Growth Capital Limited), PAG Holdings Limited (as the largest shareholder holding approximately 99.17% in Pacific Alliance Group Limited), Roseworth Investments Limited (as a shareholder holding 45% in PAG Growth Capital Limited) and Mr. Shan Weijian (as the sole shareholder of Roseworth Investments Limited) is deemed to be interested in the Shares held by PAG Growth under the SFO.

(5) Each of Advantech Capital II Investment Partners Limited (as the general partner of Advantech II), Advantech I (as a limited partner holding approximately 66.49% in Advantech II), Highbury Investment Pte Ltd (as a limited partner holding approximately 33.51% in Advantech II), Advantech Capital II Master Investment Limited (as the sole shareholder of Advantech I), GIC (Ventures) Pte. Ltd (as the sole shareholder of Highbury Investment Pte Ltd), GIC Special Investments Private Limited (as the entity that manages investment of Highbury Investment Pte Ltd), GIC Private Limited (as the sole shareholder of GIC Special Investments Private Limited), Advantech Capital II L.P. (as the sole shareholder of Advantech Capital II Master Investment Limited), Advantech Capital Partners II Limited (as the sole shareholder of Advantech Capital II Investment Partners Limited and the general partner of Advantech Capital II L.P.) and Mr. Hebert Pang Kee Chan (as the sole shareholder of Advantech Capital Partners II Limited) is deemed to be interested in the Shares held by Advantech II under the SFO.

Since Advantech I, a Shareholder holding approximately 0.03% of the Shares as of December 31, 2019, is ultimately controlled by Mr. Hebert Pang Kee Chan, each of Advantech Capital Partners II Limited, Advantech Capital II L.P., Advantech Capital II Master Investment Limited, Advantech Capital II Investment Partners Limited and Mr. Hebert Pang Kee Chan is deemed to be interested in all the Shares held by Advantech I and Advantech II under the SFO.

(L) – Long position.

Save as disclosed above, as at December 31, 2019, no person, 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 and 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.

PRE-IPO SHARE OPTION PLANS

The Company has adopted two share options plans, namely the Pre-IPO Share Option Plan I and the Pre-IPO Share Option Plan II. The terms of both plans are not subject to the provisions of Chapter 17 of the Listing Rules.

Further details of the Pre-IPO Share Option Plans are set out in the Prospectus and Note 30 to the consolidated financial statements.

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

1. Pre-IPO Share Option Plan I (the "**Plan I**")

(a) *Purpose*

The plan has been established to advance the interests of the Company by providing for the grant to the participants (the "**Plan I Participants**") of the options (the "**Plan I Options**").

(b) *Administration*

The Administrator of the Plan I (the "**Plan I Administrator**") shall be the Board, except that the Board may delegate its authority under the Plan I to a committee of the Board (or one or more members of the Board), in which case references herein to the Board will refer to such committee (or members of the Board).

(c) *Eligible Participants*

The Plan I Administrator of the Plan I will select Plan I Participants from among employees and directors of, and consultants and advisors to, the Company and any corporation or other entity that stands in relationship to the Company that would result in the Company consolidating the financial results of such corporation or other entity under the accounting standards and policies adopted by the Company (the "**Affiliates**") to participate in the Plan I.

(d) *Maximum Number of Shares Available for Issue under the Pre-IPO Share Option Plan*

A maximum of 44,837,690 Shares of our Company with par value of US$0.000002 each may be delivered in satisfaction of the Plan I Options under the Plan I. Shares delivered under the Plan I will be fully paid upon exercise of the Plan I Option. No fractional Shares will be delivered under the Plan I.

As at December 31, 2019, the aggregate number of underlying Shares pursuant to the outstanding options and share awards granted under the Pre-IPO Share Option Plan I is 44,825,385 Shares, representing approximately 5.0% of the total issued Shares. Details of the Pre-IPO Share Option Plan I are set out in Note 30 to the consolidated financial statements.

(e) Determination of Exercise Price

The exercise price of each Plan I Option will be solely determined by the Plan I Administrator provided that the exercise price shall not be lower than the par value of the Shares underlying such Plan I Option. Plan I Options, once granted, may be repriced only in accordance with the applicable requirements of the Plan I.

(f) Consideration

The exercise of a Plan I Option is to be accompanied by payment at the exercise price in cash or check in a currency acceptable by the Plan I Administrator.

(g) Term of the Plan

The Plan I is terminated on the Listing Date. No Plan I Options may be granted after the termination of the Plan I but, each Plan I Option outstanding as at such termination shall continue to be administered in accordance with the Plan I and the relevant Plan I grant agreement.

2. Pre-IPO Share Option Plan II (the "**Plan II**")

(a) Purpose

The plan has been established to advance the interests of the Company by providing for the grant to the participants (the "**Plan II Participants**") of the options (the "**Plan II Options**").

(b) Administration

The Administrator of the Plan II (the "**Plan II Administrator**") shall be the Board, except that the Board may delegate its authority under the Plan II to a committee of the Board (or one or more members of the Board), in which case references herein to the Board will refer to such committee (or members of the Board).

(c) Eligible Participants

The Plan II Administrator of the Plan II will select Plan II Participants from among employees and directors of, and consultants and advisors to, the Company and its Affiliates to participate in the Plan II.

(d) Maximum Number of Shares Available for Issue under the Pre-IPO Share Option Plan

A maximum of 28,148,110 ordinary shares of our Company with par value of US$0.000002 each may be delivered in satisfaction of the Plan II Options under the Plan II. Shares delivered under the Plan II will be fully paid upon exercise of the Plan II Option. No fractional Shares will be delivered under the Plan II.

As at December 31, 2019, the aggregate number of underlying Shares pursuant to the outstanding options and share awards granted under the Pre-IPO Share Option Plan II is 12,634,980 Shares, representing approximately 1.4% of the total issued Shares. Details of the Pre-IPO Share Option Plan II are set out in Note 30 to the consolidated financial statements.

(e) Determination of Exercise Price

The exercise price of each Plan II Option will be determined by the Plan II Administrator except that in the certain circumstances, approval from both Directors appointed by PAG Growth, or Advantech II and Advantech I (the "**Series A Directors**") by their affirmative vote at a meeting of the Board or by separate written consent signed by each Series A Director must be obtained. The exercise price of Plan II Options granted under Plan II shall not be lower than the par value of the Shares underlying such Plan II Option. Plan II Options, once granted, may be repriced only in accordance with the applicable requirements of the Plan II.

(f) Consideration

The exercise of a Plan II Option is to be accompanied by payment at the exercise price in cash or check in a currency acceptable by the Plan II Administrator.

(g) Term of the Plan

The Plan II is terminated on the Listing Date. No Plan II Options may be granted after the termination of the Plan II but, each Plan II Option outstanding as at such termination shall continue to be administered in accordance with the Plan II and the relevant Plan II grant agreement.

3. Outstanding Share Options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Plans as of December 31, 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 30 to the consolidated financial statements.

Details of the movements of the options granted under the Pre-IPO Share Option Plans as at the date of this annual report are as follows:

Name of category of grantee	Date of grant	Option period	Exercise price (US$)	Number of Shares underlying options outstanding as at the Listing Date	Number of options exercise before the Listing Date and the exercise price	Number of options exercised from the Listing Date to December 31, 2019 and the exercise price	Number of options cancelled/ lapsed from the Listing Date to December 31, 2019 and the exercise price	Number of Shares underlying outstanding as at December 31, 2019
Directors								
XU Ting	Between June 30, 2019 to November 8, 2019	10 years from the date of grant	Between 0.0142 to 0.4898	Plan I: 17,061,780 Plan II: 4,234,670	0	0	0	Plan I: 17,061,780 Plan II: 4,234,670
LIU Yang	October 10, 2018	10 years from the date of grant	0.0142	Plan I: 2,240,000	0	0	0	Plan I: 2,240,000
Other Grantees in Aggregate								
	Between October 10, 2018 to November 13, 2019	10 years from the date of grant	Between 0.0142 to 0.4898	Plan I: 25,523,605 Plan II: 8,400,310	0	0	0	Plan I: 25,523,605 Plan II: 8,400,310
Total				57,460,365	0	0	0	57,460,365

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended December 31, 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 Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on 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 Pre-IPO Share Option Plans.

Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 13 and Note 14, 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 December 31, 2019, directors were granted discretionary bonuses of a total sum of RMB2.6 million excluding the special bonus set out in Note 13 to the consolidated financial statements. Save as disclosed above, none of the Directors were paid discretionary bonuses for the year ended December 31, 2019.

CONNECTED TRANSACTIONS

Among the related party transactions disclosed in Note 36 to the consolidated financial statements, the following transactions constitute continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules. The Company confirmed that the related party transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules and complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

As our Company is eligible for listing on the Stock Exchange under Chapter 18A of the Listing Rules as a pre-revenue biotech company, the revenue ratio under Rule 14.07 of the Listing Rules would not be appropriate measure of the size of relevant continuing connected transactions set out in this section. As an alternative, we have applied a percentage ratio test based on the total expenses for R&D and administrative matters of our Group.

Procurement of Ancillary Services and Utility under the Property and Equipment Lease Agreement

Pursuant to the Property and Equipment Lease Agreement, Suzhou Alphamab agreed to provide us with ancillary services of facility maintenance, which are carried out by certain supporting staff of Suzhou Alphamab on the Leased Premises (the "**Ancillary Services**"). In addition, we also need to pay the utility (water, electricity etc.) costs to Suzhou Alphamab during the term of the Property and Equipment Lease Agreement.

Suzhou Alphamab has been providing Ancillary Services to us for biologics manufacturing during the Track Record Period. Any change of the current arrangement may cause material disruption to our business operations and incur additional costs. Therefore, our Directors are of the view that such arrangement is in the best interest of our Group and our Shareholders as a whole. Please refer to the section headed "Connected Transaction" in the Prospectus for details.

The annual caps for the transactions under the Property and Equipment Lease Agreement for the years ended December 31, 2019, 2020 and 2021 are RMB3,395,000, RMB5,821,200 and RMB5,821,200, respectively. The aggregate transaction amount incurred in accordance with the Property and Equipment Lease Agreement for the year ended December 31, 2019 was RMB1,637,548.

Master Technical Service Agreement

Our Group entered into a master technical service agreement ("**Master Technical Service Agreement**") with Suzhou Alphamab with effect from June 6, 2019, pursuant to which, we will provide biologics manufacturing services to Suzhou Alphamab upon request during the term of the agreement ("**Manufacturing Services**"). The Manufacturing Services include (i) manufacturing of biological drug substances in compliance with GMP and (ii) packaging of sterile drug products. The Master Technical Service Agreement has an initial term commencing from the date of the Master Technical Service Agreement till December 31, 2021 and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules.

Our principal operating subsidiary Jiangsu Alphamab had been a subsidiary of Suzhou Alphamab prior to the Reorganization and therefore we are very familiar with its needs and requirements. It is complementary and beneficial to Suzhou Alphamab and us to enter into both the Master Technical Service Agreement and Property and Equipment Lease Agreement to avoid any relocation of manufacturing facility or change of current arrangements that may cause disruption to the manufacturing operations of us and Suzhou Alphamab. Under the Master Technical Service Agreement, we are entitled to refuse to provide or delay the provision of the Manufacturing Services to Suzhou Alphamab if we consider that we do not have adequate manufacturing capacity to perform the requested services. Such arrangement enables us to fully utilize our production capacity as well as generate income for our Group. Our Directors are of the view that providing Manufacturing Services to Suzhou Alphamab as contemplated under the Master Technical Services Agreement will be beneficial to our Group.

The annual caps for the transactions under the Master Technical Service Agreement for the years ended December 31, 2019, 2020 and 2021 are RMB810,000, RMB19,009,500 and RMB18,559,500, respectively. The aggregate transaction amount incurred in accordance with the Master Technical Service Agreement for the year ended December 31, 2019 was RMB84,906.

The above continuing connected transactions have followed the policies and guidelines when determining the price and terms of the transactions conducted for the year ended December 31, 2019.

The auditor of the Group has reviewed the continuing connected transactions referred to above and confirmed to the Board that the continuing connected transactions: (i) have received the approval of the Board; (ii) were in accordance with the pricing policies of the Group; (iii) were entered into in accordance with the relevant agreement governing the transactions; and (iv) have not exceeded the caps.

The independent non-executive Directors have confirmed that the above continuing connected transactions: (i) have been entered into, and will be carried out, in the ordinary and usual course of business of our Group and on normal commercial terms or better to us and are fair and reasonable and are in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

The Company has designated a team of senior management from business operation, legal, risk control and finance departments and Board office to monitor the continuing connected transactions and ensure that the continuing connected transactions with the abovementioned connected persons are on arm's length basis and that the annual caps are not exceeded. Such team of senior management continuously traces and regularly monitors the progress of the continuing connected transactions and reports to management of the Company. They review the continuing connected transactions with the finance department to ensure that annual caps are not exceeded. They will also communicate with the Audit Committee, management and the Board, monthly or as needed, to report the progress of the continuing connected transactions, and request for approval of new changes of existing transaction terms. The heads of different departments of the Company will be informed on a periodic basis in relation to the terms and pricing policies of the continuing connected transactions as well. The Audit Committee has also assigned the independent internal audit team the task to ensure that the Company's internal control measures in respect of the continuing connected transactions remain effective and complete. With these measures, the independent non-executive Directors could therefore assess and give the confirmations in the preceding paragraph.

Save for disclosed above, from the Listing Date to December 31, 2019, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" above, no contract of significance was entered into between the Company, or one of its subsidiary companies, and any of its Controlling Shareholders or subsidiaries from the Listing Date to December 31, 2019.

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 December 31, 2019.

MATERIAL LITIGATION

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

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company's Shares were listed on the Stock Exchange on December 12, 2019 with a total of 236,863,365 offer shares (including shares issued as a result of the full exercise of the over-allotment option) issued. The net proceeds from the global offering amounted to approximately HK$2,042.5 million. As of December 31, 2019, the Company did not utilize any of the proceeds from the global offering. Going forward, the net proceeds will be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus. The Company expects that approximately 10% to 15% of the net proceeds of the global offering will be utilized in 2020 and plans to utilize the balance of net proceeds of the global offering by the end of 2022.

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, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from Wednesday, May 20, 2020 to Monday, May 25, 2020, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on Monday, May 25, 2020. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Tuesday, May 19, 2020.

By order of the Board
Dr. XU Ting
Chairman of the Board

Hong Kong, March 31, 2020

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF ALPHAMAB ONCOLOGY
康寧傑瑞生物製藥
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Alphamab Oncology (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 85 to 205, 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 Standard Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (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 MATTER

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

Key audit matter	How our audit addressed the key audit matter
Recognition and measurement of outsourcing service fees	
We identified the recognition and measurement of outsourcing service fees as a key audit matter due to its significance and the estimation involved in allocating the outsourcing service fees paid and payable to contract research organizations ("CROs"), contract manufacturing organizations ("CMOs"), clinical research coordinators ("CRCs") and clinical trial sites ("CTSs"), mainly being hospitals (collectively referred to as the "Outsourced Service Providers") in the appropriate financial reporting period. During the year ended 31 December 2019, the Group incurred research and development ("R&D") expenses of approximately RMB166.7 million, out of which approximately RMB77.5 million or 46.5% were attributable to the outsourcing service fees as set out in note 11 to the consolidated financial statements. These Outsourced Service Providers provided supports to the Group's various R&D activities in the pharmaceutical, biotechnology and medical device industries in the form of R&D or manufacturing services and the Group entered into agreements with them and these services are typically performed across the financial reporting periods. Accordingly, the allocation of outsourcing service fees to the appropriate financial reporting period and accruals as at reporting date based on the progress of the R&D projects involves estimation by the management and outsourcing service fees of approximately RMB15.3 million were accrued as at 31 December 2019 as set out in note 23 to the consolidated financial statements.	Our procedures performed on the recognition and measurement of the outsourcing service fees included: • Obtaining an understanding of key controls over the management's recognition and measurement basis of outsourcing services fees, the process in relation to their accrual as at year end and the progress of each R&D project; • Assessing the accuracy of outsourcing service fees paid and payable to CTSs, on a sample basis, by checking to their invoices, the patient enrolment listing, the progress of outsourcing services provided by CTSs reported by the representatives of the relevant CRCs, the costs per patient in the agreements and with reference to the completion status of the clinical trial progress; • Evaluating the accuracy of outsourcing service fees paid and payable to CROs, CMOs and CRCs recorded, on a sample basis, by checking their respective contract sums, progress and/or milestones achieved to their invoices, the relevant agreements and the progress reported by the representatives of the relevant CROs, CMOs and CRCs; and • Confirming with the CROs and CRCs in respect of the progress of the outsourcing services provided, on a sample basis, for the year ended 31 December 2019.

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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 31, 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
Other income	7	**34,429**	783
Other losses	8	**(321)**	(9,833)
Fair value change of convertible redeemable preferred shares	27	**(542,291)**	(26,284)
Research and development expenses		**(166,654)**	(65,608)
Administrative expenses		**(117,736)**	(25,857)
Reorganization related expenses		**–**	(69,416)
Finance costs	9	**(3,606)**	(1,507)
Listing expenses		**(36,561)**	(4,911)
Loss before taxation		**(832,740)**	(202,633)
Income taxation	10	**–**	–
Loss for the year	11	**(832,740)**	(202,633)
Other comprehensive (expense) income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign operation		**(154)**	40
Total comprehensive expense for the year		**(832,894)**	(202,593)
Loss for the year attributable to:			
Owners of the Company		**(832,740)**	(149,843)
Non-controlling interests		**–**	(52,790)
		(832,740)	(202,633)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	NOTE	2019 RMB'000	2018 RMB'000
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(832,894)**	(149,803)
Non-controlling interests		**–**	(52,790)
		(832,894)	(202,593)
Loss per share in RMB	15		
– Basic		**(1.55)**	(0.42)
– Diluted		**(1.55)**	(0.42)

Consolidated Statement of Financial Position

As at 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	16	**331,951**	104,944
Right-of-use assets	17	**42,353**	27,912
Deposits paid for acquisition of property, plant and equipment		**4,321**	26,965
Other receivables and deposits	19	**31,490**	10,969
		410,115	170,790
Current assets			
Inventories	18	**25,918**	7,068
Other receivables, deposits and prepayments	19	**36,115**	15,323
Financial assets at fair value through profit or loss ("FVTPL")	20	**11,680**	–
Time deposits with original maturity over three months	21	**502,889**	–
Cash and cash equivalents	21	**1,867,866**	633,712
		2,444,468	656,103
Current liabilities			
Trade and other payables	22	**145,962**	67,208
Amount due to a related company	23	**787**	5,090
Lease liabilities – current portion	24	**13,081**	10,502
Bank borrowings – current portion	26	**28,750**	–
Deferred income	29	**11,950**	–
		200,530	82,800
Net current assets		**2,243,938**	573,303
Total assets less current liabilities		**2,654,053**	744,093

Consolidated Statement of Financial Position

As at 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Lease liabilities – non-current portion	24	**10,095**	518
Contract liabilities	25	**11,733**	10,000
Bank borrowings – non-current portion	26	**201,250**	100,000
Convertible redeemable preferred shares	27	**–**	900,603
Deferred income	29	**5,050**	–
		228,128	1,011,121
Net assets (liabilities)		**2,425,925**	(267,028)
Capital and reserves			
Share capital	28	**12**	7
Reserves		**2,425,913**	(267,035)
Total equity (equity deficiency)		**2,425,925**	(267,028)

The consolidated financial statements on pages 85 to 205 were approved and authorized for issue by the Board of Directors on 31 March 2020 and are signed on its behalf by:

XU TING
DIRECTOR

LIU YANG
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company								
	Paid-in capital/ share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	20,400	–	(2,806)	–	–	(4,175)	13,419	12,892	26,311
Loss for the year (note i)	–	–	(6,645)	–	–	(143,198)	(149,843)	(52,790)	(202,633)
Other comprehensive income for the year	–	–	–	40	–	–	40	–	40
Total comprehensive (expense) income for the year	–	–	(6,645)	40	–	(143,198)	(149,803)	(52,790)	(202,593)
Capital injection in Jiangsu Alphamab (as defined in Note 2) on 9 February 2018	10,200	–	–	–	–	–	10,200	9,800	20,000
Issue of ordinary shares by the Company (Note 28)	7	–	–	–	–	–	7	–	7
Net contribution by Suzhou Alphamab (as defined in Note 2) (note ii)	–	–	4,864	–	–	–	4,864	4,673	9,537
Acquisition of additional equity interest in Jiangsu Alphamab (note iii)	8,820	–	32,635	–	–	–	41,455	22,998	64,453
Transfer of the Oncology Business (as defined and detailed in Note 2)	–	–	(67,412)	–	–	–	(67,412)	(64,768)	(132,180)
Arising from the Reorganization (as defined and detailed in Note 2) (note iv)	(39,420)	–	(80,338)	–	–	–	(119,758)	67,195	(52,563)
At 31 December 2018	7	–	(119,702)	40	–	(147,373)	(267,028)	–	(267,028)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company								
	Paid-in capital/ share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Loss for the year (note i)	–	–	(1,405)	–	–	(831,335)	(832,740)	–	(832,740)
Other comprehensive expense for the year	–	–	–	(154)	–	–	(154)	–	(154)
Total comprehensive expense for the year	–	–	(1,405)	(154)	–	(831,335)	(832,894)	–	(832,894)
Net contribution by Suzhou Alphamab (as defined in Note 36) (note ii)	–	–	399	–	–	–	399	–	399
Automatic conversion of Series A Preferred Shares and Series B Preferred Shares (as defined in Note 11) into ordinary shares upon the initial public offerings ("IPO") (as detailed in Note 28)	3	1,853,305	–	–	–	–	1,853,308	–	1,853,308
Issue of ordinary shares in the IPO (Note 28)	2	1,646,186	–	–	–	–	1,646,188	–	1,646,188
Transaction costs directly attributable to issue of new shares in the IPO	–	(65,071)	–	–	–	–	(65,071)	–	(65,071)
Cancellation of certain pre-IPO share options (Note 30(a))	–	–	–	–	–	12,250	12,250	–	12,250
Recognition of equity-settled share-based payment (Note 30(a) & (b))	–	–	–	–	78,773	–	78,773	–	78,773
At 31 December 2019	12	3,434,420	(120,708)	(114)	78,773	(966,458)	2,425,925	–	2,425,925

The other reserve comprises:

(i) the accumulated losses derived from the Oncology Business carried out by Suzhou Alphamab prior to its transfer to Jiangsu Alphamab and during the transition period (as defined in Note 2) as such accumulated losses legally belong to Suzhou Alphamab which is not a member of the Group;

(ii) the net contribution from Suzhou Alphamab on the funding used in the Oncology Business, which was provided by Suzhou Alphamab prior to and during the transition period after the transfer of Oncology Business on 18 April 2018;

(iii) the effect of an increase of effective shareholding of Dr. Xu Ting ("Dr. Xu") in Jiangsu Alphamab from 51% to 65.7% on 20 June 2018 at a cash consideration of RMB16,188,000 as part of the Reorganization (as defined and detailed in Note 2). This resulted in recognition of a reorganization related expense as detailed in Note 36(iv) of RMB64,453,000 charged to profit or loss to reflect Dr. Xu's additional interest value acquired as part of the Reorganization, which has been determined by the directors of Company with reference to a valuation carried out by an independent qualified professional valuer not connected with the Group, less the consideration paid to Suzhou Alphamab which is attributable to the non-controlling interests of Suzhou Alphamab. The difference of the above reorganization related expense and the paid-in capital of Jiangsu Alphamab attributable to Dr. Xu of RMB8,820,000 and the carrying amount of the non-controlling interests of RMB22,298,000 is recognized in the other reserve; and

(iv) the difference between the cash consideration of RMB52,563,000, which is accounted for as deemed distribution to the shareholders, for the acquisition of 100% equity interest in Jiangsu Alphamab by Alphamab Hong Kong (as defined in Note 2) as part of the Reorganization, and the share capital of Jiangsu Alphamab attributable to Dr. Xu of RMB39,420,000 plus the carrying amount of the non-controlling interests of RMB67,195,000 at the date of completion of the acquisition. Jiangsu Alphamab became the wholly owned subsidiary of the Group thereafter.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

Prior to transfer of the Oncology Business as detailed in Note 2, the Oncology Business was operated under Suzhou Alphamab and no separate bank accounts were maintained for the Oncology Business. The treasury and cash disbursement functions of the Oncology Business were centrally administrated by Suzhou Alphamab. During the transition period after the transfer of Oncology Business to Jiangsu Alphamab on 18 April 2018, while Jiangsu Alphamab has already maintained separate bank accounts to manage the Oncology Business, there are still insignificant funds provided by Suzhou Alphamab related to the Oncology Business. The net cash flows generated by the Oncology Business that were kept in the bank accounts of Suzhou Alphamab, are reflected in “Net contribution for the Oncology Business by Suzhou Alphamab” in the consolidated statement of cash flows. Accordingly, the net funds provided by Suzhou Alphamab were presented as movements in the equity.

For the purpose of presenting a complete set of the consolidated financial statements of the Group, the following comprises the information of cash inflow/outflow of the Group and the Oncology Business received/ paid by Suzhou Alphamab prior to and during the transition period after the transfer of Oncology Business.

	2019 **RMB'000**	2018 RMB'000
OPERATING ACTIVITIES		
Loss before taxation	**(832,740)**	(202,633)
Adjustments for:		
Depreciation of right-of-use assets	**9,945**	6,296
Depreciation of property, plant and equipment	**1,828**	266
Exchange losses, net	**106**	8,736
Fair value change of convertible redeemable preferred shares	**542,291**	26,284
Finance costs	**3,606**	1,507
Interest income	**(29,352)**	(423)
Loss on disposal of plant and equipment	**–**	2
Reorganization related expenses	**–**	69,416
Share-based payment expenses	**91,023**	–
Operating cash flows before movements in working capital	**(213,293)**	(90,549)
Increase in inventories	**(18,850)**	(3,582)
Increase in other receivables, deposits and prepayments	**(33,179)**	(17,040)
Increase in trade and other payables	**27,127**	12,207
Increase in deferred income	**17,000**	–
(Decrease) increase in amount due to a related company	**(4,302)**	5,090
NET CASH USED IN OPERATING ACTIVITIES	**(225,497)**	(93,874)

	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES		
Placement of time deposits with original maturity over three months	**(1,137,429)**	–
Purchase of property, plant and equipment	**(169,708)**	(46,782)
Purchase of financial assets at FVTPL	**(11,680)**	(48,900)
Payment for deposits paid for acquisition of property, plant and equipment	**(1,665)**	(26,336)
Proceeds from redemption of time deposits with original maturity over three months	**647,102**	–
Interest received	**19,367**	399
Proceeds from disposal of financial assets at FVTPL	**–**	49,500
Proceeds from disposal of property, plant and equipment	**–**	9
NET CASH USED IN INVESTING ACTIVITIES	**(654,013)**	(72,110)
FINANCING ACTIVITIES		
Proceeds on issue of ordinary shares by the Company	**1,646,188**	7
Proceeds on issue of convertible redeemable preferred shares	**410,414**	826,637
New bank borrowings raised	**130,000**	167,526
Transaction costs directly attributable to issue of new shares in the IPO	**(51,104)**	(468)
Repayment of lease liabilities	**(12,685)**	(24)
Interest paid	**(8,884)**	(3,266)
Issue costs paid for convertible redeemable preferred shares	**(348)**	(4,963)
Transfer of the Oncology Business (Note 2)	**–**	(132,180)
Acquisition of Jiangsu Alphamab by Alphamab Hong Kong	**–**	(52,563)
Repayment of bank borrowings	**–**	(67,526)
Repayment to a related company	**–**	(12,062)
Proceeds from issue of convertible notes	**–**	47,682
Capital injection in Jiangsu Alphamab	**–**	20,000
Advance from a related company	**–**	10,000
NET CASH FROM FINANCING ACTIVITIES	**2,113,581**	798,800
Net contribution for the Oncology Business by Suzhou Alphamab	**399**	9,537

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,234,470**	642,353
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**633,712**	57
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(316)**	(8,698)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1,867,866**	633,712

1. GENERAL

Alphamab Oncology (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 28 March 2018 under the Companies Law of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 12 December 2019. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred as the "Group") are principally engaged in research and development, manufacturing and commercialization of biologics of oncology. The principal activities of its subsidiaries are set out in Note 39.

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

2. REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared based on the accounting policies set out in Note 4 which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the principle of merger accounting applicable to group reorganization (details are set out below).

Prior to the group reorganization (the "Reorganization"), the entire equity interest of Jiangsu Alphamab Biopharmaceuticals Co., Ltd. (江蘇康寧傑瑞生物製藥有限公司) ("Jiangsu Alphamab") was directly held by Suzhou Alphamab Co., Ltd. (蘇州康寧傑瑞生物科技有限公司) ("Suzhou Alphamab"), a company controlled by Dr. Xu, who held 51% of its paid-in capital and the remaining 49% of the paid-in capital was held by two non-controlling shareholders, namely Mr. Xue Chuanxiao ("Mr. Xue") and Mr. Zhang Xitian ("Mr. Zhang"), as to 24.5% and 24.5%, respectively. Jiangsu Alphamab and Suzhou Alphamab are companies established in the People's Republic of China ("PRC").

2. REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The companies and the Oncology Business (as defined below) now comprising the Group underwent the Reorganization which involved:

(a) Transfer of the Oncology Business from Suzhou Alphamab to Jiangsu Alphamab on 18 April 2018 at a total cash consideration of RMB132,180,000, which is accounted for as deemed distribution to the shareholders. Jiangsu Alphamab was established to engage in oncology-treatment business earlier and Suzhou Alphamab continues to focus on its businesses other than the Oncology Business after this transfer;

(b) Acquisition of 30% equity interest of Jiangsu Alphamab from Suzhou Alphamab by Dr. Xu at a cash consideration of RMB16,188,000 on 20 June 2018, which increased Dr. Xu's effective holding in Jiangsu Alphamab from 51% to 65.7%;

(c) Incorporation of the Company on 28 March 2018 to wholly own Alphamab Oncology (BVI) Ltd. ("Alphamab BVI"), a limited liability company incorporated in the British Virgin Islands ("BVI") on 19 April 2018 and indirectly wholly own Alphamab Oncology (HK) Limited ("Alphamab Hong Kong"), a limited liability company incorporated in Hong Kong on 11 May 2018. The Company was beneficially owned by Dr. Xu (through Rubymab Limited ("Rubymab"), a limited liability company incorporated in the BVI which is wholly owned by Dr. Xu), Mr. Xue, Mr. Zhang and certain employees of Suzhou Alphamab ("SZ ESOP Holders"), who were awarded share options of Suzhou Alphamab under the share incentive plan adopted by Suzhou Alphamab ("SZ ESOP Plan" and details of which can be referred to Note 30(b)) prior to the Reorganization, as to approximately 63.71%, 16.63%, 16.63% and 3.03%, respectively. The SZ ESOP Holders were awarded with the 3.03% equity interest in the Company at nominal consideration, however, such interest was deemed to be part of the consideration for the transfer of the Oncology Business from Suzhou Alphamab to Jiangsu Alphamab as set out in note (a) as such transfer has to be agreed by the SZ ESOP Holders; and

(d) Acquisition of Jiangsu Alphamab at a total cash consideration of RMB52,563,000 (after conversion as sino-foreign joint venture company), together with its wholly owned subsidiary, namely Alphamab (Australia) Co. Pty. Ltd. ("Alphamab Australia"), a company incorporated in Australia, by Alphamab Hong Kong from Dr. Xu and Suzhou Alphamab on 30 August 2018 and an independent investor on 25 September 2018.

Upon completion of the Reorganization on 25 September 2018, the Company became a holding company of the companies now comprising the Group.

2. REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Transfer of the Oncology Business

Suzhou Alphamab, which does not form part of the Group, was established in the PRC and owned as to 51% by Dr. Xu. Prior to 18 April 2018, Suzhou Alphamab engaged in the development and manufacture of biologics therapeutics for both oncology treatment areas (the "Oncology Business") and non-oncology treatment related areas including autoimmune diseases, hematology, infertility and etc., and also acted as an investment holding company primarily holding Jiangsu Alphamab and Alphamab Australia.

For the purpose of delineating the Oncology Business between Suzhou Alphamab and Jiangsu Alphamab, on 18 April 2018, Suzhou Alphamab and Jiangsu Alphamab entered into an asset transfer and patent licensing agreement at a total cash consideration of RMB132,180,000 (together with three supplemental agreements subsequently entered into in June 2018, December 2018 and February 2019), pursuant to which:

(i) Suzhou Alphamab transferred its rights and interests in assets associated with clinical research, development and commercialization of the KN019, KN026, KN046 and KN035 (the "Transferred Patents") to Jiangsu Alphamab;

(ii) Suzhou Alphamab transferred 50% of its rights and interest in assets in relation to the research and development and commercialization of two antibody platforms to Jiangsu Alphamab;

(iii) Jiangsu Alphamab granted Suzhou Alphamab, on a royalty-free basis, to use the Transferred Patents in non-oncology area for a perpetual term; and

(iv) Suzhou Alphamab granted Jiangsu Alphamab, on a royalty-free basis, to use the certain patents and patent rights in oncology treatment related area for a perpetual term.

The transfer of the operations of the Oncology Business was principally completed on 18 April 2018 while the transition period of providing technical support by Suzhou Alphamab was completed by end of May 2019.

Since Suzhou Alphamab and Jiangsu Alphamab were under common control by Dr. Xu, the transfer of the Oncology Business has been accounted for as a business combination involving entities under common control using the principles of merger accounting.

2. REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Transfer of the Oncology Business (Continued)

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended 31 December 2019 and 2018 include the results, changes in equity and cash flows of the entities comprising the Group and the Oncology business, on the basis as if the Oncology Business had been operated under the Group throughout the years ended 31 December 2019 and 2018 or since the respective dates of incorporation which is a shorter period, with consideration of the controlling interests held by Dr. Xu in these entities and the Oncology Business.

To the extent the assets, liabilities, income and expenses that are specifically identified to the Oncology Business, such items are included in the consolidated financial statements throughout the years ended 31 December 2019 and 2018. To the extent the assets, liabilities, income and expenses that are impracticable to identify specifically, these items are allocated to the Oncology Business on the basis set out below (such items include certain research and development expenses and administrative expenses as a whole). Items that do not meet the criteria above are not included in the consolidated financial statements of the Group.

Expenses which are impracticable to identify specifically to the Oncology Business are determined on the following basis: included in research and development expenses are other material costs, depreciation of property, plant and equipment, depreciation of right-of-use assets and repair and maintenance fee of property, plant and equipment, which were allocated based on the percentage of direct materials consumed specifically by the Oncology Business over the total consumption in Suzhou Alphamab; while the administrative expenses as a whole were allocated based on the percentage of research and development expense ratio of the Oncology Business to Suzhou Alphamab's total research and development expenses. The directors of the Company believe and confirm that the methods of allocation of the above expense items present the best and reasonable basis of estimating what the Oncology Business's operating results would have been on a stand-alone basis for the years ended 31 December 2019 and 2018. Other than those items mentioned above, all other items or assets and liabilities, income and expenses of the Oncology Business are specifically identified.

3. APPLICATION OF IFRSs

The Group has consistently applied all the new and amendments to IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IASB which are effective for the accounting periods beginning on 1 January 2019.

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[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

[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 2020

[5] Effective for annual periods beginning on or after 1 January 2022

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.

3. APPLICATION OF IFRSs (Continued)

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.

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.

3. APPLICATION OF IFRSs (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 the Group's annual period beginning on or after 1 January 2020. 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the following accounting policies set out below which conform 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 complied with the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are at fair value at the end of the 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 are determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payments*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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, 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Investments in subsidiaries

Investments in subsidiaries are included in the statement of financial position of the Company at cost less any identified impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Revenue from contracts with customers

Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group recognizes 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognized 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 recognized at a point in time when the customer obtains control of the distinct good or service.

Upfront payment received by the Group is initially recognized as contract liabilities.

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.

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 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.

The Group did not generate and recognize any revenue during both years.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Definition of a lease

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

As a lessee

Short-term leases and leases of low-value assets

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

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

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

Right-of-use assets 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

As a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted for under IFRS 9 *Financial Instruments* 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 recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

As a lessee (Continued)

Lease liabilities (Continued)

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

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

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

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

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

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 recognized at the rates of exchanges prevailing on 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 recognized in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

Borrowing costs

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

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

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

Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

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 recognized in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits costs and termination benefits

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

A liability for a termination benefit is recognized at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognizes any related restructuring costs.

Short-term employee benefits

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

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

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

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 payment 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 recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment arrangements (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to employees (Continued)

An expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where the modification reduces the fair value of the equity instruments granted, measured immediately before and after the modification, the decrease in fair value will not be recognized. The amount recognized for services received continues to be measured based on the grant date fair value of the instrument originally granted.

Where the modification reduces the number of equity instruments granted to an employee, the reduction is accounted for as a cancellation of that portion of the grant.

Where the modification of vesting conditions is a manner that is not beneficial to the employee, the amount recognized for services received shall not take the modified vesting conditions into account and continues to be measured based on the grant date vesting conditions of the instrument originally granted.

When share options are cancelled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Group immediately recognizes the cancellation of share options as an acceleration of vesting as share based payment expenses.

Share-based payment transactions with cash-settled alternatives

Suzhou Alphamab operates a share-based payment plan which provides the employees with a choice of settlement of share-based payment transactions either in cash or by equity upon fulfilment of certain conditions.

For this kind of share-based payment transactions, the Group's entity is considered to have issued a compound financial instrument, which includes a debt component (the employees' right to demand payment in cash) and an equity component (the employees' right to demand settlement in equity instruments rather than in cash).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment arrangements (Continued)

Share-based payment transactions with cash-settled alternatives (Continued)

The Group measures the fair value or the compound financial instrument at the measurement date, taking into account the terms and conditions on which the rights to cash or equity instruments were granted. To apply this, the Group first measures the fair value of the debt component, and then measures the fair value of the equity component, taking into account that the counterparty must forfeit the right to receive cash in order to receive the equity instrument. The fair value of the compound financial instrument is the sum of the fair values of the two components.

The Group accounts separately for the services received in respect of each component of the compound financial instrument. For the debt component, the Group recognizes the services received and a liability to pay for those services in accordance with the requirements applying to cash-settled share-based payment transactions. For the equity component, the Group's entity recognizes the services received and an increase in equity in accordance with the requirements applying to equity-settled share-based payment transactions.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. The fair value of the cash-settled share-based payments is determined without taking into consideration all non-market vesting conditions.

Taxation

Income taxation 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 taxation' as reported in the consolidated statement of profit or loss and other comprehensive income 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 recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognized 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognized 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 recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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.

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 realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognized at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

Current and deferred tax are recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production or supply purposes are carried at cost less any recognized 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 intend by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such property, plant and equipment are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. 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 is presented as "right-of-use assets" 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 recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized 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 recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on assets other than financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets 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 assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, corporate 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 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 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 group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. 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 group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on assets other than financial assets (Continued)

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

Research and development expenditure

Expenditure on research activities, including mainly the outsourcing service fees, research and development ("R&D") staff costs and raw material costs, is recognized as an expense in the period in which it is incurred. The outsourcing service fees included in the R&D expenditure are typically performed across the financial reporting periods. The allocation of outsourcing service fees to the appropriate financial reporting period and accruals as at reporting date based on the progress of the R&D projects involves estimation by the management.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized 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 recognized 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 recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development expenditure (Continued)

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

An intangible asset is derecognized 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 recognized in profit or loss when the asset is derecognized.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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

The effective interest method is a method of calculating the amortized 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 amortized 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.

All other financial assets are subsequently measured at FVTPL.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized 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 recognized by applying the effective interest rate to the amortized 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 recognized 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.

Interest income is recognized in profit or loss and is included in the “other income” line item.

(ii) Financial assets at FVTPL

Financial assets of the Group that do not meet the criteria for being measured at amortized cost are measured at FVTPL.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment under IFRS 9 (including other receivables, time deposits with original maturity over three months and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

For all financial 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 recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk 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.

Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

- 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- 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; or

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(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, 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 recognized in profit or loss.

(v) Measurement and recognition of ECL

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

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 amortized cost of the financial asset.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognizes 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 amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities at amortized cost

Financial liabilities including trade and other payables, amount due to a related company and bank borrowings are subsequently measured at amortized cost, using the effective interest method.

4. 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) designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is 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, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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;

- 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

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 recognized 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. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized 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.

Convertible redeemable preferred shares

Convertible redeemable preferred shares, which contain redemption features and other embedded derivatives, are designated as at financial liabilities at FVTPL.

Derecognition of financial liabilities

The Group derecognizes 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 derecognized and the consideration paid and payable is recognized in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, 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. Revision to accounting estimates are recognized 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 recognized in the consolidated financial statements.

Research and development expenses

Development costs incurred on the Group's drug candidates are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, 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.

The directors of the Company assessed the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the years ended 31 December 2019 and 2018, all the related development costs are expensed when incurred.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting periods, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months, are described below.

Useful lives of property, plant and equipment

The directors of the Company determine 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. The directors of the Company will increase the depreciation charge where useful lives are expected to be shorter than expected. As at 31 December 2019, the carrying amount of property, plant and equipment was RMB331,951,000 (2018: RMB104,944,000) as disclosed in Note 16.

6. REVENUE AND SEGMENT INFORMATION

Revenue

Co-development agreement with 3D Medicines Corporation ("3D Medicines") in relation to KN035 drug candidate

In February 2016, the Group entered into an agreement with 3D Medicines and pursuant to which, the Group will jointly develop and commercialize KN035 drug candidate with 3D Medicines. Under the agreement, the Group received a non-refundable upfront payment of RMB10 million from 3D Medicines and has an exclusive right to manufacture and supply KN035 to 3D Medicines for further commercialization to ultimate customers. Upon the Group manufacturing the product and transferring the control of goods to 3D Medicines for commercialization, the Group will recognize revenue in respect of the upfront payment received.

In addition, the Group considers the non-refundable upfront payment of RMB10 million from 3D Medicines contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money at a discount rate of 4.35% per annum taking into consideration the credit characteristics of the party receiving financing in the contract, as well as any collateral or security provide by the customer or the entity, including assets transferred in the contract. As this accrual increases the amount of the contract liabilities during the period of development of KN035 drug candidate, it increases the amount of revenue to be recognised when the Group commences the manufacturing of the product and the transfer of control of goods to 3D Medicines for commercialization.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue (Continued)

Unsatisfied performance obligations

The following table shows the aggregate amount of the contract liabilities allocated to performance obligations that are unsatisfied at the end of the reporting period.

	2019	2018
	RMB'000	RMB'000
Co-development and commercialization of KN035	**11,733**	10,000

Deferred revenue included in contract liabilities will be recognized over the period of KN035 product life cycle with reference to the budgeted manufacture order from 3D Medicines (i.e. when 3D Medicines receives and consumes the benefits during the commercialization stage).

Segment information

For the purposes of resources allocation and performance assessment, the executive directors of the Company, being the chief operating decision makers, review the consolidated results and financial position when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented.

Geographical information

The Group did not record any revenue during the years ended 31 December 2019 and 2018 and the Group's non-current assets are substantially located in the PRC, accordingly, no analysis of geographical segment is presented.

7. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Interest income	**29,352**	423
Government grants income (Note)	**4,992**	353
Others	**85**	7
	34,429	783

Note: Government grants income mainly includes: (i) subsidies from the PRC local government in support of oncology drug development and successful IPO of the Company; and (ii) unconditional subsidies from the Australian government which are specifically for supporting the research and development activities carried out in Australia.

Pursuant to the research and development tax incentive program launched by the Australia Taxation Office, Alphamab Australia enjoys a 43.5% (2018: 43.5%) refund on the research and development expenditures incurred for the year ended 31 December 2019. Upon enjoyment of such incentive, the relevant research and development expenditures will not be qualified as tax losses and will be treated as non-deductible expenses.

8. OTHER LOSSES

	2019 RMB'000	2018 RMB'000
Exchange losses, net	**(106)**	(8,736)
Loss on disposal of property, plant and equipment	**–**	(2)
Others	**(215)**	(1,095)
	(321)	(9,833)

9. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest expenses on:		
Bank borrowings	**8,228**	3,039
Amount due to a related company (Note 23)	**–**	54
Contract liabilities	**1,733**	–
Lease liabilities	**855**	379
	10,816	3,472
Less: Interest capitalized in construction in progress ("CIP")	**(7,210)**	(1,965)
	3,606	1,507

Borrowing costs capitalized during the years ended 31 December 2019 and 2018 arose on the specific bank borrowings for the construction of new facilities as disclosed in Note 26.

10. INCOME TAXATION

The Company is exempted from taxation under the laws of the Cayman Islands.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017 of Australia, corporate entities who qualify as a small business entity are eligible for a lower corporate tax rate at 27.5%. Alphamab Australia is qualified as a small business entity and is subject to a corporate tax rate of 27.5%.

10. INCOME TAXATION (Continued)

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 gazetted 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%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for income taxation has been made as the Company and its subsidiaries either had no assessable profit or incurred tax losses in all relevant places of operation for both years.

The income taxation for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 **RMB'000**	2018 RMB'000
Loss before taxation	**(832,740)**	(202,633)
Tax at the PRC EIT rate of 25% (2018: 25%)	**(208,185)**	(50,658)
Tax effect of expenses not deductible for tax purpose	**171,212**	31,668
Tax effect of deductible temporary differences not recognized	**75**	20
Tax effect of tax losses not recognized	**64,862**	27,049
Effect of super deduction for research and development expenses (Note)	**(27,964)**	(8,079)
Income taxation for the year	**–**	–

Note: Pursuant to Caishui 2018 circular No. 99, Jiangsu Alphamab enjoys super deduction of 175% on qualifying research and development expenditures from 1 January 2018 to 31 December 2020.

10. INCOME TAXATION (Continued)

The Group had unused tax losses of RMB504,468,000 (2018: RMB245,022,000) available for offset against future profits as at 31 December 2019. Included in unused tax losses as at 31 December 2019 and 2018 is a consideration paid of RMB132,180,000 for the transfer of the Oncology Business which can be offset against future profits. No deferred tax asset has been recognized in respect of the unused tax losses due to the unpredictability of future profit streams. As 31 December 2019 and 2018, the unrecognized tax losses will be carried forward and expire in years as follows:

	2019	2018
	RMB'000	RMB'000
2022	**4,647**	4,647
2023	**240,375**	240,375
2024	**259,446**	–
	504,468	245,022

11. LOSS FOR THE YEAR

	2019	2018
	RMB'000	RMB'000
Loss for the year has been arrived at after charging:		
Directors' remuneration (Note 13)	**55,405**	3,509
Other staff costs:		
Salaries and other allowances	**41,759**	21,439
Retirement benefits scheme contributions	**6,533**	2,956
Share-based payment expenses	**43,096**	263
Total staff costs	**146,793**	28,167
Auditor's remuneration	**2,460**	88
Cost of inventories included in research and development expenses	**28,486**	7,673
Outsourcing service fees included in research and development expenses	**77,451**	34,096
Issue costs paid for the series A convertible redeemable preferred shares ("Series A Preferred Shares") included in reorganization related expenses	**–**	4,963
Issue costs paid for the series B convertible redeemable preferred shares ("Series B Preferred Shares") included in administrative expenses	**348**	–
Short-term lease expenses	**226**	394
Depreciation of property, plant and equipment (Note i)	**1,828**	2,172
Depreciation of right-of-use assets (Note ii)	**10,400**	7,637
Less: capitalization in CIP	**(455)**	(495)
	9,945	7,142

Notes:

(i) The depreciation of property, plant and equipment included the portions related to the Oncology Business of RMB1,906,000, which were recognized by the Group for the year ended 31 December 2018 (2019: Nil).

(ii) The depreciation of right-of-use assets included the portions related to the Oncology Business of RMB846,000, which were recognized by the Group for the year ended 31 December 2018 (2019: Nil).

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company since its incorporation and up to the end of the reporting period, nor has any dividend been proposed since the end of the reporting period.

13. DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the directors and chief executive of the Company (including the emoluments for services as directors of the group entities prior to becoming the directors of the Company) are as follows:

(a) Executive and non-executive directors

Year ended 31 December 2019

	Directors' fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Executive directors:						
Dr. Xu (note i)	–	3,142	1,965	63	42,982	48,152
Ms. Liu Yang (note ii)	–	1,393	597	63	5,150	7,203
Non-Executive directors:						
Mr. Qiu, Yu Min (note ii)	–	–	–	–	–	–
Mr. Xu, Zhan Kevin (note ii)	–	–	–	–	–	–
Total	–	4,535	2,562	126	48,132	55,355

13. DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

(a) Executive and non-executive directors (Continued)

Year ended 31 December 2018

	Directors' fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors:					
Dr. Xu (note i)	–	1,650	1,282	81	3,013
Ms. Liu Yang (note ii)	–	253	226	17	496
Non-Executive directors:					
Mr. Qiu Yu Min (note ii)	–	–	–	–	–
Mr. Xu Zhan Kevin (note ii)	–	–	–	–	–
Total	–	1,903	1,508	98	3,509

notes:

(i) Dr. Xu was appointed as a director of the Company on 28 March 2018 and was re-designated as the chairman, chief executive and an executive director of the Company on 28 March 2018. For the year ended 31 December 2018, a reorganization related expense of RMB64,453,000 was recognized in June 2018 in relation to the additional equity interest acquired by Dr. Xu as part of the Reorganization. Details are disclosed in note (iii) to the consolidated statement of changes in equity.

(ii) Ms. Liu Yang was appointed as an executive director of the Company on 16 October 2018.

Mr. Qin Yu Min and Mr. Xu Zhan Kevin were appointed as non-executive directors of the Company on 16 October 2018. No emoluments were paid or payable to them for both years for their services as non-executive directors of the Company.

(iii) None of the directors nor the chief executive of the Company waived or agreed to waive any emoluments during both years.

(iv) During both years, no emoluments were paid by the Group to any of the directors nor the chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

(v) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group. The discretionary bonuses were determined with reference to their duties, responsibilities and performance.

13. DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

(b) Independent non-executive directors

No independent non-executive directors were appointed by the Company for the year ended 31 December 2018. Dr. Jiang Hualiang, Mr. Wei Kevin Cheng and Mr. Wu Dong were appointed as independent non-executive directors of the Company on 24 November 2019.

	Directors' fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Independent Non-Executive directors:						
Dr. Jiang Hualiang	16	–	–	–	–	16
Mr. Wei Kevin Cheng	17	–	–	–	–	17
Mr. Wu Dong	17	–	–	–	–	17
Total	50	–	–	–	–	50

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

14. EMPLOYEES' EMOLUMENTS

For the year ended 31 December 2019, the five highest paid individuals of the Group included two executive directors (2018: one), and their emoluments are set out in Note 13(a) above. Details of the emoluments of the remaining individuals are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other allowances	**4,420**	4,672
Discretionary bonuses	**995**	744
Retirement benefits scheme contributions	**142**	225
Share-based payment expenses (Note 30(a))	**20,075**	–
	25,632	5,641

14. EMPLOYEES' EMOLUMENTS (Continued)

Their emoluments were within the following bands:

	2019 No. of employees	2018 No. of employees
HK$1,000,001 to HK$1,500,000	–	2
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	–	1
HK$5,000,001 to HK$5,500,000	1	–
HK$6,500,001 to HK$7,000,000	1	–
HK$16,500,001 to HK$17,000,000	1	–

No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

15. LOSS PER SHARE

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

	2019 RMB'000	2018 RMB'000
Loss:		
Loss for the year attributable to owners of the Company for the purposes of calculating basic and diluted loss per share	(832,740)	(149,843)
Number of shares ('000):		
Weighted average number of shares for the purposes of basic and diluted loss per share	536,531	354,186

15. LOSS PER SHARE (Continued)

The computations of basic and diluted loss per share for the years ended 31 December 2019 and 2018 are based on weighted average number of shares assumed to be in issue after taking into account the retrospective adjustments on the assumption that the Reorganization as disclosed in Note 2, the first share subdivision as disclosed in Note 28(a) and the second Share Subdivision as defined and disclosed in Note 28(f) had been in effect on 1 January 2018.

The computations of basic and diluted loss per share for the year ended 31 December 2018 excluded the restricted shares and ordinary shares already cancelled by the Company as part of the Reorganization. Details of which are set out in Note 28(c) & (d).

As the Group incurred losses for the year ended 31 December 2019, for the purpose of calculation of diluted loss per share for the year ended 31 December 2019, the convertible redeemable preferred shares issued by the Company, the share options awarded under the pre-IPO share option scheme as disclosed in Note 30(a) and the exercise of the Company's over-allotment options granted pursuant to the listing of the Company's shares on the Stock Exchange (the "Listing") were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive.

As the Group incurred losses for the year ended 31 December 2018, for the purpose of calculation of diluted loss per share for the year ended 31 December 2018, the convertible redeemable preferred shares issued by the Company and the shares options awarded under the pre-IPO share option scheme as disclosed in Note 30(a) were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive.

Accordingly, diluted loss per share for the years ended 31 December 2019 and 2018 is the same as basic loss per share of the respective year.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture and other equipment RMB'000	CIP RMB'000 (Note)	Total RMB'000
COST						
As at 1 January 2018	–	–	116	150	10,937	11,203
Additions	–	–	88	973	93,075	94,136
Transfer	–	–	–	142	(142)	–
Disposals	–	–	–	(22)	–	(22)
As at 31 December 2018	–	–	204	1,243	103,870	105,317
Additions	–	31	204	2,898	225,702	228,835
Transfer	231,581	21,553	–	9,168	(262,302)	–
As at 31 December 2019	231,581	21,584	408	13,309	67,270	334,152
DEPRECIATION						
As at 1 January 2018	–	–	73	45	–	118
Provided for the year	–	–	62	204	–	266
Eliminated on disposals	–	–	–	(11)	–	(11)
As at 31 December 2018	–	–	135	238	–	373
Provided for the year	913	1	77	837	–	1,828
As at 31 December 2019	913	1	212	1,075	–	2,201
CARRYING VALUES						
As at 31 December 2019	230,668	21,583	196	12,234	67,270	331,951
As at 31 December 2018	–	–	69	1,005	103,870	104,944

Note: The CIP primarily consists of new facilities for manufacturing, research and development and office premises in the PRC. The construction was completed in December 2019.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment other than CIP are depreciated over their estimated useful lives, using straight-line method after taking into account the residual values, at the following rates per annum or over the following period:

Buildings	5%
Plant and machinery	10%
Leasehold improvements	Over the shorter of the term of the relevant lease or 20%
Furniture and other equipment	19% – 31.67%

Details of the pledged property, plant and equipment are set out in Note 35.

17. RIGHT-OF-USE ASSETS

	Land use rights RMB'000	**Property, plant and equipment RMB'000**	**Total RMB'000**
As at 1 January 2018			
Carrying amounts	23,659	–	23,659
As at 31 December 2018			
Carrying amounts	23,164	4,748	27,912
As at 31 December 2019			
Carrying amounts	22,669	19,684	42,353
For the year ended 31 December 2018			
Depreciation charge	495	6,296	6,791
For the year ended 31 December 2019			
Depreciation charge	495	9,905	10,400

17. RIGHT-OF-USE ASSETS (Continued)

	2019 **RMB'000**	2018 RMB'000
Total cash outflow for leases (Note)	**13,766**	670
Additions to right-of-use assets	**24,841**	11,044

Note: The total cash outflows for leases amounted to RMB13,766,000 for the year ended 31 December 2019 (2018: RMB670,000), out of which RMB12,383,000 was paid to Suzhou Alphamab (2018: Nil).

The Group leased various property, plant and equipment to operate its research and development activities. The lease terms range from 6 months to 3 years.

The lease agreements did not contain any contingent rent nor any extension or purchase option for the Group as a lessee.

As at 31 December 2018 and 2019, all right-of-use assets are located in the PRC. Included in property, plant and equipment of the right-of-use assets are i.) offices of RMB983,000 (2018: RMB1,385,000) and ii.) plant and equipment of RMB18,701,000 (2018: RMB3,363,000).

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

In addition, lease liabilities of RMB24,841,000 (2018: RMB11,044,000) are recognized with related right-of-use assets of RMB24,841,000 (2018: RMB11,044,000) during the year ended 31 December 2019.

As at 31 December 2019, the carrying amount of right-of-use assets and lease liabilities were RMB19,684,000 (2018: RMB4,748,000) and RMB23,176,000 (2018: RMB11,020,000), respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of pledged land use rights in support of the Group's general banking facilities are set out in Note 35.

18. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials and other consumables	**25,918**	7,068

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 RMB'000	2018 RMB'000
Other receivables, deposits and prepayments	**36,128**	13,827
Deferred issue costs	**–**	1,637
Value-added tax recoverable	**31,477**	10,828
Total trade and other receivables	**67,605**	26,292
Presented as non-current assets	**31,490**	10,969
Presented as current assets	**36,115**	15,323
	67,605	26,292

20. FINANCIAL ASSETS AT FVTPL

As at 31 December 2019, the Group placed with two licensed commercial banks in the PRC for a RMB-denominated structured deposit with maturity within 1 year after the end of the reporting period. The expected annual interest rate for the structured deposit is indicated at 3% per annum, however, the actual interest to be received is uncertain until maturity and the principal is not protected. Such structured deposits were accounted for as financial assets at FVTPL under IFRS 9.

21. TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/ CASH AND CASH EQUIVALENTS

	2019	2018
	RMB'000	RMB'000
Cash at banks and on hand	**54,101**	95,462
Time deposits with original maturity less than three months (Note)	**1,813,765**	538,250
Cash and cash equivalents	**1,867,866**	633,712
Time deposits with original maturity over three months (Note)	**502,889**	–
	2,370,755	633,712

Note: The time deposits were placed with licensed commercial banks in the PRC and Hong Kong. The time deposits confer the Group rights of early redemption at amortized cost before the maturity date. The time deposits carry interest at fixed rates ranging from 0.55% to 3.75% per annum as at 31 December 2019 (2018: 1.80% to 4.00% per annum).

Bank balances carry interest at prevailing market interest rates ranging from 0.05% to 0.35% per annum as at 31 December 2019 (2018: 0.05% to 0.35% per annum).

The Group's cash and cash equivalents and time deposits with original maturity over three months that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2019	2018
	RMB'000	RMB'000
United States Dollars ("US$")	**250,253**	570,900
Hong Kong Dollars ("HKD")	**1,591,507**	618

22. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**6,853**	766
Accrued expenses		
– Outsourcing service fees	**15,284**	5,891
– Other research and development expenses	**2,174**	–
– Listing expenses	**16,296**	3,641
– Issue costs	**13,541**	1,213
– Staff costs	**11,434**	7,049
– Interest expenses	**351**	152
– Others	**4,571**	186
	63,651	18,132
Payables for acquisition of property, plant and equipment	**73,119**	45,964
Other payables	**2,339**	2,346
Total	**145,962**	67,208

The average credit period of trade payables ranged from 30 to 60 days.

22. TRADE AND OTHER PAYABLES (Continued)

The following is an aged analysis of trade payables presented based on the invoice dates at the end of reporting period:

	2019 RMB'000	2018 RMB'000
0 – 90 days	6,853	580
Over 90 days	–	186
	6,853	766

The Group's trade payables that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2019 RMB'000	2018 RMB'000
US$	78	268
EUR	–	15

23. AMOUNT DUE TO A RELATED COMPANY

The balance is trade in nature, unsecured, interest-free and have no fixed repayment terms.

The following is an aged analysis of the amount due to Suzhou Alphamab which is trade in nature.

	2019 RMB'000	2018 RMB'000
Over 90 days	787	5,090

24. LEASE LIABILITIES

	2019 RMB'000	2018 RMB'000
Lease liabilities payables		
Within one year	**13,081**	10,502
More than one year, but not exceeding two years	**9,717**	421
More than two years, but not exceeding five years	**378**	97
	23,176	11,020
Less:		
Amounts show under current liabilities	**13,081**	10,502
Amounts show under non-current liabilities	**10,095**	518

The lease liabilities were measured at the present value of the lease payments that are not yet paid at a discount rate of 4.99% per annum. As at 31 December 2019, the lease liabilities included an amount due to Suzhou Alphamab, a related company, of RMB22,319,000 (2018: RMB9,776,000).

25. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Amounts received in advance for co-development and commercialization of KN035 (Note 6)	**11,733**	10,000
Analyzed for reporting purposes as:		
Non-current (note)	**11,733**	10,000

note: As at 1 January 2018, the contract liabilities amounted to RMB10,000,000. The directors of the Company did not expect to recognize the deferred revenue in respect of co-development and commercialization of KN035 within twelve months from the end of the reporting period. Therefore, the amounts were classified as non-current liabilities.

26. BANK BORROWINGS

	2019 RMB'000	2018 RMB'000
Secured bank borrowings – variable-rate	**230,000**	100,000

The Group's bank borrowings of RMB230,000,000 as at 31 December 2019 (2018: RMB100,000,000) are specific borrowings drawn down in relation to construction of new facilities and plant and machinery as set out in Note 16.

Carrying amounts of secured bank borrowings are repayable based on repayment schedules as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**28,750**	–
More than one year, but not exceeding two years	**12,500**	12,500
More than two years, but not exceeding five years	**188,750**	87,500
	230,000	100,000
Less:		
Amounts shown under current liabilities	**28,750**	–
Amounts shown under non-current liabilities	**201,250**	100,000

The amounts due are based on scheduled payment dates set out in the loan agreements.

The Group's variable-rate bank borrowings carry interest at 105% of the People's Bank of China benchmark rate per annum.

26. BANK BORROWINGS (Continued)

The effective interest rates per annum on the Group's bank borrowings are as follows:

	2019	2018
Effective interest rate:		
Variable-rate bank borrowings	**4.99%**	4.99%

Details of pledge of assets in support of the secured bank borrowings are disclosed in Note 35.

27. CONVERTIBLE REDEEMABLE PREFERRED SHARES

The Company entered into share purchase agreements with several independent investors and issued an aggregate of 40,395,031 Series A and Series B Preferred Shares as set out below. On 14 May 2019, pursuant to a resolution of the shareholders of the Company, it was approved that 1,000,000,000 shares of the authorized share capital are designated as Series A Preferred Shares and 20,000,000 shares of the authorized share capital are designated as Series B Preferred Shares. The par value of the shares is US$0.00001 each.

	Date of issue	Total number of preferred shares issue	Subscription price per share US$	Total US$'000	Total in RMB RMB'000
Series A Preferred Shares	12 December 2018	28,247,745	4.46053	126,000	874,319
Series B Preferred Shares					
Batch B-1	28 May 2019	8,064,165	4.89821	39,500	272,428
Batch B-2	28 May 2019	4,083,121	4.89821	20,000	137,986
		12,147,286		59,500	410,414

27. CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

The key terms of the Series A Preferred Shares and Series B Preferred Shares are summarized as follows:

(a) Dividends rights

The Company cannot declare, pay or set aside any dividends on ordinary shares in any year unless the Series A Preferred Shares and Series B Preferred Shares holders shall first receive, or simultaneously receive, such dividends. Such dividends are not cumulative.

(b) Conversion feature

At any time at the Series A Preferred Shares and Series B Preferred Shares holders request and automatically upon the closing of an IPO. Series A Preferred shares and Series B Preferred Shares are convertible into ordinary shares of the Company at a ratio which is computed by dividing the original purchase price by the applicable conversion price. The initial conversion price is the original purchase price of Series A Preferred Shares and Series B Preferred Shares, which are US$4.46053 and US$4.89821 respectively, and may be adjusted unless the consideration per share for the shares issued or deemed to be issued by the Company is less than the Series A Preferred Share conversion price or the Series B Preferred Share conversion price, as appropriate, in effect on the date of and immediately prior to such issuance. The applicable conversion ratio was 1:1.

IPO means a registered underwritten public offerings of the ordinary shares of the Company in a reputable securities exchange.

(c) Redemption feature

General provision

Notwithstanding anything to the contrary herein, if the Company has not consummated an IPO or a deemed liquidation event of the Company within four years after the date of the issue, then, at any time thereafter, if so requested by the majority holders of Series A Preferred Shares or Series B Preferred Shares, the Company shall redeem all or part of the outstanding Series A Preferred Shares or Series B Preferred Shares held by such holders out of funds legally available therefor. The price at which each Series A Preferred Share or Series B Preferred Share is redeemed shall be the original purchase price, adjusted for any share splits, share dividends, recapitalization and events with similar effect, plus a simple interest rate of ten percent per annum accruing from the original issue date until the date of redemption and all declared but unpaid dividends therefor.

27. CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

(c) Redemption feature (Continued)

Specific provision

With respect to the sole holder of Batch B-2 of Series B Preferred Shares, if the Company has not consummated an IPO or a deemed liquidation event within two years after the date of the issue, then, within thirty days thereafter, the holder may request the Company to redeem all or part of the outstanding Series B Preferred Shares held by such holder out of funds legally available therefor. The redemption may only be requested once during the redemption period, after which such right shall lapse. The price at which each Series B Preferred Share held by such holder is redeemed shall be the Series B Preferred Share original purchase price, adjusted for any share splits, share dividends, recapitalization and events with similar effect, plus a simple interest rate of five percent per annum accruing from the applicable original issue date until the date of redemption and all declared but unpaid dividends therefor. Notwithstanding the foregoing, if the Company has not consummated an IPO or a deemed liquidation event within four years after the date of the issue, to the extent that such holder stills holds any outstanding Series B Preferred Shares, any such remaining outstanding Series B Preferred Shares then may only be redeemed in accordance with the general provision.

The redemption provisions with respect to general redemption and specific redemption shall terminate upon the Company's submission of a listing application form with the Stock Exchange; provided that if the IPO was not consummated by 30 September 2020, the redemption provisions shall be reinstated; provided further that, if the listing application with the Stock Exchange is ongoing by 30 September 2020, the redemption provisions with respect to general redemption shall not be reinstated until the Company voluntarily withdraws the listing application in relation to the IPO or a listing application submitted by the Company in relation to the IPO has been rejected or returned by the Stock Exchange.

27. CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

(d) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, the Series B Preferred Shares holders shall be paid first out of legally available funds available for distribution and in preference to any distribution of any of the assets or funds of the Company to the Series A Preferred Shares and the holders of ordinary shares an amount equal to the higher amount (the "Series B Preference Amount") of (i) one hundred percent of the Series B Preferred Shares original purchase price plus a simple interest at the rate of ten percent per annum plus any declared but unpaid dividends; and (ii) pro rata distribution of the assets and funds of the Company legally available for distribution to all the members based on the number of ordinary shares held by each member (calculated on an as converted basis). If there are any assets or funds remaining after the aggregate Series B Preference Amount has been distributed or paid in full to the holders of Series B Preferred Shares, the holders of the Series A Preferred Shares shall receive the higher amount of (i) one hundred percent of the Series A Preferred Shares original purchase price plus a simple interest at the rate of ten percent per annum plus any declared but unpaid dividends; and (ii) pro rata distribution of the assets and funds of the Company legally available for distribution to all the members based on the number of ordinary shares held by each member (calculated on an as converted basis). After the payment of all preferential amounts, any assets and fund of the Company that remain available shall be distributed on a pro rata basis among the holders of ordinary shares.

(e) Voting rights

Holders of Series A Preferred Shares and Series B Preferred Shares are entitled to the number of votes equal to the number of ordinary shares into which the Series A Preferred shares and Series B Preferred Shares are convertible. The Series A Preferred Shares, Series B Preferred Shares and ordinary shares shall vote together as a single class.

Presentation and Classification

The Group has designated the convertible redeemable preferred shares as financial liabilities at FVTPL. The fair value change of the Series A Preferred Shares and Series B Preferred Shares is charged/credited to fair value change of convertible redeemable preferred shares in profit or loss except for the portion attributable to credit risk change which shall be charged/credited to other comprehensive income, if any. The fair value change recognized in profit or loss includes any interest paid on the financial liabilities and exchange gains or losses upon translation of US$ denominated financial liabilities to RMB, the functional currency of the Company. The directors of the Company considered that there is no credit risk change on the financial liabilities that drive the fair value change of the financial liabilities during both years.

27. CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

Presentation and Classification (Continued)

The movement of the Series A Preferred Shares and Series B Preferred Shares during the year is as follows:

	Series A and Series B Preferred Shares US$'000	Shown in consolidated financial statements as RMB'000
As 1 January 2018	–	–
Issue of Series A Preferred Shares	119,000	826,637
Conversion of Convertible Notes (Note i)	7,000	47,682
Change in fair value (Note ii)	5,222	26,284
At 31 December 2018	131,222	900,603
Issue of Series B Preferred Shares	59,500	410,414
Change in fair value (Note ii)	73,083	542,291
Automatic conversion into ordinary shares upon the IPO (Note iii)	(263,805)	(1,853,308)
At 31 December 2019	–	–

Notes:

(i) On July 10, 2018, pursuant to the Reorganization, two independent investors entered into a note purchase agreement with the Company pursuant to which, the Company agreed to issue secured convertible notes in the principal amounts of US$3.5 million and US$3.5 million (the "Convertible Notes"), respectively. On 19 October 2018, the Convertible Notes were converted into 1,569,320 Series A Preferred Shares at a conversion price which is equal to the Series A Preferred Shares original purchase price of US$4.46053.

(ii) Change in fair value presented in RMB also includes the exchange effect on translation from US$ balances into RMB balances.

(iii) Upon completion of the IPO on 12 December 2019, the Series A Preferred Shares and the Series B Preferred Shares automatically converted into 141,238,725 and 60,736,430 ordinary shares of the Company (adjusted for the effect of the Share Subdivision as defined and detailed in Note 28(f)) on 24 November 2019 (as defined in Note 28(f)), respectively. As a result of the automatic conversion as described above, fair value change of convertible redeemable preferred shares amounting to RMB542,291,000 was recognised immediately with reference to the offer price of IPO of HK$10.20 per ordinary share of the Company on the same date.

27. CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

Presentation and Classification (Continued)

As at 31 December 2018, the Series A Preferred Shares and Series B Preferred Shares were valued by the directors of the Company with reference to valuations carried out by an independent qualified professional valuer not connected with the Group, which has appropriate qualifications and experiences in valuation of similar instruments.

Back-solve model was used to determine the underlying equity value of the Company. As the issue of Series A Preferred Shares and Series B Preferred Shares were considered an arm's length transaction, the underlying equity value of the Company was back-solved based on the issue price.

Hybrid method was adopted to allocate the equity value amongst different classes of shares of the Company at the end of the reporting period. The hybrid method is a hybrid between the probability-weighted expected return method ("PWERM") and the option pricing method ("OPM"), estimating the probability-weighted value across multiple scenarios but using the OPM to estimate the allocation of value within one or more of those scenarios.

Under a PWERM, the value of various equity securities are estimated based upon an analysis of future values for the enterprise, assuming various future outcomes. Share value is based upon the probability-weighted present value of expected future investment returns, considering each of the possible future outcomes available to the enterprise, as well as the rights of each share class. Common future outcomes model might include an IPO or liquidation.

The OPM treats the rights of the Series A Preferred Shares, Series B Preferred Shares and ordinary shares as equivalent to that of call options on the Company's equity value, with strike prices based on the liquidation preferences as disclosed above, redemption provisions and IPO automatic conversion of the Series A Preferred Shares and Series B Preferred Shares. Thus, the equity value of the ordinary shares can be determined by estimating the value of its portion of each of these call option rights.

Key valuation assumptions used to determine the fair value of the Series A Preferred Shares and Series B Preferred Shares as at 31 December 2018 are as follows:

Time to IPO	0.83 years
Time to liquidation	3.84 years
Risk-free interest rate	2.48%
Volatility	31%
Dividend Yield	0%
Possibilities under redemption scenario	30%
Possibilities under liquidation scenario	35%
Possibilities under IPO scenario	35%

28. SHARE CAPITAL

For the purpose of presenting the paid-in capital/share capital of the Group prior to the completion of the Reorganization as disclosed in Note 2, the balance at 1 January 2018 represented the paid-in capital of Jiangsu Alphamab attributable to Dr. Xu, the controlling shareholder of the Group.

The share capital as at 31 December 2019 and 2018 represented the issued share capital of the Company.

	Notes	Number of shares	Par value per share	Amount US$'000
Authorized:				
As at 28 March 2018 (date of incorporation)		50,000,000	US$0.001	50
Share subdivision on 16 July 2018	a	4,950,000,000	US$0.00001	N/A
As at 31 December 2018		5,000,000,000	US$0.00001	50
Increase in authorized shares on 14 May 2019	e	20,000,000	US$0.00001	– *
Re-designation as Series A Preferred shares on 14 May 2019	e	(1,000,000,000)	US$0.00001	(10)*
Re-designation as Series B Preferred shares on 14 May 2019	e	(20,000,000)	US$0.00001	(–)*
Share Subdivision on 24 November 2019	f	16,000,000,000	US$0.000002	N/A
Automatic conversion of preferred shares into ordinary shares upon the Listing	f	5,100,000,000	US$0.000002	10
As at 31 December 2019		**25,100,000,000**	**US$0.000002**	**50**

28. SHARE CAPITAL (Continued)

	Notes	Number of shares	Par value per share	Amount US$'000
Issued and fully paid:				
As at 28 March 2018 (date of incorporation)		100,000	US$0.001	– *
Share subdivision on 16 July 2018	a	9,900,000	US$0.00001	N/A
Issue of ordinary shares	b	257,817	US$0.00001	– *
Issue of ordinary shares	a	92,868,867	US$0.00001	1
Issue of restricted shares	c	3,582,531	US$0.00001	– *
Cancellation of restricted shares	c	(3,582,531)	US$0.00001	– *
Issue of ordinary shares	d	3,466,855	US$0.00001	– *
Cancellation of ordinary shares	d	(3,466,855)	US$0.00001	– *
As at 31 December 2018		103,126,684	US$0.00001	1
Share Subdivision on 24 November 2019	f	412,506,736	US$0.000002	N/A
Automatic conversion of preferred shares into ordinary shares upon the IPO (Note 27)		201,975,155	US$0.000002	– *
Issue of ordinary shares in the IPO	g	179,403,000	US$0.000002	– *
As at 31 December 2019		**897,011,575**	**US$0.000002**	**2**

28. SHARE CAPITAL (Continued)

	RMB'000
Shown in the consolidated statement of financial position:	
As at 31 December 2018	7
As at 31 December 2019	**12**

* less than +/- US$1,000

Notes:

(a) Pursuant to resolutions passed by the sole shareholder of the Company on 5 July 2018, (i) the authorized share capital of the Company was split and subdivided from 50,000,000 with a par value of US$0.001 each into 5,000,000,000 ordinary shares with a par value of US$0.00001 each, out of which the issued shares of 100,000 with a par value of US$0.001 held by Rubymab were split and subdivided into 10,000,000 shares with a par value of US$0.00001 each; and (ii) 55,700,000, 17,150,000, 17,150,000, 2,868,867 shares with a par value of US$0.00001 each of the Company were issued to Rubymab, Pearlmed Ltd., a BVI company wholly owned by Mr. Xue, Sky Diamond Co. Ltd., a BVI company wholly owned by Mr. Zhang, Aljade Ltd., a BVI company equally owned by SZ ESOP Holders other than Mr. Mike Liu, respectively, with details set out in Note 2. The consideration was fully settled on 13 August 2018 in cash.

(b) On 18 July 2018, the Company issued and allotted ordinary shares to Mr. Mike Liu, a senior executive of the Group and one of the SZ ESOP Holders. The consideration was fully settled on 7 August 2018 in cash and the new shares rank pari passu with the existing shares in all respects.

(c) On 18 July 2018, 3,582,531 restricted shares were issued by the Company to two employees or their nominees and the same number of shares was surrendered and cancelled in September 2018.

(d) On 5 September 2018, the Company issued 3,466,855 shares of the Company to one of the Series A Preferred Shares investor in exchange for US$238,331 (equivalent to RMB1,576,000), which was settled on 11 October 2018. On 19 October 2018, the Company issued 53,431 Series A Preferred Shares to the investor in exchange for its surrender and cancellation of the 3,466,855 ordinary shares.

(e) On 14 May 2019, pursuant to a resolution of the shareholders of the Company, it was approved that (i) the authorized share capital of the Company was increased from 5,000,000,000 shares with a par value of US$0.00001 each to 5,020,000,000 shares with a par value of US$0.00001 each, which: (i) 4,000,000,000 shares are designated as ordinary shares, (ii) 1,000,000,000 shares are re-designated as Series A Preferred Shares with a par value of US$0.00001 per share with details set out in Note 27 and (iii) 20,000,000 shares are re-designated as Series B Preferred Shares with a par value of US$0.00001 per share with details set out in Note 27.

28. SHARE CAPITAL (Continued)

Notes: (Continued)

(f) On 24 November 2019, pursuant to a resolution of the shareholders of the Company, it was approved that a share subdivision pursuant to which each issued and unissued share capital was split into five shares of the corresponding class with par value of US$0.000002 each (the "Share Subdivision"), following which the Company's issued share capital consisted of (i) 515,633,420 issued ordinary shares with par value of US$0.000002 each, (ii) 141,238,725 Series A Preferred Shares with par value of US$0.000002 each and (iii) 60,736,430 Series B Preferred Shares with par value of US$0.000002 each. Each preferred share will be automatically converted to one ordinary share upon the Listing becoming unconditional and the authorized share capital was increased by 5,100,000,000 on the date of automatic conversion of both Series A Preferred Shares and Series B Preferred Shares.

(g) In connection with the Company's IPO, 179,403,000 ordinary shares of US$0.000002 each were issued at HK$10.20 per share for a total gross cash consideration of HK$1,829,911,000 (equivalent to RMB1,646,188,000) on 12 December 2019.

29. DEFERRED INCOME

During the year ended 31 December 2019, the Group received a government subsidy of RMB17 million in advance from the local government for the purpose of supporting the research and development activities on certain new pharmaceutical products, and the amount is presented as deferred income in the Group's consolidated statement of financial position.

The amount of deferred income will be recognised in the same period as the related research and development activities are carried out and expenses are incurred.

The directors of the Company did not expect such activities amounting to RMB5,050,000 will happen within twelve months from 31 December 2019. Therefore, such amounts were classified as non-current liabilities.

30. SHARE OPTION SCHEMES

(a) Equity-settled pre-IPO share option scheme of the Company:

(i) Pursuant to a written resolution of the shareholders of the Company dated 16 October 2018, a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme I") of the Company was approved and adopted. The Pre-IPO Share Option Scheme I was established to recognize and motivate the contribution of the eligible persons and to provide incentives and help the Group in retaining its existing employees, including any full time or part time employee (including any executive and non-executive director or proposed executive director and non-executive director) of the Group (the "Employees"), and to recruit additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. Under the Pre-IPO Share Option Scheme I, the board of directors of the Company may grant options to the eligible persons to subscribe for shares in the Company.

On 10 October 2018, options to subscribe for an aggregate of 4,566,012 shares of the Company, representing 4.4% of the issued share capital of the Company on the date of grant, at an exercise price of US$0.071 per share (equivalent to HK$0.554 per share) of the Company, were granted under the Pre-IPO Share Option Scheme I of the Company conditionally upon the Listing.

On 30 June 2019, pursuant to a resolution of the shareholders of the Company, it was approved that (i) a total of 2,552,012 pre-IPO share options granted on 10 October 2018 be cancelled and (ii) a total of 6,399,077 pre-IPO share options, at an exercise price of US$0.071 per share (equivalent to HK$0.554 per share), representing 6.2% of the issued share capital of the Company on the date of grant, be granted under the Pre-IPO Share Option Scheme I.

On 8 November 2019, the Group has granted additional 610,000 and 164,000 share options, at an exercise price of US$0.071 per share (equivalent to HK$0.554 per share) to a director and certain employees, respectively, under the Pre-IPO Share Option Scheme I, representing 0.8% of the issued share capital of the Company on the date of grant.

In respect of the cancelled 2,552,012 pre-IPO share options for certain employees of the Company on 30 June 2019, 1,481,660 and 237,141 new options, respectively, under both Pre-IPO Share Option Scheme I and Pre-IPO Share Option Scheme II (as detail in Note 30(a)(ii)) with exercise prices ranging from US$0.071 to US$2.449 per share (equivalent to HK$0.554 to HK$19.102 per share) were granted to those employees with modification of vesting conditions on 30 June 2019. As there was a reduction of the number of options granted to those employees, the difference of 833,211 pre-IPO share options were accounted for as a cancellation of that portion of the grant and an amount of RMB12,250,000 was recognized in the profit or loss as the share-based payment expenses.

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

With respect to 97,000 new options granted to one employee mentioned above, the total fair value of the new share options granted was less than that of the cancelled share options at modification date and there was modification of milestone-based vesting conditions and the modification of vesting conditions is not beneficial to that employee. Thus, the amount to be recognized for services received from that employee continues to be measured based on the grant date fair value and vesting conditions of the old share options.

With respect to 1,021,801 new options granted to one employee mentioned above, the total fair value of the new share options granted was less than that of the cancelled share options as the exercise price of certain new share options at modification date was increased from US$0.071 under Pre-IPO Share Option Scheme I to US$2.449 under Pre-IPO Share Option Scheme II per share and there was modification of both time-based and milestone-based vesting conditions which are not beneficial to that employee. Thus, the amount to be recognized for services received from that employee continues to be measured based on the grant date fair value and vesting conditions of the old share options.

With respect to 600,000 new options granted to one employee mentioned above, the total fair value of these new share options granted had no material difference to that of the cancelled share options and there was modification of milestone-based vesting conditions and the modification of vesting conditions is not beneficial to that employee. Thus, the amount to be recognized for services received from that employee continues to be measured based on the grant date fair value and vesting conditions of the old share options.

The granted options under the Pre-IPO Share Option Scheme I have a contractual option term of ten years. Options granted must be taken up within 10 years from the date of grant, upon payment US$0.071 per option at the time of exercise (equivalent to HK$0.554 per option). No consideration is payable on the grant of an option. 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. Once vested, the vested portion of the options may be exercised in whole or in part, at any time.

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

The following table discloses movements of the Company's share options held by the directors and employees of the Group under the Pre-IPO Share Option Scheme I during the years ended 31 December 2019 and 2018:

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding from date of incorporation at 28.3.2018	Granted during the year	Forfeited during the year	Outstanding at 31.12.2018 and 1.1.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
						Number of share options									
Timed-based															
Executive director:															
Ms. Liu Yang	10.10.2018	25%	10.10.2018 – 10.10.2019	10.10.2019 – 10.10.2028	0.071/0.0142	–	56,000	–	56,000	–	–	–	224,000	280,000	8.8 years
		25%	10.10.2018 – 10.10.2020	10.10.2020 – 10.10.2028	0.071/0.0142	–	56,000	–	56,000	–	–	–	224,000	280,000	8.8 years
		25%	10.10.2018 – 10.10.2021	10.10.2021 – 10.10.2028	0.071/0.0142	–	56,000	–	56,000	–	–	–	224,000	280,000	8.8 years
		25%	10.10.2018 – 10.10.2022	10.10.2022 – 10.10.2028	0.071/0.0142	–	56,000	–	56,000	–	–	–	224,000	280,000	8.8 years
						–	224,000	–	224,000	–	–	–	896,000	1,120,000	
Employees:															
Management	10.10.2018	30%	10.10.2018 – 10.10.2019	10.10.2019 – 10.10.2028	0.071/0.0142	–	67,200	–	67,200	–	–	–	268,800	336,000	8.8 years
		30%	10.10.2018 – 10.10.2020	10.10.2020 – 10.10.2028	0.071/0.0142	–	67,200	–	67,200	–	–	–	268,800	336,000	8.8 years
		20%	10.10.2018 – 10.10.2021	10.10.2021 – 10.10.2028	0.071/0.0142	–	44,800	–	44,800	–	–	–	179,200	224,000	8.8 years
		20%	10.10.2018 – 10.10.2022	10.10.2022 – 10.10.2028	0.071/0.0142	–	44,800	–	44,800	–	–	–	179,200	224,000	8.8 years
						–	224,000	–	224,000	–	–	–	896,000	1,120,000	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

						Number of share options									
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding from date of incorporation at 28.3.2018	Granted during the year	Forfeited during the year	Outstanding at 31.12.2018 and 1.1.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
Timed-based (Continued)															
Employees:															
Management	10.10.2018	40%	10.10.2018 – 10.10.2019	10.10.2019 – 10.10.2028	0.071/0.0142	–	8,800	–	8,800	–	–	–	35,200	44,000	8.8 years
		30%	10.10.2018 – 10.10.2020	10.10.2020 – 10.10.2028	0.071/0.0142	–	6,600	–	6,600	–	–	–	26,400	33,000	8.8 years
		15%	10.10.2018 – 10.10.2021	10.10.2021 – 10.10.2028	0.071/0.0142	–	3,300	–	3,300	–	–	–	13,200	16,500	8.8 years
		15%	10.10.2018 – 10.10.2022	10.10.2022 – 10.10.2028	0.071/0.0142	–	3,300	–	3,300	–	–	–	13,200	16,500	8.8 years
						–	22,000	–	22,000	–	–	–	88,000	110,000	
Employees:															
Management	10.10.2018	37.5%	10.10.2018 – 10.10.2019	10.10.2019 – 10.10.2028	0.071/0.0142	–	429,904	–	429,904	–	–	(429,904)	–	–	
		21.25%	10.10.2018 – 10.10.2020	10.10.2020 – 10.10.2028	0.071/0.0142	–	243,612	–	243,612	–	–	(243,612)	–	–	
		21.25%	10.10.2018 – 10.10.2021	10.10.2021 – 10.10.2028	0.071/0.0142	–	243,612	–	243,612	–	–	(243,612)	–	–	
		20%	10.10.2018 – 10.10.2022	10.10.2022 – 10.10.2028	0.071/0.0142	–	229,282	–	229,282	–	–	(229,282)	–	–	
						–	1,146,410	–	1,146,410	–	–	(1,146,410)	–	–	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding from date of incorporation at 28.3.2018	Granted during the year	Forfeited during the year	Outstanding at 31.12.2018 and 1.1.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
						Number of share options									
Timed-based (Continued)															
Employees:															
Management	10.10.2018	25%	10.10.2018 – 10.10.2019	10.10.2019 – 10.10.2028	0.071/0.0142	–	233,250	–	233,250	–	(9,500)	(182,500)	165,000	206,250	8.8 years
		25%	10.10.2018 – 10.10.2020	10.10.2020 – 10.10.2028	0.071/0.0142	–	233,250	–	233,250	–	(9,500)	(182,500)	165,000	206,250	8.8 years
		25%	10.10.2018 – 10.10.2021	10.10.2021 – 10.10.2028	0.071/0.0142	–	233,250	–	233,250	–	(9,500)	(182,500)	165,000	206,250	8.8 years
		25%	10.10.2018 – 10.10.2022	10.10.2022 – 10.10.2028	0.071/0.0142	–	233,250	–	233,250	–	(9,500)	(182,500)	165,000	206,250	8.8 years
						–	933,000	–	933,000	–	(38,000)	(730,000)	660,000	825,000	
Employees:															
Management	10.10.2018	25%	10.10.2018 – 10.10.2019	10.10.2019 – 10.10.2028	0.071/0.0142	–	16,250	–	16,250	–	–	(16,250)	–	–	
		25%	10.10.2018 – 10.10.2020	10.10.2020 – 10.10.2028	0.071/0.0142	–	16,250	–	16,250	–	–	(16,250)	–	–	
		25%	10.10.2018 – 10.10.2021	10.10.2021 – 10.10.2028	0.071/0.0142	–	16,250	–	16,250	–	–	(16,250)	–	–	
		25%	10.10.2018 – 10.10.2022	10.10.2022 – 10.10.2028	0.071/0.0142	–	16,250	–	16,250	–	–	(16,250)	–	–	
						–	65,000	–	65,000	–	–	(65,000)	–	–	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding from date of incorporation at 28.3.2018	Granted during the year	Forfeited during the year	Outstanding at 31.12.2018 and 1.1.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
						Number of share options									
Timed-based (Continued)															
Executive director:															
Dr. Xu	30.06.2019	25%	30.06.2019 – 10.10.2019	10.10.2019 – 30.06.2029	0.071/0.0142	–	–	–	–	350,295	–	–	1,401,180	1,751,475	9.5 years
		25%	30.06.2019 – 10.10.2020	10.10.2020 – 30.06.2029	0.071/0.0142	–	–	–	–	350,294	–	–	1,401,176	1,751,470	9.5 years
		25%	30.06.2019 – 10.10.2021	10.10.2021 – 30.06.2029	0.071/0.0142	–	–	–	–	350,295	–	–	1,401,180	1,751,475	9.5 years
		25%	30.06.2019 – 10.10.2022	10.10.2022 – 30.06.2029	0.071/0.0142	–	–	–	–	350,294	–	–	1,401,176	1,751,470	9.5 years
						–	–	–	–	1,401,178	–	–	5,604,712	7,005,890	
Employees:															
Management	30.06.2019	25%	30.06.2019 – 10.10.2019	10.10.2019 – 30.06.2029	0.071/0.0142	–	–	–	–	371,402	–	–	1,485,608	1,857,010	9.5 years
		25%	30.06.2019 – 10.10.2020	10.10.2020 – 30.06.2029	0.071/0.0142	–	–	–	–	371,402	–	–	1,485,608	1,857,010	9.5 years
		25%	30.06.2019 – 10.10.2021	10.10.2021 – 30.06.2029	0.071/0.0142	–	–	–	–	371,402	–	–	1,485,608	1,857,010	9.5 years
		25%	30.06.2019 – 10.10.2022	10.10.2022 – 30.06.2029	0.071/0.0142	–	–	–	–	371,403	–	–	1,485,612	1,857,015	9.5 years
						–	–	–	–	1,485,609	–	–	5,942,436	7,428,045	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options: Outstanding from date of incorporation at 28.3.2018	Granted during the year	Forfeited during the year	Outstanding at 31.12.2018 and 1.1.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
Timed-based (Continued)															
Employees:															
Management	30.06.2019	25%	30.06.2019 – 10.10.2020	10.10.2020 – 30.06.2029	0.071/0.0142	–	–	–	–	25,644	–	–	102,576	128,220	9.5 years
		25%	30.06.2019 – 10.10.2021	10.10.2021 – 30.06.2029	0.071/0.0142	–	–	–	–	25,644	–	–	102,576	128,220	9.5 years
		25%	30.06.2019 – 10.10.2022	10.10.2022 – 30.06.2029	0.071/0.0142	–	–	–	–	25,644	–	–	102,576	128,220	9.5 years
		25%	30.06.2019 – 10.10.2023	10.10.2023 – 30.06.2029	0.071/0.0142	–	–	–	–	25,642	–	–	102,568	128,210	9.5 years
						–	–	–	–	102,574	–	–	410,296	512,870	
Employees:															
Management	30.06.2019	25%	30.06.2019 – 10.10.2019	10.10.2019 – 30.06.2029	0.071/0.0142	–	–	–	–	70,059	–	–	280,236	350,295	9.5 years
		32%	30.06.2019 – 10.10.2020	10.10.2020 – 30.06.2029	0.071/0.0142	–	–	–	–	89,676	–	–	358,704	448,380	9.5 years
		32%	30.06.2019 – 10.10.2021	10.10.2021 – 30.06.2029	0.071/0.0142	–	–	–	–	89,676	–	–	358,704	448,380	9.5 years
		11%	30.06.2019 – 10.10.2022	10.10.2022 – 30.06.2029	0.071/0.0142	–	–	–	–	30,825	–	–	123,300	154,125	9.5 years
						–	–	–	–	280,236	–	–	1,120,944	1,401,180	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding from date of incorporation at 28.3.2018	Granted during the year	Forfeited during the year	Outstanding at 31.12.2018 and 1.1.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
						Number of share options									
Timed-based (Continued)															
Employees:															
Management	08.11.2019	25%	08.11.2019 – 08.11.2020	08.11.2020 – 08.11.2029	0.071/0.0142	–	–	–	–	31,500	–	–	126,000	157,500	9.9 years
		25%	08.11.2019 – 08.11.2021	08.11.2021 – 08.11.2029	0.071/0.0142	–	–	–	–	31,500	–	–	126,000	157,500	9.9 years
		25%	08.11.2019 – 08.11.2022	08.11.2022 – 08.11.2029	0.071/0.0142	–	–	–	–	31,500	–	–	126,000	157,500	9.9 years
		25%	08.11.2019 – 08.11.2023	08.11.2023 – 08.11.2029	0.071/0.0142	–	–	–	–	31,500	–	–	126,000	157,500	9.9 years
						–	–	–	–	126,000	–	–	504,000	630,000	
Employees:															
Others	08.11.2019	25%	08.11.2019 – 08.11.2020	08.11.2020 – 08.11.2029	0.071/0.0142	–	–	–	–	9,500	–	–	38,000	47,500	9.9 years
		25%	08.11.2019 – 08.11.2021	08.11.2021 – 08.11.2029	0.071/0.0142	–	–	–	–	9,500	–	–	38,000	47,500	9.9 years
		25%	08.11.2019 – 08.11.2022	08.11.2022 – 08.11.2029	0.071/0.0142	–	–	–	–	9,500	–	–	38,000	47,500	9.9 years
		25%	08.11.2019 – 08.11.2023	08.11.2023 – 08.11.2029	0.071/0.0142	–	–	–	–	9,500	–	–	38,000	47,500	9.9 years
						–	–	–	–	38,000	–	–	152,000	190,000	
Time-based sub-total						–	2,614,410	–	2,614,410	3,433,597	(38,000)	(1,941,410)	16,274,388	20,342,985	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding from date of incorporation at 28.3.2018	Granted during the year	Forfeited during the year	Outstanding at 31.12.2018 and 1.1.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
						Number of share options									
Milestone-based (note)															
Employees:															
Management	10.10.2018	100%	10.10.2018 – 01.05.2020	01.05.2020 – 10.10.2028	0.071/-	–	286,602	–	286,602	–	–	(286,602)	–	–	
Employees:															
Others	10.10.2018	100%	10.10.2018 – 12.12.2019	12.12.2019 – 10.10.2028	0.071/-	–	32,000	–	32,000	–	–	(32,000)	–	–	
Employees:															
Others (Note)	10.10.2018	25%	10.10.2018 – 12.12.2019	12.12.2019 – 10.10.2028	0.071/0.0142	–	110,750	–	110,750	–	(22,750)	–	352,000	440,000	8.8 years
		25%	10.10.2018 – 30.06.2021	30.06.2021 – 10.10.2028	0.071/0.0142	–	110,750	–	110,750	–	(22,750)	–	352,000	440,000	8.8 years
		25%	10.10.2018 – 30.06.2022	30.06.2022 – 10.10.2028	0.071/0.0142	–	110,750	–	110,750	–	(22,750)	–	352,000	440,000	8.8 years
		15%	10.10.2018 – 30.06.2023	30.06.2023 – 10.10.2028	0.071/0.0142	–	66,450	–	66,450	–	(13,650)	–	211,200	264,000	8.8 years
		10%	10.10.2018 – 30.06.2025	30.06.2025 – 10.10.2028	0.071/0.0142	–	44,300	–	44,300	–	(9,100)	–	140,800	176,000	8.8 years
						–	443,000	–	443,000	–	(91,000)	–	1,408,000	1,760,000	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding from date of incorporation at 28.3.2018	Granted during the year	Forfeited during the year	Outstanding at 31.12.2018 and 1.1.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
						Number of share options									
Milestone-based (note) (Continued)															
Executive director:															
Ms. Liu Yang	10.10.2018	100%	10.10.2018 – 12.12.2019	12.12.2019 – 10.10.2028	0.071/0.0142	–	224,000	–	224,000	–	–	–	896,000	1,120,000	8.8 years
Employees:															
Management	10.10.2018	100%	10.10.2018 – 12.12.2019	12.12.2019 – 10.10.2028	0.071/-	–	292,000	–	292,000	–	–	(292,000)	–	–	
Employees:															
Management	10.10.2018	25%	10.10.2018 – 12.12.2019	12.12.2019 – 10.10.2028	0.071/0.0142	–	168,500	–	168,500	–	(19,000)	–	598,000	747,500	8.8 years
		25%	10.10.2018 – 30.06.2021	30.06.2021 – 10.10.2028	0.071/0.0142	–	168,500	–	168,500	–	(19,000)	–	598,000	747,500	8.8 years
		25%	10.10.2018 – 30.06.2022	30.06.2022 – 10.10.2028	0.071/0.0142	–	168,500	–	168,500	–	(19,000)	–	598,000	747,500	8.8 years
		15%	10.10.2018 – 30.06.2023	30.06.2023 – 10.10.2028	0.071/0.0142	–	101,100	–	101,100	–	(11,400)	–	358,800	448,500	8.8 years
		10%	10.10.2018 – 30.06.2025	30.06.2025 – 10.10.2028	0.071/0.0142	–	67,400	–	67,400	–	(7,600)	–	239,200	299,000	8.8 years
						–	674,000	–	674,000	–	(76,000)	–	2,392,000	2,990,000	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

						Number of share options									
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding from date of incorporation at 28.3.2018	Granted during the year	Forfeited during the year	Outstanding at 31.12.2018 and 1.1.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
Milestone-based (note) (Continued)															
Executive director:															
Dr. Xu	30.06.2019	25%	30.06.2019 – 12.12.2019	12.12.2019 – 30.06.2029	0.071/0.0142	–	–	–	–	350,295	–	–	1,401,180	1,751,475	9.5 years
		25%	30.06.2019 – 30.06.2021	30.06.2021 – 30.06.2029	0.071/0.0142	–	–	–	–	350,294	–	–	1,401,176	1,751,470	9.5 years
		25%	30.06.2019 – 30.06.2022	30.06.2022 – 30.06.2029	0.071/0.0142	–	–	–	–	350,295	–	–	1,401,180	1,751,475	9.5 years
		15%	30.06.2019 – 30.06.2023	30.06.2023 – 30.06.2029	0.071/0.0142	–	–	–	–	210,177	–	–	840,708	1,050,885	9.5 years
		10%	30.06.2019 – 30.06.2025	30.06.2025 – 30.06.2029	0.071/0.0142	–	–	–	–	140,117	–	–	560,468	700,585	9.5 years
						–	–	–	–	1,401,178	–	–	5,604,712	7,005,890	
Employees:															
Management	30.06.2019	50%	30.06.2019 – 12.12.2019	12.12.2019 – 30.06.2029	0.071/0.0142	–	–	–	–	296,402	–	–	1,185,608	1,482,010	9.5 years
		50%	30.06.2019 – 31.10.2021	31.10.2021 – 30.06.2029	0.071/0.0142	–	–	–	–	296,402	–	–	1,185,608	1,482,010	9.5 years
						–	–	–	–	592,804	–	–	2,371,216	2,964,020	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding from date of incorporation at 28.3.2018	Granted during the year	Forfeited during the year	Outstanding at 31.12.2018 and 1.1.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
						Number of share options									
Milestone-based (note) (Continued)															
Employees:															
Management	30.06.2019	20%	30.06.2019 – 12.12.2019	12.12.2019 – 30.06.2029	0.071/0.0142	–	–	–	–	100,885	–	–	403,540	504,425	9.5 years
		50%	30.06.2019 – 01.10.2021	01.10.2021 -30.06.2029	0.071/0.0142	–	–	–	–	252,212	–	–	1,008,848	1,261,060	9.5 years
		15%	30.06.2019 – 30.06.2022	30.06.2022 -30.06.2029	0.071/0.0142	–	–	–	–	75,664	–	–	302,656	378,320	9.5 years
		15%	30.06.2019 – 30.06.2023	30.06.2023 -30.06.2029	0.071/0.0142	–	–	–	–	75,663	–	–	302,652	378,315	9.5 years
						–	–	–	–	504,424	–	–	2,017,696	2,522,120	
Employees:															
Management	30.06.2019	40%	30.06.2019 – 12.12.2019	12.12.2019 – 30.06.2029	0.071/0.0142	–	–	–	–	120,000	–	–	480,000	600,000	9.5 years
		15%	30.06.2019 – 30.06.2021	30.06.2021 – 30.06.2029	0.071/0.0142	–	–	–	–	45,000	–	–	180,000	225,000	9.5 years
		15%	30.06.2019 – 12.12.2021	12.12.2021 – 30.06.2029	0.071/0.0142	–	–	–	–	45,000	–	–	180,000	225,000	9.5 years
		15%	30.06.2019 – 30.06.2022	30.06.2022 – 30.06.2029	0.071/0.0142	–	–	–	–	45,000	–	–	180,000	225,000	9.5 years
		15%	30.06.2019 – 12.12.2023	31.10.2023 – 30.06.2029	0.071/0.0142	–	–	–	–	45,000	–	–	180,000	225,000	9.5 years
						–	–	–	–	300,000	–	–	1,200,000	1,500,000	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options: Outstanding from date of incorporation at 28.3.2018	Granted during the year	Forfeited during the year	Outstanding at 31.12.2018 and 1.1.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
Milestone-based (note) (Continued)															
Employees:															
Management	30.06.2019	5%	30.06.2019 – 12.12.2019	12.12.2019 – 30.06.2029	0.071/0.0142	–	–	–	–	1,479	–	–	5,916	7,395	9.5 years
		40%	30.06.2019 – 30.06.2022	30.06.2022 – 30.06.2029	0.071/0.0142	–	–	–	–	11,835	–	–	47,340	59,175	9.5 years
		35%	30.06.2019 – 30.06.2023	30.06.2023 – 30.06.2029	0.071/0.0142	–	–	–	–	10,356	–	–	41,424	51,780	9.5 years
		20%	30.06.2019 – 30.06.2025	30.06.2025 – 30.06.2029	0.071/0.0142	–	–	–	–	5,918	–	–	23,672	29,590	9.5 years
						–	–	–	–	29,588	–	–	118,352	147,940	
Employees:															
Management	30.6.2019	15%	30.06.2019 – 12.12.2019	12.12.2019 – 30.06.2029	0.071/0.0142	–	–	–	–	10,948	–	–	43,792	54,740	9.5 years
		15%	30.06.2019 – 30.06.2021	30.06.2021 – 30.06.2029	0.071/0.0142	–	–	–	–	10,948	–	–	43,792	54,740	9.5 years
		35%	30.06.2019 – 30.06.2022	30.06.2022 – 30.06.2029	0.071/0.0142	–	–	–	–	25,545	–	–	102,180	127,725	9.5 years
		25%	30.06.2019 – 30.06.2023	30.06.2023 – 30.06.2029	0.071/0.0142	–	–	–	–	18,246	–	–	72,984	91,230	9.5 years
		10%	30.06.2019 – 30.06.2025	30.06.2025 – 30.06.2029	0.071/0.0142	–	–	–	–	7,299	–	–	29,196	36,495	9.5 years
						–	–	–	–	72,986	–	–	291,944	364,930	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options: Outstanding from date of incorporation at 28.3.2018	Granted during the year	Forfeited during the year	Outstanding at 31.12.2018 and 1.1.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
Milestone-based (note) (Continued)															
Employees:															
Others	30.6.2019	15%	30.06.2019 – 12.12.2019	12.12.2019 – 30.06.2029	0.071/0.0142	–	–	–	–	12,675	(2,550)	–	40,500	50,625	9.5 years
		15%	30.06.2019 – 30.06.2021	30.06.2021 – 30.06.2029	0.071/0.0142	–	–	–	–	12,675	(2,550)	–	40,500	50,625	9.5 years
		35%	30.06.2019 – 30.06.2022	30.06.2022 – 30.06.2029	0.071/0.0142	–	–	–	–	29,575	(5,950)	–	94,500	118,125	9.5 years
		25%	30.06.2019 – 30.06.2023	30.06.2023 – 30.06.2029	0.071/0.0142	–	–	–	–	21,125	(4,250)	–	67,500	84,375	9.5 years
		10%	30.06.2019 – 30.06.2025	30.06.2025 – 30.06.2029	0.071/0.0142	–	–	–	–	8,450	(1,700)	–	27,000	33,750	9.5 years
						–	–	–	–	84,500	(17,000)	–	270,000	337,500	
Employees:															
Others	30.06.2019	25%	30.06.2019 -12.12.2019	12.12.2019 – 30.06.2029	0.071/0.0142	–	–	–	–	36,000	–	–	144,000	180,000	9.5 years
		25%	30.06.2019 – 30.06.2021	30.06.2021 – 30.06.2029	0.071/0.0142	–	–	–	–	36,000	–	–	144,000	180,000	9.5 years
		25%	30.06.2019 – 30.06.2022	30.06.2022 – 30.06.2029	0.071/0.0142	–	–	–	–	36,000	–	–	144,000	180,000	9.5 years
		15%	30.06.2019 – 30.06.2023	30.06.2023 – 30.06.2029	0.071/0.0142	–	–	–	–	21,600	–	–	86,400	108,000	9.5 years
		10%	30.06.2019 – 30.06.2025	30.06.2025 – 30.06.2029	0.071/0.0142	–	–	–	–	14,400	–	–	57,600	72,000	9.5 years
						–	–	–	–	144,000	–	–	576,000	720,000	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

						Number of share options									
	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Outstanding from date of incorporation at 28.3.2018	Granted during the year	Forfeited during the year	Outstanding at 31.12.2018 and 1.1.2019	Granted during the year	Forfeited during the year	Cancelled during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
Milestone-based (note) (Continued)															
Executive director:															
Dr. Xu	08.11.2019	100%	08.11.2019 -12.12.2019	12.12.2019- 08.11.2029	0.071/0.0142	–	–	–	–	610,000	–	–	2,440,000	3,050,000	9.9 years
Milestone-based sub-total						–	1,951,602	–	1,951,602	3,739,480	(184,000)	(610,602)	19,585,920	24,482,400	
Total						–	4,566,012	–	4,566,012	7,173,077	(222,000)	(2,552,012)	35,860,308	44,825,385	
Exercisable at the end of the year						–			–					14,811,950	
Weighted average exercise price per share (US$)						N/A	0.071	N/A	0.071	0.071	0.071	0.071	0.0142	0.0142	

Note: Milestone-based pre-IPO share options are granted conditionally upon the achievement of a specified performance target including but not limited to, completion of the Listing, marketing authorization of various drug candidates or achievement of sales targets by a specific time and the expected vesting periods are estimated by the directors of the Company based on the most likely outcome of the performance conditions.

On 29 March 2019, the board of directors of the Company passed a resolution to change certain performance targets and the estimated dates of the most likely outcome of performance conditions in relation to certain milestone-based share options granted under the Pre-IPO Share Option Scheme I which were not beneficial to the employees. Thus, the amount to be recognized for services received from the employee continues to be measured based on the original vesting conditions.

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

The estimated fair values of the options granted under the Pre-IPO Share Option Scheme I on 10 October 2018 was in aggregate US$9,719,000 (equivalent to RMB67,131,000) which included 2,552,012 share options cancelled under the Pre-IPO Share Option Scheme I granted on 10 October 2018 with a fair value of US$6,041,000 (equivalent to RMB41,530,000) at modification date and the estimated fair values of the options granted on 30 June 2019 was in aggregate US$14,572,000 (equivalent to RMB100,176,000) which included 1,481,660 share options for the replacement of cancelled share options under the Pre-IPO Share Option Scheme I granted on 10 October 2018 with a fair value of US$3,477,000 (equivalent to RMB23,903,000) at modification date.

The estimated fair value of the additional 774,000 options granted on 8 November 2019 under the Pre-IPO Share Option Scheme I was RMB28,739,500.

Except for an amount of RMB12,250,000 (equivalent to US$1,774,000) (2018: Nil) which was expensed in full during the current year as a result of the cancellation of 833,211 pre-IPO share options as listed in above tables, the Group recognised the total expense of RMB74,246,000 (2018: Nil) for the year ended 31 December 2019 in relation to share options granted by the Company.

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(i) (Continued)

Fair values of the Pre-IPO Share Option Scheme I

These fair values were calculated using the binomial model. The inputs into the model were as follows:

	Date of grant		
	10.10.2018	30.6.2019	8.11.2019
Ordinary share price as at date of grant	US$2.195	US$2.437	US$5.379
Exercise price	US$0.071	US$0.071	US$0.071
Expected volatility	38.8%	32.2%	32.1%
Expected life	10 years	10 years	10 years
Risk-free rate	3.17%	2.05%	1.95%
Expected dividend yield	0%	0%	0%

The expected volatility measured at the standard deviation is based on the historical data of the daily share price movement of comparable companies. The fair value of an option varies with different variables of certain subjective assumptions.

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) Pursuant to a written resolution of the shareholders of the Company dated 29 March 2019, another pre-IPO share option scheme (the "Pre-IPO Share Option Scheme II") of the Company was approved and adopted on 9 April 2019. The Pre-IPO Share Option Scheme II was established to recognize and motivate the contribution of the eligible persons and to provide incentives and help the Group in retaining its Employees, and to recruit additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. Under the Pre-IPO Share Option Scheme II, the board of directors of the Company may grant options to the eligible persons to subscribe for shares in the Company.

On 30 June 2019, options to subscribe for an aggregate of 2,086,054 shares of the Company, which included 237,141 share options issued as replacement for certain options cancelled under Pre-IPO Share Option Scheme I, representing 2.0% of the issued share capital of the Company on the date of grant, at an exercise price of either US$1.225 or US$2.449 per share (equivalent to HK$9.555 or HK$19.102 per share) of the Company, have been granted under the Pre-IPO Share Option Scheme II of the Company conditionally upon the Listing.

On 8 November 2019 and 13 November 2019, the Group has granted a total of additional 386,943 and 54,000 share options, respectively, at an exercise price of either US$1.225 or US$2.449 per share (equivalent to HK$9.555 or HK$19.102 per share) of the Company, to certain employees under the Pre-IPO Share Option Scheme II, representing 0.4% of the issued share capital of the Company on the date of grant.

The granted options have a contractual option term of ten years. Options granted must be taken up within ten years from the date of grant, upon payment of either US$1.225 or US$2.449 per option (equivalent to HK$9.555 or HK$19.102 per option). No consideration is payable on the grant of an option. The Group has no legal or constructive obligations to repurchase or settle the options in cash. The options may not be exercised until they vest. Once vested, the vested portion of the options may be exercised in whole or in part, at any time.

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

The following table discloses movements of the Company's share options held by the directors and employees of the Group under the Pre-IPO Share Option Scheme II during the year:

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options: Outstanding at 1.1.2019	Granted during the year	Forfeited during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
Time-based											
Executive director:											
Dr. Xu	30.06.2019	25%	30.06.2019 – 30.06.2020	30.06.2020 – 30.06.2029	2.449/0.4898	–	105,867	–	423,468	529,335	9.5 years
		25%	30.06.2019 – 30.06.2021	30.06.2021 – 30.06.2029	2.449/0.4898	–	105,867	–	423,468	529,335	9.5 years
		25%	30.06.2019 – 30.06.2022	30.06.2022 – 30.06.2029	2.449/0.4898	–	105,867	–	423,468	529,335	9.5 years
		25%	30.06.2019 – 30.06.2023	30.06.2023 – 30.06.2029	2.449/0.4898	–	105,866	–	423,464	529,330	9.5 years
						–	423,467	–	1,693,868	2,117,335	
Employees:											
Management	30.06.2019	25%	30.06.2019 – 30.06.2020	30.06.2020 – 30.06.2029	2.449/0.4898	–	84,694	–	338,776	423,470	9.5 years
		25%	30.06.2019 – 30.06.2021	30.06.2021 – 30.06.2029	2.449/0.4898	–	84,694	–	338,776	423,470	9.5 years
		25%	30.06.2019 – 30.06.2022	30.06.2022 – 30.06.2029	2.449/0.4898	–	84,693	–	338,772	423,465	9.5 years
		25%	30.06.2019 – 30.06.2023	30.06.2023 – 30.06.2029	2.449/0.4898	–	84,693	–	338,772	423,465	9.5 years
						–	338,774	–	1,355,096	1,693,870	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options: Outstanding at 1.1.2019	Granted during the year	Forfeited during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
Time-based (Continued)											
Employees:											
Management	30.06.2019	25%	30.06.2019 – 30.06.2020	30.06.2020 – 30.06.2029	2.449/0.4898	–	21,173	–	84,692	105,865	9.5 years
		32%	30.06.2019 – 30.06.2021	30.06.2021 – 30.06.2029	2.449/0.4898	–	27,102	–	108,408	135,510	9.5 years
		32%	30.06.2019 – 30.06.2022	30.06.2022 – 30.06.2029	2.449/0.4898	–	27,102	–	108,408	135,510	9.5 years
		11%	30.06.2019 – 30.06.2023	30.06.2023 – 30.06.2029	2.449/0.4898	–	9,316	–	37,264	46,580	9.5 years
						–	84,693	–	338,772	423,465	
Employees:											
Management	30.06.2019	25%	30.06.2019 – 30.06.2020	30.06.2020 – 30.06.2029	2.449/0.4898	–	55,477	–	221,908	277,385	9.5 years
		25%	30.06.2019 – 30.06.2021	30.06.2021 – 30.06.2029	2.449/0.4898	–	55,477	–	221,908	277,385	9.5 years
		25%	30.06.2019 – 30.06.2022	30.06.2022 – 30.06.2029	2.449/0.4898	–	55,477	–	221,908	277,385	9.5 years
		25%	30.06.2019 – 30.06.2023	30.06.2023 – 30.06.2029	2.449/0.4898	–	55,478	–	221,912	277,390	9.5 years
						–	221,909	–	887,636	1,109,545	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options Outstanding at 1.1.2019	Granted during the year	Forfeited during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
Time-based (Continued)											
Employees:											
Management	08.11.2019	25%	08.11.2019 – 08.11.2020	08.11.2020 – 08.11.2029	1.225 – 2.449/ 0.2245 – 0.4898	–	48,993	–	195,972	244,965	9.9 years
		25%	08.11.2019 – 08.11.2021	08.11.2021 – 08.11.2029	1.225 – 2.449/ 0.2245 – 0.4898	–	48,993	–	195,972	244,965	9.9 years
		25%	08.11.2019 – 08.11.2022	08.11.2022 – 08.11.2029	1.225 – 2.449/ 0.2245 – 0.4898	–	48,993	–	195,972	244,965	9.9 years
		25%	08.11.2019 – 08.11.2023	08.11.2023 – 08.11.2029	1.225 – 2.449/ 0.2245 – 0.4898	–	48,993	–	195,972	244,965	9.9 years
						–	195,972	–	783,888	979,860	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options: Outstanding at 1.1.2019	Granted during the year	Forfeited during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
Time-based (Continued)											
Employees:											
Management	13.11.2019	25%	13.11.2019 – 08.11.2020	08.11.2020 – 08.11.2029	1.225/0.2245	–	13,500	–	54,000	67,500	9.9 years
		25%	13.11.2019 – 08.11.2021	08.11.2021 – 08.11.2029	1.225/0.2245	–	13,500	–	54,000	67,500	9.9 years
		25%	13.11.2019 – 08.11.2022	08.11.2022 – 08.11.2029	1.225/0.2245	–	13,500	–	54,000	67,500	9.9 years
		25%	13.11.2019 – 08.11.2023	08.11.2023 – 08.11.2029	1.225/0.2245	–	13,500	–	54,000	67,500	9.9 years
						–	54,000	–	216,000	270,000	
Employees:											
Others	08.11.2019	25%	08.11.2019 – 08.11.2020	08.11.2020 – 08.11.2029	2.449/0.4898	–	5,750	–	23,000	28,750	9.9 years
		25%	08.11.2019 – 08.11.2021	08.11.2021 – 08.11.2029	2.449/0.4898	–	5,750	–	23,000	28,750	9.9 years
		25%	08.11.2019 – 08.11.2022	08.11.2022 – 08.11.2029	2.449/0.4898	–	5,750	–	23,000	28,750	9.9 years
		25%	08.11.2019 – 08.11.2023	08.11.2023 – 08.11.2029	2.449/0.4898	–	5,750	–	23,000	28,750	9.9 years
						–	23,000	–	92,000	115,000	
Time-based sub-total						–	1,341,815	–	5,367,260	6,709,075	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options: Outstanding at 1.1.2019	Granted during the year	Forfeited during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
Milestone-based (note)											
Executive director											
Dr. Xu Ting	30.06.2019	25%	30.06.2019 – 12.12.2019	12.12.2019 – 30.06.2029	2.449/0.4898	–	105,867	–	423,468	529,335	9.5 years
		25%	30.06.2019 – 30.06.2021	30.06.2021 – 30.06.2029	2.449/0.4898	–	105,867	–	423,468	529,335	9.5 years
		25%	30.06.2019 – 30.06.2022	30.06.2022 – 30.06.2029	2.449/0.4898	–	105,867	–	423,468	529,335	9.5 years
		15%	30.06.2019 – 30.06.2023	30.06.2023 – 30.06.2029	2.449/0.4898	–	95,279	–	381,116	476,395	9.5 years
		10%	30.06.2019 – 30.06.2025	30.06.2025 – 30.06.2029	2.449/0.4898	–	10,587	–	42,348	52,935	9.5 years
						–	423,467	–	1,693,868	2,117,335	
Employees:											
Management	30.06.2019	50%	30.06.2019 – 12.12.2019	12.12.2019 – 30.06.2029	2.449/0.4898	–	84,694	–	338,776	423,470	9.5 years
		50%	30.06.2019 – 30.6.2021	30.6.2021 – 30.06.2029	2.449/0.4898	–	84,693	–	338,772	423,465	9.5 years
						–	169,387	–	677,548	846,935	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options: Outstanding at 1.1.2019	Granted during the year	Forfeited during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
Milestone-based (note) (Continued)											
Employees:											
Management	30.06.2019	20%	30.06.2019 – 12.12.2019	12.12.2019 – 30.06.2029	2.449/0.4898	–	30,490	–	121,960	152,450	9.5 years
		50%	30.06.2019 – 01.10.2021	01.10.2021 – 30.06.2029	2.449/0.4898	–	76,224	–	304,896	381,120	9.5 years
		15%	30.06.2019 – 30.06.2022	30.06.2022 – 30.06.2029	2.449/0.4898	–	22,867	–	91,468	114,335	9.5 years
		15%	30.06.2019 – 30.06.2023	30.06.2023 – 30.06.2029	2.449/0.4898	–	22,867	–	91,468	114,335	9.5 years
						–	152,448	–	609,792	762,240	
Employees:											
Management	30.06.2019	5%	30.06.2019 – 12.12.2019	12.12.2019 – 30.06.2029	1.225/0.2450	–	11,095	–	44,380	55,475	9.5 years
		40%	30.06.2019 – 30.06.2022	30.06.2022 – 30.06.2029	1.225/0.2450	–	88,763	–	355,052	443,815	9.5 years
		35%	30.06.2019 – 30.06.2023	30.06.2023 – 30.06.2029	1.225/0.2450	–	77,668	–	310,672	388,340	9.5 years
		20%	30.06.2019 – 30.06.2025	30.06.2025 – 30.06.2029	1.225/0.2450	–	44,382	–	177,528	221,910	9.5 years
						–	221,908	–	887,632	1,109,540	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options: Outstanding at 1.1.2019	Granted during the year	Forfeited during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
Milestone-based (note) (Continued)											
Employees:											
Others	30.06.2019	10%	30.06.2019 – 12.12.2019	12.12.2019 – 30.06.2029	1.225/0.2450	–	5,000	–	20,000	25,000	9.5 years
		15%	30.06.2019 – 30.06.2021	30.06.2021 – 30.06.2029	1.225/0.2450	–	7,500	–	30,000	37,500	9.5 years
		35%	30.06.2019 – 30.06.2022	30.06.2022 – 30.06.2029	1.225/0.2450	–	17,500	–	70,000	87,500	9.5 years
		30%	30.06.2019 – 30.06.2023	30.06.2023 – 30.06.2029	1.225/0.2450	–	15,000	–	60,000	75,000	9.5 years
		10%	30.06.2019 – 30.06.2025	30.06.2025 – 30.06.2029	1.225/0.2450	–	5,000	–	20,000	25,000	9.5 years
						–	50,000	–	200,000	250,000	
Employees:											
Management	08.11.2019	5%	08.11.2019 – 12.12.2019	12.12.2019 – 08.11.2029	1.225/0.2450	–	7,298	–	29,192	36,490	9.9 years
		20%	08.11.2019 – 30.06.2021	30.06.2021 – 08.11.2029	1.225/0.2450	–	29,194	–	116,776	145,970	9.9 years
		25%	08.11.2019 – 31.12.2021	31.12.2021 – 08.11.2029	1.225/0.2450	–	36,493	–	145,972	182,465	9.9 years
		25%	08.11.2019 – 30.06.2022	30.06.2022 – 08.11.2029	1.225/0.2450	–	36,493	–	145,972	182,465	9.9 years
		15%	08.11.2019 – 30.06.2023	30.06.2023 – 08.11.2029	1.225/0.2450	–	21,896	–	87,584	109,480	9.9 years
		10%	08.11.2019 – 30.06.2025	30.06.2025 – 08.11.2029	1.225/0.2450	–	14,597	–	58,388	72,985	9.9 years
						–	145,971	–	583,884	729,855	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options: Outstanding at 1.1.2019	Granted during the year	Forfeited during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
Milestone-based (note) (Continued)											
Employees:											
Others	08.11.2019	10%	08.11.2019 – 12.12.2019	12.12.2019 – 08.11.2029	1.225/0.2450	–	1,000	–	4,000	5,000	9.9 years
		15%	08.11.2019 – 08.11.2021	08.11.2021 – 08.11.2029	1.225/0.2450	–	1,500	–	6,000	7,500	9.9 years
		35%	08.11.2019 – 08.11.2022	08.11.2022 – 08.11.2029	1.225/0.2450	–	3,500	–	14,000	17,500	9.9 years
		30%	08.11.2019 – 08.11.2023	08.11.2023 – 08.11.2029	1.225/0.2450	–	3,000	–	12,000	15,000	9.9 years
		10%	08.11.2019 – 08.11.2025	08.11.2025 – 08.11.2029	1.225/0.2450	–	1,000	–	4,000	5,000	9.9 years
						–	10,000	–	40,000	50,000	
Employees:											
Others	08.11.2019	5%	08.11.2019 – 12.12.2019	12.12.2019 – 08.11.2029	2.449/0.4898	–	600	–	2,400	3,000	9.9 years
		15%	08.11.2019 – 08.11.2021	08.11.2021 – 08.11.2029	2.449/0.4898	–	1,800	–	7,200	9,000	9.9 years
		35%	08.11.2019 – 08.11.2022	08.11.2022 – 08.11.2029	2.449/0.4898	–	4,200	–	16,800	21,000	9.9 years
		35%	08.11.2019 – 08.11.2023	08.11.2023 – 08.11.2029	2.449/0.4898	–	4,200	–	16,800	21,000	9.9 years
		10%	08.11.2019 – 08.11.2025	08.11.2025 – 08.11.2029	2.449/0.4898	–	1,200	–	4,800	6,000	9.9 years
						–	12,000	–	48,000	60,000	

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

	Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share Before/after Share Subdivision US$/US$	Number of share options: Outstanding at 1.1.2019	Granted during the year	Forfeited during the year	Share Subdivision on 24.11.2019 (Note 28)	Outstanding at 31.12.2019	Remaining contractual life at 31.12.2019
Milestone-based sub-total						–	1,185,181	–	4,740,724	5,925,905	
Total						–	2,526,996	–	10,107,984	12,634,980	
Exercisable at the end of the year						–				1,227,720	
Weighted average exercise price per share (US$)						N/A	2.130	N/A	0.4260	0.4260	

Note: Milestone-based pre-IPO share options are granted conditionally upon the achievement of a specified performance target including but not limited to, completion of the Listing, marketing authorization of various drug candidates, achievement of sales targets, or increase in the Company's market capitalization after the Listing by a specific time and the expected vesting periods are estimated by the directors of the Company based on the most likely outcome of the performance conditions.

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

The estimated fair values of the options granted under the Pre-IPO Share Option Scheme II on 30 June 2019 was in aggregate US$2,212,000 (equivalent to RMB15,208,000) which included 237,141 share options for the replacement of cancelled share options under the Pre-IPO Share Option Scheme I granted on 10 October 2018 with a fair value of US$229,000 (equivalent to RMB1,574,000) at modification date.

During the year ended 31 December 2019, the estimated fair values of additional 386,943 and 54,000 share options were granted on 8 November 2019 and 13 November 2019, respectively, under the Pre-IPO Share Option Scheme II are RMB10,419,600 and RMB2,286,900, respectively.

The Group recognised the total expense of RMB4,527,000 for the year ended 31 December 2019 in relation to share options granted by the Company.

Fair value of the Pre-IPO Share Option Scheme II

These fair values were calculated using the binomial model. The inputs into the model were as follows:

	Date of grant	
	30.6.2019	**8.11.2019 & 13.11.2019**
Ordinary share price as at date of grant	US$2.437	US$5.379
Exercise price	US$1.225 or US$2.449	US$1.225 or US$2.449
Expected volatility	32.2%	32.1%
Expected life	10 years	10 years
Risk-free rate	2.05%	1.95%
Expected dividend yield	0%	0%

30. SHARE OPTION SCHEMES (Continued)

(a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

(ii) (Continued)

Fair value of the Pre-IPO Share Option Scheme II (Continued)

The expected volatility measured at the standard deviation is based on the historical data of the daily share price movement of comparable companies. The fair value of an option varies with different variables of certain subjective assumptions.

(b) Share option scheme with cash-settled alternatives of Suzhou Alphamab

Since May 2014, Suzhou Alphamab had issued 5 batches of share options under the SZ ESOP Plan as an incentive to employees and management of Suzhou Alphamab. Under the SZ ESOP Plan, the grantees can choose to settle in cash based on a calculation methodology as stated in the plan or in equity when Suzhou Alphamab completed the listing of its shares. Such SZ ESOP Plan was accounted for as a compound financial instrument, which includes a debt component (i.e. the counterparty's right to demand payment in cash) and an equity component (i.e. the counterparty's right to demand settlement in equity instruments rather than in cash).

During the year ended 31 December 2019, the Group recognized share-based payment expenses of RMB205,000 (2018: RMB263,000) that are allocated to the Oncology Business under the SZ ESOP Plan.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes amount due to a related company, lease liabilities, bank borrowings and convertible redeemable preferred shares as disclosed in Notes 23, 24, 26 and 27, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, accumulated losses and various reserves.

The directors of the Company regularly review the capital structure from time to time. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts and redemption of existing debts.

32. FINANCIAL INSTRUMENTS

32a. Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets mandatorily measured at FVTPL	**11,680**	–
Amortized cost	**2,370,835**	633,988
Financial liabilities		
Financial liabilities at FVTPL	**–**	900,603
Amortized cost	**342,156**	157,691

32. FINANCIAL INSTRUMENTS (Continued)

32a. Categories of financial instruments (Continued)

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit and counterparty risk and liquidity risk. The Group's financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance by actively managing debt level and cash flow in order to maintain a strong financial position and minimising refinancing and liquidity risks by attaining healthy debt repayment capacity, appropriate maturity profile and availability of banking facilities. The Group adheres to a policy of financial prudence and did not use any derivative financial instruments during both years.

32b. Financial risk management objectives and policies

The Group's major financial instruments include other receivables, financial assets at FVTPL, cash and cash equivalents, time deposits with original maturity over three months, trade and other payables, amount due to a related company, bank borrowings, lease liabilities and convertible redeemable preferred shares.

Details of the financial instruments are disclosed in respective notes. The directors of the Company manage and monitor the below risks exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank deposits, trade and other payables and convertible redeemable preferred shares are denominated in currencies other than the functional currency of the relevant 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 currency exposure should the need arise.

32. FINANCIAL INSTRUMENTS (Continued)

32b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the year are as follows:

	Assets		Liabilities	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**250,253**	570,900	**(78)**	(900,871)
HKD	**1,591,507**	618	**–**	–
EUR	**–**	–	**–**	(15)
	1,841,760	571,518	**(78)**	(900,886)

Sensitivity analysis

The amounts denominated in EUR is not material and no sensitivity analysis is therefore presented as the exposure is considered to be immaterial.

The Group is exposed to the fluctuation of foreign exchange rate of US$ and HKD. The following table details the Group's sensitivity to a 10% increase and decrease in US$ and HKD against RMB. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the year for a 10% change in US$ and HKD. A positive/negative number below indicates a decrease/an increase in loss for the year where US$/HKD strengthens 10% against RMB and for a 10% weakening of US$/HKD against RMB, there would be an equal and opposite impact on the loss for the year.

	HKD		US$	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Impact on loss for the year	**159,151**	62	**25,017**	(32,997)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the relevant year.

32. FINANCIAL INSTRUMENTS (Continued)

32b. 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 time deposits with original maturity over three months/less than three months, lease liabilities and fixed-rate convertible redeemable preferred shares as disclosed in Notes 21, 24 and 27. The Group is also exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents and variable-rate bank borrowing as disclosed in Notes 21 and 26, respectively. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interests rates on bank balances and benchmark borrowing rate arising from its borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk for bank balances/deposits and borrowings, the analysis is prepared assuming the amount of bank balances/deposits and borrowings outstanding at the end of the year were outstanding for the whole year. A 50 basis point increase or decrease representing management's assessment of the reasonably possible change in interest rate is used.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2019, would increase/decrease by RMB879,500 (2018: RMB23,000).

Other price risk

The Group is exposed to other price risk for its financial assets at FVTPL.

No sensitivity analysis is presented as the exposure is considered to be insignificant.

Credit and counterparty risk

Credit and counterparty risk refers to the risk that a counterparty will default on its contractual obligations resulting financial loss to the Group.

In order to minimize the credit risk, the directors of the Company review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

32. FINANCIAL INSTRUMENTS (Continued)

32b. Financial risk management objectives and policies (Continued)

Credit and counterparty risk (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Watch list	Debtor frequently usually repays after due dates but settle the amounts in full	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is 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

32. FINANCIAL INSTRUMENTS (Continued)

32b. Financial risk management objectives and policies (Continued)

Credit and counterparty risk (Continued)

Other receivables

The Group assessed the ECL for its other receivables individually based on internal credit rating which, in the opinion of the directors of the Company, have no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. No 12-month ECL was made for other receivables with gross carrying amounts of RMB80,000 (2018: RMB276,000) (representing refundable rental deposits) as at 31 December 2019, as the amounts involved are not material and the estimated loss rates were less than 5%.

The Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

Cash and cash equivalents and time deposits with original maturity over three months

A significant portion of the Group's bank balances/deposits are placed with a few state-owned banks in the PRC and international banks in Hong Kong with gross carrying amounts of RMB2,370,755,000 (2018: RMB633,712,000) as at 31 December 2019. The credit risks on bank balances/deposits are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than the credit risks mentioned above, the Group does not have any other significant concentration of credit risk.

No 12-month ECL (2018: Nil) has been provided during the year ended 31 December 2019 as the estimated loss rates were considered to be insignificant.

Liquidity risk

As at 31 December 2019, the Group had available unutilised banking facilities of RMB320,000,000 (2018: RMB370,000,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities 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 floating rate, the undiscounted amount is derived from interest rate at the end of the year.

32. FINANCIAL INSTRUMENTS (Continued)

32b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk table

	Weighted average interest rate %	On demand or less than 1 month RMB'000	1 to 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
31 December 2019							
Trade and other payables	N/A	111,369	–	–	–	111,369	111,369
Amount due to a related company	N/A	787	–	–	–	787	787
Bank borrowings – variable rate (Note)	4.99	956	1,913	8,608	256,842	268,319	230,000
		113,112	1,913	8,608	256,842	380,475	342,156
Lease liabilities	4.99	2,607	2,583	8,271	10,905	24,366	23,176
31 December 2018							
Trade and other payables	N/A	52,601	–	–	–	52,601	52,601
Amount due to a related company	N/A	5,090	–	–	–	5,090	5,090
Bank borrowings – variable rate (Note)	4.99	416	1,248	3,327	116,546	121,537	100,000
		58,107	1,248	3,327	116,546	179,228	157,691
Lease liabilities	4.99	6,411	2,318	1,906	541	11,176	11,020
Convertible redeemable preferred shares	10	–	–	–	1,245,485	1,245,485	900,603

Note: The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the year.

32. FINANCIAL INSTRUMENTS (Continued)

32c. Fair values measurements of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the year. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key inputs	Significant inputs	Relationship of unobservable inputs to fair value
	2019 RMB'000	2018 RMB'000				
Financial assets						
Structure deposits	**11,680**	–	Level 2	Redemption value quoted by banks with reference to the expected return of the underlying assets	N/A	N/A
Financial liabilities						
Series A Preferred Shares	**–**	900,603	Level 3	Back-solve model and Hybrid Method – the key inputs are: enterprise value, time to liquidation, risk-free interest rate and volatility	Volatility (note)	The higher the volatility, the lower the fair value, and vice versa.

Note: A 5% increase/decrease in the volatility holding all other variables constant would decrease/increase the fair value of the convertible redeemable preferred shares by RMB2,480,000/RMB2,227,000 as at 31 December 2018.

(ii) Reconciliation of Level 3 fair value measurements

Details of reconciliation of Level 3 fair value measurement for the Series A Preferred Shares and Series B Preferred Shares are set out in Note 27.

32. FINANCIAL INSTRUMENTS (Continued)

32c. Fair values measurements of financial instruments (Continued)

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortized 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.

33. CAPITAL COMMITMENTS

	2019	2018
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**15,757**	130,352

34. RETIREMENT BENEFITS PLAN

The employees employed by the PRC subsidiary are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

The total cost charged to profit or loss of RMB6,660,000 (2018: RMB3,054,000) represents contributions paid or payable to the above schemes by the Group for the years ended 31 December 2019.

At 31 December 2019, there were no forfeited contributions which arose upon employees leaving the schemes prior to their interests in the Group's contribution becoming fully vested and which are available to reduce the contributions payable by the Group in future years (2018: Nil).

35. PLEDGE OF ASSETS

At the end of the reporting period, the carrying amounts of the assets pledged by the Group to banks in order to secure the bank borrowings and general banking facilities granted by banks to the Group are as follows:

	2019 RMB'000	2018 RMB'000
Land use rights included in right-of-use assets	22,669	23,164
Buildings	230,668	–
Plant and machinery	21,159	–
CIP	24,870	–

36. RELATED PARTY DISCLOSURES

(i) Transactions

Save as disclosed elsewhere in these consolidated financial statements and particularly the transactions undertaken pursuant to the Reorganization, during the year ended 31 December 2019, the Group also entered into the following transactions with its related company:

Related parties	Relationship	Nature of transactions	2019 RMB'000	2018 RMB'000
Suzhou Alphamab	Related company	Transfer of the Oncology Business	–	132,180
		Interest expenses	–	54
		Utilities expenses	1,638	1,116
		Interest expenses – lease liabilities	770	358
		Purchase of raw materials	–	3,974
		Technical service income	85	–

(ii) Balances

Details of the balance with related company are set out in the consolidated statement of financial position and in Notes 23 and 24.

36. RELATED PARTY DISCLOSURES (Continued)

(iii) Guarantees in support of the banking facilities and convertible notes

As at 31 December 2018, the Group had obtained general banking facilities from certain banks which were guaranteed by a related company, Suzhou Alphamab. The aforesaid guarantees on the banking facilities had been released during the current year.

During the year ended 31 December 2018, Rubymab has charged 16,425,000 and 16,425,000 of its shares to two independent investors in order to support the Group's issue of Convertible Notes as part of the Reorganization as disclosed in Note 27 and such charges were released upon the completion of the Reorganization and the conversion as Series A Preferred Shares.

(iv) Compensation of key management personnel

Year ended 31 December 2019

The remuneration of the Group's key management personnel is determined with regard to the performance of the individuals and market trends. For year ended 31 December 2019, the total remuneration of key management personnel, including directors and key executives, amounted to RMB93,158,000. Out of these amounts, RMB18,265,000 represented their short-term benefits and RMB444,000 represented their post-employment benefits for the year ended 31 December 2019, and the remaining balance for the year ended 31 December 2019 represented the share-based payment expense of RMB12,250,000 as a result of the cancellation of 833,211 pre-IPO share options granted under the Pre-IPO Share Option Scheme I and the share-based payment expense of RMB62,199,000 recognized for the year ended 31 December 2019, as detailed in Note 30(a).

Year ended 31 December 2018

The remuneration of the Group's key management personnel is determined with regard to the performance of the individuals and market trends. For year ended 31 December 2018, the total remuneration of key management personnel, including directors and key executives, amounted to RMB74,477,000. Out of these amounts, RMB9,635,000 represented their short-term benefits and RMB389,000 represented their post-employment benefits for the year ended 31 December 2018, respectively, and the remaining balance for the year ended 31 December 2018 represented share-based payment expenses of RMB64,453,000 included in reorganization related expense for the year ended 31 December 2018, resulted from the Reorganization as detailed in note (iii) to the consolidated statement of changes in equity, which is recognized in accordance with IFRS 2 for Dr. Xu's service as a key management personnel of the Group and determined based on a valuation using the discounted cash flow model with major inputs being (i) weighted average cost of capital of 15%; (ii) zero expected dividend yield; (iii) expected volatility of 37.7%; and (iv) 14% discount for lack of marketability. The expected volatility is measured at the standard deviation on the historical data of the daily share price movement of comparable companies.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amount due to a related company (Note 23) RMB'000	Bank borrowings RMB'000	Convertible redeemable preferred shares RMB'000	Convertible notes RMB'000	Lease liabilities RMB'000	Interest payable (Note 22) RMB'000	Accrued issue costs RMB'000	Total RMB'000
At 1 January 2018	2,008	–	–	–	–	–	–	2,008
Financing cash flows	(2,062)	100,000	821,674	47,682	(403)	(2,887)	(468)	963,536
Non-cash changes								
Conversion of Series A Preferred Shares	–	–	47,682	(47,682)	–	–	–	–
Fair value changes of financial liabilities measured at FVTPL	–	–	26,284	–	–	–	–	26,284
Inception of lease	–	–	–	–	11,044	–	–	11,044
Issue costs accrued	–	–	4,963	–	–	–	1,681	6,644
Interest expenses recognized (Note 9)	54	–	–	–	379	3,039	–	3,472
At 31 December 2018	–	100,000	900,603	–	11,020	152	1,213	1,012,988
Financing cash flows	–	130,000	410,066	–	(13,540)	(8,029)	(51,104)	467,393
Non-cash changes								
Fair value changes of financial liabilities measured at FVTPL	–	–	542,291	–	–	–	–	542,291
Inception of lease	–	–	–	–	24,841	–	–	24,841
Issue costs accrued	–	–	348	–	–	–	63,432	63,780
Interest expenses recognized (Note 9)	–	–	–	–	855	8,228	–	9,083
Automatic conversion of Series A Preferred Shares and Series B Preferred Shares into ordinary shares upon the IPO	–	–	(1,853,308)	–	–	–	–	(1,853,308)
At 31 December 2019	–	230,000	–	–	23,176	351	13,541	267,068

38. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2019 RMB'000	2018 RMB'000
Non-current assets		
Equipment	10	–
Investments in subsidiaries	990,198	563,098
Amounts due from subsidiaries	34,199	29,591
	1,024,407	592,689
Current assets		
Other receivables, deposits and prepayments	8,976	1,812
Time deposits with original maturity over three months	236,807	–
Cash and cash equivalents	1,592,004	259,249
	1,837,787	261,061
Current liabilities		
Other payables	32,270	6,021
Net current assets	1,805,517	255,040
Total assets less current liabilities	2,829,924	847,729
Non-current liability		
Convertible redeemable preferred shares	–	900,603
Net assets (liabilities)	2,829,924	(52,874)
Capital and reserves		
Share capital	12	7
Reserves	2,829,912	(52,881)
Total equity (equity deficiency) attributable to owners of the Company	2,829,924	(52,874)

38. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

The movements of the reserves of the Company are as follows:

	Share premium RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 28 March 2018 (date of incorporation)	–	–	–	–
Loss and total comprehensive expense for the period	–	–	(52,881)	(52,881)
As at 31 December 2018	–	–	(52,881)	(52,881)
Loss and total comprehensive expense for the year	–	–	(642,650)	(642,650)
Automatic conversion of Series A Preferred Shares and Series B Preferred Shares into ordinary shares upon the initial public IPO (as detailed in Note 28)	1,853,305	–	–	1,853,305
Issue of ordinary shares in the IPO (Note 28)	1,646,186	–	–	1,646,186
Transaction costs directly attributable to issue of new shares in the IPO	(65,071)	–	–	(65,071)
Cancellation of certain pre-IPO share options (Note 30(a))	–	–	12,250	12,250
Recognition of equity-settled shares-based payment (Note 30(a)&(b))	–	78,773	–	78,773
As at 31 December 2019	3,434,420	78,773	(683,281)	2,829,912

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

The Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ operation and date of incorporation/establishment	Issued and fully paid share capital/registered capital	Equity interest attributable to the Company		Principal activities
			2019	2018	
Directly held:					
Alphamab BVI	The BVI/19 April 2018	Issued capital of HK$1 and paid-in capital of HK$1	100%	100%	Investment holding
Indirectly held:					
Alphamab Hong Kong	Hong Kong/11 May 2018	Issued capital of HK$1 and paid-in capital of HK$1	100%	100%	Investment holding
Jiangsu Alphamab#	The PRC/14 July 2015	Registered and paid-in capital of manufacturing and USD141,318,858	100%	100%	Research and development, commercialization of Biologics of oncology
Alphamab Australia	Australia/20 November 2016	Registered capital of AUD100 and paid-in capital of AUD100	100%	100%	Research and development of drugs

Jiangsu Alphamab is a wholly foreign owned enterprise established in the PRC.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Details of Jiangsu Alphamab and the Oncology Business that have material non-controlling interests

Name of subsidiaries	Place of establishment and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018
				RMB'000	RMB'000	**RMB'000**	RMB'000
Jiangsu Alphamab	The PRC	**N/A**	N/A	**–**	(44,948)	**–**	N/A
Oncology Business	The PRC	**N/A**	N/A	**–**	(6,382)	**–**	N/A
Other individual immaterial subsidiaries with non-controlling interests				**–**	(1,460)	**–**	N/A
				–	(52,790)	**–**	N/A

	For the period from 1 January 2018 to 25 September 2018 Jiangsu Alphamab RMB'000	For the period from 1 January 2018 to 18 April 2018 Oncology Business RMB'000
Loss and total comprehensive expense	(102,801)	(13,027)
Total comprehensive expense attributable to owners of the Company	(57,853)	(6,645)
Total comprehensive expense attributable to non-controlling interests	(44,948)	(6,382)

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Details of Jiangsu Alphamab and the Oncology Business that have material non-controlling interests (Continued)

	For the period from 1 January 2018 to 25 September 2018 RMB'000	For the year ended 31 December 2018 (note) RMB'000
Net cash outflow from operating activities	(24,064)	(9,537)
Net cash outflow from investing activities	(35,741)	–
Net cash inflow from financing activities	84,978	–
Net cash inflow (outflow)	25,173	(9,537)
Net contribution for the Oncology Business by Suzhou Alphamab		9,537

Note: The amount includes the net contribution for the Oncology Business by Suzhou Alphamab during the transition period after the transfer of the Oncology Business on 18 April 2018.

40. SUBSEQUENT EVENTS

Subsequent to 31 December 2019, the Group has the following significant subsequent events:

(i) On 8 January 2020, 26,910,000 ordinary shares of the Company were allotted and issued by the Company at HK$10.20 per share for gross proceeds of approximately HK$274,482,000 (equivalent to RMB245,222,000) upon the exercise of the over-allotment options by the Joint Global Coordinators on behalf of the International Underwriters as described and defined in the prospectus of the Company dated 2 December 2019.

(ii) After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date on which these consolidated financial statements are authorized for issue.

Financial Summary

	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Results			
Loss before taxation	(64,826)	(202,633)	**(832,740)**
Income taxation	–	–	**–**
Loss for the year	(64,826)	(202,633)	**(832,740)**
Loss for the year attributable to:			
Owners of the Company	(33,061)	(149,843)	**(832,740)**
Non-controlling interests	(31,765)	(52,790)	**–**
	(64,826)	(202,633)	**(832,740)**
Assets and liabilities			
Total assets	46,577	826,893	**2,854,583**
Total liabilities	(20,266)	(1,093,921)	**(428,658)**
Total equity (deficit)	26,311	(267,028)	**2,425,925**
Equity (equity deficiency) attributable to owners of the Company	13,419	(267,028)	**2,425,925**
Non-controlling interests	12,892	–	**–**
	26,311	(267,028)	**2,425,925**

note: Three years' financial summary is presented as the Company was newly listed on 12 December 2019 and it is not practicable for the Company to present the financial summary of the Group prior to 2017.