This announcement contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical fact are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control, that may cause the actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Ascletis Pharma Inc.
歌禮製藥有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1672)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

The Board hereby announces the audited condensed consolidated annual results of the Group for the year ended December 31, 2020, together with the comparative figures for the year ended December 31, 2019 as follows.

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2020	2019	Changes
	RMB'000	*RMB'000*	*%*
Revenue			
Sales of products	**(29,602)**	124,419	(123.8)
Promotion service revenue	**64,603**	47,638	35.6
Collaboration revenue	**–**	1,386	(100.0)
Total (1)	**35,001**	173,443	(79.8)
Gross (loss)/profit (2)	**(23,497)**	124,283	(118.9)
Loss before tax	**(209,241)**	(95,969)	(118.0)
Loss for the year	**(209,241)**	(95,969)	(118.0)
Loss attributable to the owners of the Group	**(209,241)**	(95,969)	(118.0)
Net loss margin	**(597.8%)**	(55.3%)	–
Loss per share			
	RMB	RMB	
– Basic and diluted	**(20.12) cents**	(9.10) cents	–

Notes:

(1) The total revenue will amount to RMB67.5 million eliminating the sales return of GANOVO® (Danoprevir).

(2) The gross profit will amount to RMB30.0 million eliminating the sales return and impairment provision of GANOVO® (Danoprevir) and its materials.

CORPORATE PROFILE

Our Vision

Ascletis' vision is to become the most innovative world-class biomedical company addressing global unmet medical needs in the areas of NASH, cancer lipid metabolism and oral checkpoint inhibitors, viral hepatitis, and HIV/AIDS.

Overview

Ascletis is an innovative R&D driven biotechnology company focusing on developing and commercializing innovative drugs in the four therapeutic areas, namely NASH, cancer lipid metabolism and oral checkpoint inhibitors, viral hepatitis and HIV/AIDS globally. Led by a management team with deep expertise and a proven track record, Ascletis has developed a fully integrated platform covering the entire value chain from discovery and development to manufacturing and commercialization.

During the Reporting Period and up to the date of this announcement, the Group has made remarkable progresses as summarized below:

NASH

As of the date of this announcement, the Group has obtained two U.S. FDA IND approvals (ASC41 and ASC42), one NMPA IND approval (ASC41) and two U.S. FDA Fast Track Designations (ASC42 and ASC40). The Group has completed four Phase I/Ib clinical studies (three for ASC41 and one for ASC40) and one Phase II clinical study (ASC40). Our NASH pipeline is shown below:

Single Agent and Combo Therapy Pipeline[1]

Target	Product/ Candidate	Commercial Rights	Pre-IND	IND	Phase I	Phase II a	Phase II b/III	NDA	Marketed
FASN	ASC40	Greater China[2]	U.S. FDA Fast Track						
THR-β	ASC41	Global							
FXR	ASC42	Global	U.S. FDA Fast Track						
FASN + FXR	ASC40/ASC42 Combo Therapy	Global[2]							
THR-β + FXR	ASC41/ASC42 Combo Therapy	Global							
FASN + THR-β	ASC40/ASC41 Combo Therapy	Global[2]							

Notes: 1. Our NASH pipeline is owned by Gannex.

2. ASC40 is licensed from Sagimet Biosciences Inc. ("**Sagimet**"), (previously known as 3-V Biosciences, Inc.) for the exclusive rights in the Greater China.

Cancer lipid Metabolism and Oral Checkpoint Inhibitors

The Group has been focused on cancer lipid metabolism and oral checkpoint inhibitors for unmet medical needs in oncology since we have unique competitive edges: oral fatty acid synthase (FASN) small molecule inhibitors target cancer lipid metabolism as an attractive cancer therapeutic option; oral PD-L1 small molecule inhibitors are next generation checkpoint inhibitors versus PD-1/PD-L1 antibodies. Our cancer lipid metabolism and oral checkpoint inhibitors pipeline is shown below:

Target	Product/ Candidate	Indication	Commercial Rights	Pre-IND	IND	Phase I	POC	Pivotal	NDA	Marketed
FASN+VEGF	ASC40 (Oral) +Bevacizumab	Glioblastoma	Greater China[1]	IST Phase II Completed						
FASN	ASC40 (Oral)	Multiple Solid Tumors	Greater China[1]							
FASN	ASC60 (Oral)	Multiple Solid Tumors	Greater China[1]							
PD-L1	ASC61 (Oral)	Multiple Tumors	Global							
PD-L1	ASC63 (Oral)	Multiple Tumors	Global							

Note: 1. ASC40 and ASC60 are licensed from Sagimet for the exclusive rights in the Greater China.

Viral Hepatitis

Hepatitis B Virus (HBV) Clinical Cure

As a marketed drug of clinically curing chronic Hepatitis B (CHB), Pegasys® promotion revenue increased 35.6% from approximately RMB47.6 million for the year ended December 31, 2019 to approximately RMB64.6 million for the year ended December 31, 2020.

ASC22 (Envafolimab), a first-in-class, subcutaneously administered PD-L1 antibody, has completed Phase IIa trial and initiated the multi-dose Phase IIb study in CHB patients. Our HBV clinical cure pipeline is shown below:

Target	Product/ Candidate	Commercial Rights	Pre-IND	IND	Phase I	Phase II a	Phase II b/III	NDA	Marketed
Interferon receptor	Pegasys® (Peginterferon alfa-2a)	Mainland China[1]							
PD-L1	ASC22	Greater China[2]							
Undisclosed	Candidate identified	Global							
FXR	ASC42	Global							

Notes: 1. Pegasys® is licensed from Shanghai Roche Pharmaceuticals Ltd.（上海羅氏製藥有限公司）for the exclusive rights in the Mainland China.

2. ASC22 is licensed from Suzhou Alphamab Co., Ltd.（蘇州康寧傑瑞生物科技有限公司）, ("**Alphamab**") for the exclusive rights in the Greater China.

Hepatitis C Virus (HCV)

The NDA of the all-oral regimen of ASCLEVIR® (Ravidasvir) in combination with GANOVO® (Danoprevir) (the "RDV/DNV Regimen") was approved by the NMPA on July 29, 2020. Phase II/III clinical trial has shown that the RDV/DNV Regimen demonstrated a cure rate of 99 % (SVR12) with a short treatment duration of 12 weeks in genotype 1 patients. In patients with baseline NS5A resistance mutations, the RDV/DNV Regimen demonstrated a cure rate of 100% (SVR12). Our HCV pipeline is shown below:

Target	Product/ Candidate	Commercial Rights	Pre-IND	IND	Phase I	Phase II a	Phase II b/III	NDA	Marketed
NS3/4A	GANOVO® (Danoprevir)	Greater China[1]							
NS5A	ASCLEVIR® (Ravidasvir)	Greater China[2]							
Dual Targeted FDC	ASC18	Greater China							

Notes: 1. GANOVO® is licensed from Roche (F. Hoffmann-La Roche AG) for the exclusive rights in the Greater China.

2. ASCLEVIR® is licensed from Presidio Pharmaceuticals, Inc. for the exclusive rights in the Greater China.

HIV/AIDS

Our HIV/AIDS pipeline is shown below:

Target	Product/ Candidate	Commercial Rights	Pre-IND	IND	Phase I	Phase II a	Phase II b/III	NDA	Marketed
Protease	ASC09F (ASC09/Ritonavir FDC)	Mainland China and Macau[1]							
PD-L1	ASC22	Greater China[2]							

Notes: 1. ASC09 is licensed from Jassen R&D Ireland for the exclusive rights in Mainland China and Macau.

2. ASC22 is licensed from Alphamab for the exclusive rights in the Greater China.

3. The tablet formulation of Ritonavir that the Group develops has completed bioequivalence (BE) studies of the tablets on healthy volunteers. ANDA of Ritonavir was accepted by the NMPA on August 22, 2019.

In-House Discovery

The in-house discovery team of the Group has delivered two U.S. FDA IND approvals (ASC41 and ASC42) and one NMPA IND approval (ASC41) for NASH in 2020. In addition, the in-house discovery team made significant progress for the oral PD-L1 small molecule inhibitor program for cancer immune modulation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Reporting Period and up to the date of this announcement, the Group made the following progresses with respect to its business.

NASH

2020 was an exciting year for the Group as we made significant progress in NASH pipeline with three potential first/best-in-class assets against three complementary targets (FASN, THR-β and FXR) and combination therapies of these complementary targets. The Group has obtained two U.S. FDA IND approvals (ASC41 and ASC42), one NMPA IND approval (ASC41); and two U.S. FDA Fast Track Designations (ASC42 and ASC40) as of the date of this announcement. The Group has also completed four Phase I/Ib clinical studies (three for ASC41 and one for ASC40) and one Phase II clinical study (ASC40).

ASC40

ASC40 is a novel, first-in-class, FASN inhibitor. The Company and its partner Sagimet have completed the global Phase II trials of 129 NASH patients in China and U.S. cohorts. The preliminary data showed that ASC40 meaningfully reduced liver fat, the primary efficacy endpoint of this trial, with the responder rates ranging 50% to 61% (percentage of patients achieving ≥30% liver fat reduction).

The China cohort of the global Phase II trials evaluated the safety and efficacy of an oral, once-daily dosing of 50 mg of ASC40 or matching placebo for 12 weeks in 30 patients with NASH. Trial participants were required to have at least 8% liver fat at baseline, as measured by magnetic resonance imaging-proton density fat fraction (MRI-PDFF), and evidence of stage F1 to F3 liver fibrosis on liver biopsy or characteristics of metabolic syndrome. The study demonstrated a relative reduction in liver fat of 28.2% in the ASC40 group versus a reduction of 11.1% in the placebo group. ASC40 also showed a statistically significant decrease in ALT by 29.8% (P=0.0499) (mean decrease of 33 U/L at week 12), which indicates reduction of liver inflammation. In 63% of patients on ASC40, ALT decreased by 17 U/L or greater, which has been shown to correlate with liver biopsy response in NASH patients.

ASC40 was well tolerated with no serious adverse events. All treatment emergent adverse events were grade one or two and there were no statistically significant changes in serum triglycerides.

Based on the positive Phase II data, we have selected doses for the pivotal Phase IIb/III NASH patient trial of ASC40 in China.

ASC41

ASC41 is a liver-targeted prodrug. The active metabolite of ASC41 is a potent and selective thyroid hormone receptor beta (THR-β) agonist. The Company achieved remarkable milestones with IND approvals by both the U.S. FDA and NMPA for ASC41. The Company has completed Phase I trial in 65 subjects with elevated low-density lipoprotein cholesterol (LDL-C) (> 110 mg/dL), a population characteristic of non-alcoholic fatty liver disease (NAFLD). The preliminary data suggest that after 14 days of once daily oral dosing, subjects demonstrate clinically meaningful and statistically significant reduction in LDL-C and triglycerides compared to placebo. At a low dose of 1 mg, placebo-adjusted relative triglyceride reduction from baseline was 39% after 14 days of once daily oral dosing, differentiating from our competitors. ASC41 had a benign adverse event profile at all doses following 14-day treatment, with no grade three or above adverse events, no serious adverse events or premature discontinuations. Furthermore, ASC41 tablet formulation displayed a dose-proportional pharmacokinetic profile from 1 mg to 5 mg following once daily, 14-day dosing.

The Company has further completed Phase Ib trial in 20 overweight and obese subjects with positive clinical results.

Based on the positive clinical results, doses were selected for Phase II trial in patients with NASH. Furthermore, the commercially ready oral tablets developed in-house using proprietary technology will accelerate our clinical development to market.

ASC42

ASC42 is a novel non-steroidal, potent and selective FXR agonist with the best-in-class potential. The Company also achieved remarkable milestones for ASC42 with IND approval and Fast Track Designation by U.S. FDA. The U.S. FDA's Fast Track development program is designed to facilitate the development and expedite the review of drugs that have ability to treat serious or life-threatening diseases or conditions and demonstrate the potential to address unmet medical needs with additional clinical benefits to patients. There are no FDA approved medicines for NASH indication yet. This Fast Track designation represents FDA's recognition of ASC42's potential in addressing these unmet medical needs for NASH patients.

Combination Therapies

With three single agents against three distinct but complementary targets, the Company has initiated formulation development of fixed dose combinations (FDCs) and preclinical toxicology studies of three combination therapies to take advantage of synergies among these targets (see below).

Combination Therapies: Synergies among ASC40, ASC41 and ASC42

Treatment Goals	Monotherapy			Combination therapy		
	ASC40 FASN	ASC41 THR-β	ASC42 FXR	ASC40/ASC42 FASN+FXR	ASC41/ASC42 THR-β+FXR	ASC40/ASC41 FASN+THR-β
Liver fat reduction	★★★	★★★	★★	★★★	★★★	★★★
Anti-inflammation	★★	★★	★★	★★	★★	★★
Anti-fibrosis	★★	★★	★★★	★★★	★★★	★★★
Lowering LDL-C and TG		★★★			★★★	★★★

Cancer Lipid Metabolism and Oral Checkpoint Inhibitors

The Group has been focused on discovery and development of therapeutics in the areas of cancer lipid metabolism and oral checkpoint inhibitors since we have unique competitive edges against our competitors. In 2017, U.S. FDA approved Agios' and Celgene's enasidenib for acute myeloid leukaemia (AML) as the first-in-class cancer lipid metabolism drug, validating metabolism-modulating drugs as a means of killing cancer cells.

Lipid metabolism has been reported to play a critical role in various cancers. Fatty acid synthase (FASN) is one of the most important proteins which regulates lipid metabolism. Many solid and hematopoietic tumors overexpress FASN, including glioblastoma (GBM, Grade IV astrocytoma), non-small cell lung, breast, ovarian, prostate, colon, pancreatic cancers and non-Hodgkin lymphoma.

GBM represents the most common and devastating primary brain tumor. There is no standard of care after patients have progressed on chemo-radiation. An investigator sponsored Phase II trial of ASC40 (TVB-2640) in combination with bevacizumab in patients with first relapse of high-grade astrocytoma (including GBM) was completed in the U.S.. The data have shown that the overall response rate (ORR) for TVB-2640/bevacizumab was 65% including the complete response (CR) of 20% and partial response (PR) of 45%. Furthermore, the data indicate that the progression-free survival at six months (PFS6) observed for ASC40 (TVB-2640) plus bevacizumab was 47%, representing a statistically significant improvement in PFS6 over historical bevacizumab monotherapy (BELOB 16%, P=0.01). ASC40 (TVB-2640) in combination with bevacizumab was safe and well tolerated in such patient population.

Based on such positive Phase II data, the Company plans to initiate a pivotal randomized, double-blind, placebo-controlled Phase II trial of ASC40 (TVB-2640) in combination with bevacizumab in China for the same patient population (first relapse of high-grade astrocytoma) as in the U.S.. The Company is also considering additional clinical trials for (i) ASC40 in combination with chemotherapies for high-grade astrocytoma immediately followed by the surgery and radiation therapy; (ii) ASC40 in combination with other therapies for various solid tumors.

ASC60 is a next generation oral FASN inhibitor which may be combined with other therapies for various solid tumors.

Our oral PD-L1 small molecule inhibitors discovered in-house have shown favorable anti-tumor activities in animal model compared to a marketed anti-PD-L1 antibody. The Company believes that oral PD-L1 small molecule inhibitors will be the next generation checkpoint inhibitors as cancer immune therapies and have the potential to be combined with oral FASN small molecule inhibitors

Viral Hepatitis

HBV

There are 257 million people worldwide, including 86 million people in China, infected by HBV.

Pegasys®

As a marketed drug of clinically curing CHB, Pegasys® promotion income increased 35.6% from approximately RMB47.6 million for the year ended December 31, 2019 to approximately RMB64.6 million for the year ended December 31, 2020.

ASC22

In August 2020, the Company dosed first HBV patient in Phase IIa single dose escalation clinical trial to explore the safety and tolerability of ASC22 (Envafolimab) in the CHB patients. The data from Phase IIa study indicated that ASC22 (Envafolimab) is safe and well tolerated in the CHB patients receiving nucleos(t)ides as the background therapy. All adverse effects were grade one and no grade two or above adverse effects were observed to date. Based on such data, a multi-dose Phase IIb study of ASC22 (Envafolimab) has been initiated. As T cell exhaustion in HBV infections is an important factor in immune tolerance, blocking the PD-1/PD-L1 pathway could be an effective immunotherapy approach to improve specific T cell function and lead to an effective clinical cure for CHB.

HCV

The NDA of the all-oral regimen of ASCLEVIR® (Ravidasvir) in combination with the GANOVO® (Danoprevir) was approved by the NMPA on July 29, 2020. However, due to the impact of the low pricing strategy of our competitors for all-oral HCV regimens in China, the Group made the strategic decision to focus on the promotion of Pegasys® for CHB and has initiated the process to seek external partners to promote the RDV/DNV Regimen for chronic Hepatitis C.

HIV/AIDS

The Group received IND approval from the NMPA for ASC09F, an ASC09/Ritonavir Fixed-Dose Combination (FDC). ASC09 has an unprecedented high genetic barrier to resistance and has completed Phase I and Phase IIa clinical trials, which have shown potent anti-viral activity. Previous clinical trials have also shown that ASC09 is safe and well-tolerated. After two weeks of treatment of mono-therapy, ASC09 demonstrated up to a 1.79 log viral load decrease (62-fold reduction of viral load in blood samples of patients). Our studies have shown that ASC09 requires seven mutations before HIV develops resistance to ASC09, indicating ASC09 to have high genetic barrier to resistance compared to other approved protease inhibitors. These characteristics make ASC09 a promising HIV drug therapy candidate for both treatment-naïve and treatment-experienced patients.

Capability of Commercialization

With the successful launch of GANOVO®, the Group has demonstrated potent development capability and established a solid commercial presence in China in the area of hepatitis. As of December 31, 2020, the Group has built a commercialization team of approximately 110 members, covering approximately 1,000 hospitals and pharmacies strategically located in regions where Hepatitis C and B are prevalent in China. Our commercial team has identified and educated approximately 5,400 specialists and KOLs in the hepatitis field. We have entered into 22 distribution agreements with different distributors that cover approximately 310 direct-to-patient (DTP) pharmacies, hospital-linked pharmacies and other pharmacies through our distributors, either directly or through their sub-distributors.

The Group's Facilities

We have one manufacturing facility located in Shaoxing, Zhejiang Province with a total gross floor area of 17,000 square meters. Our manufacturing facility has one production line with a designed annual production capacity of 130 million tablets. As substantially all of our drug candidates are administered in tablet form, we are able to manufacture our drugs using the same production line. We have obtained the drug production license for our manufacturing facility. Our manufacturing facility is equipped with state-of-the-art production equipment with cutting-edge technology capabilities such as hot-melt extrusion and high-speed press to ensure the high quality of our products.

As of December 31, 2020, we had 10 wholly-owned subsidiaries. Our business was mainly conducted through three operating subsidiaries in China, namely Ascletis BioScience Co., Ltd. (歌禮生物科技(杭州)有限公司), Ascletis Pharmaceuticals Co., Ltd. (歌禮藥業(浙江)有限公司) and Gannex.

Impact of COVID-19

During the Reporting Period, COVID-19 pandemic had limited impacts on the Group's business, such as research and development and sales activities. The Group took various measures to minimize negative impacts of COVID-19 pandemic on our operations and business activities. As a result, the Pegasys® promotion still increased 35.6% from approximately RMB47.6 million for the year ended December 31, 2019 to approximately RMB64.6 million for the year ended December 31, 2020.

The initiation and patient enrollment of some of our clinical trials were slowed down in the first half 2020 under the impact of COVID-19 pandemic. As a result, the Group's R&D expenses decreased by 13.5% from approximately RMB126.0 million for the year ended December 31, 2019 to approximately RMB109.1 million for the year ended December 31, 2020.

Future and Outlook

In 2021 and beyond, we will focus on four therapeutic areas: NASH, cancer lipid metabolism and oral checkpoint inhibitors, HBV clinical cure and HIV/AIDS.

Over the last few years, we have built a global leading NASH pipeline with three single agents and three combination therapies. We are planning to advance ASC40 and ASC41 into pivotal clinical trials in 2021 and beyond for NASH indication registration purposes. We are also planning to advance ASC42 into proof-of concept Phase II clinical trials in 2021.

Over the last few years, we have built an oncology pipeline focusing on cancer lipid metabolism and oral checkpoint inhibitors. In 2021, we are planning to advance ASC40 in combination with bevacizumab into a pivotal randomized, double-blind, placebo-controlled Phase II trial in China for the same patient population (first relapse of high-grade astrocytoma) as in the U.S.. We are also considering additional clinical trials of ASC40 for (i) combination with chemotherapies for high-grade astrocytoma immediately followed by the surgery and radiation therapy; and (ii) combination with other therapies for various solid tumors. In 2021, we are planning to file an IND of our next generation FASN inhibitor ASC60 (TVB-3567) for oncology indications.

In December 2020, we reported that Phase IIa data demonstrated that ASC22 (Envafolimab), a first-in-class, subcutaneously administered PD-L1 antibody, is safe and well tolerated in CHB patients and Phase IIb clinical trial has been initiated. In 2021, we will focus on advancing ASC22 Phase IIb clinical trials with the goal to achieve clinical cure of CHB.

Financial Review

Revenue

The Group have commercialized three products, namely GANOVO® (Danoprevir) in China on June 8, 2018, Pegasys® on December 1, 2018, and ASCLEVIR® (Ravidasvir) in China on July 29, 2020. The revenue generated during the Reporting Period consisted of (i) the promotion services of Pegasys® ; and (ii) sales of products from the all-oral regimen of ASCLEVIR® (Ravidasvir) in combination with GANOVO® (Danoprevir).

Despite the impact of COVID-19, the revenue generated from promotion services of Pegasys® increased 35.6% from approximately RMB47.6 million for the year ended December 31, 2019 to approximately RMB64.6 million for the year ended December 31, 2020.

The total revenue of the Group decreased by 79.8% from approximately RMB173.4 million for the year ended December 31, 2019 to approximately RMB35.0 million for the year ended December 31, 2020. The decrease was mainly because (i) termination of promotion and sales of GANOVO® (Danoprevir) in combination with pegylated interferon and ribavirin (the "GANOVO Regimen") in 2020 due to all-oral regimens have become the standard for HCV treatment in 2020 in China, the GANOVO Regimen is no longer an option for HCV patients; and (ii) we recalled the stocks in the sales channel at the end of 2020 and adjusted down the sales price of GANOVO® (Danoprevir) since January 1, 2021. Therefore, the relative negative impacts offset the revenue of RMB32.6 million in 2020.

Cost of Sales

The cost of sales of the Group increased by 19.0% from approximately RMB49.2 million for the year ended December 31, 2019 to approximately RMB58.5 million for the year ended December 31, 2020. The increased cost of sales was attributable to (i) the additional impairment provision of GANOVO® (Danoprevir) and its materials amounted to RMB24.3 million, reflecting that GANOVO® (Danoprevir) in combination with pegylated interferon is no longer an option for HCV patients since all-oral regimens have become the standard for HCV treatment in 2020 in China; and (ii) the costs of inventories sold decreased in line with the sales result on GANOVO® (Danoprevir) compared with that in 2019 and the costs were reversed due to the recalled GANOVO® (Danoprevir).

The cost of sales of the Group consisted of direct labor costs, cost of raw materials, overheads, royalty fees, costs of rendering promotion services and the write-down of inventories to net realizable value.

Direct labor costs primarily consisted of salaries, bonus and social security costs for our employees.

Costs of raw materials represented the costs in relation to the purchase of raw materials. We own technologies and intellectual properties to manufacture APIs for GANOVO® (Danoprevir) and Ravidasvir. We have engaged third party CMOs to manufacture APIs for GANOVO® (Danoprevir) to maintain continuity in our source of APIs in the production of GANOVO® (Danoprevir). We manufacture the APIs and tablet formulation for ASCLEVIR® (Ravidasvir) in-house.

Overheads primarily consisted of depreciation expenses on our facilities and equipment and other manufacturing expenses.

We agreed to pay Roche and Presidio tiered royalties in the mid-single digits based on net sales of GANOVO® (Danoprevir) and ASCLEVIR® (Ravidasvir) in any and all regimens in the Greater China.

Gross Profit

The gross profit of the Group decreased by 118.9% from approximately RMB124.3 million for the year ended December 31, 2019 to approximately RMB(23.5) million for the year ended December 31, 2020. The decreased in the gross profit was mainly due to (i) we recognized RMB30.2 million impairment provision of inventories including the additional impairment provision of GANOVO® (Danoprevir) and its materials; and (ii) the recalled sales of GANOVO® (Danoprevir).

Other Income and Gains

The other income and gains of the Group decreased by 29.0% from approximately RMB126.6 million for the year ended December 31, 2019 to approximately RMB89.9 million for the year ended December 31, 2020, primarily due to (i) the decrease of RMB31.6 million from approximately RMB72.2 million for the year ended December 31, 2019 to approximately RMB40.6 million for the year ended December 31, 2020 in our bank interest income in line with the decreased market bank interest rate; and (ii) we did not incur any foreign exchange gain for the year ended December 31, 2020 compared with RMB4.5 million for the year ended December 31, 2019.

The government grants mainly represented the subsidies we received from the local governments for compensating our expenses from research activities and clinical trials, awarding our new drug development and capital expenditure incurred on certain projects.

The following table sets forth the components of our other income and gains for the years indicated:

	Year ended December 31,			
	2020		2019	
	RMB'000	***%***	*RMB'000*	*%*
Government grants	**48,861**	**54.4**	49,869	39.4
Bank interest income	**40,626**	**45.2**	72,239	57.1
Investment income from financial assets at fair value through profit or loss	**290**	**0.3**	–	–
Foreign exchange gain, net	**–**	**–**	4,485	3.5
Others	**79**	**0.1**	–	–
Total	**89,856**	**100**	126,593	100

Selling and Distribution Expenses

The selling and distribution expenses of the Group mainly consisted of staff costs for our sales personnel and the expenses for our marketing promotion activities.

The selling and distribution expenses represented 78.2% of our revenue for the year ended December 31, 2020, primarily because the sales return of GANOVO® (Danoprevir) offset our Group's total revenue.

Administrative Expenses

The administrative expenses of the Group decreased significantly by 14.5% from RMB49.0 million for the year ended December 31, 2019 to RMB41.8 million for the year ended December 31, 2020, primarily due to (i) a decrease in utilities, rent and general office expenses of RMB3.9 million as a result of our cost saving strategies; and (ii) a decrease in staff salary and welfare of RMB3.0 million, which is in line with the reduced headcount.

The following table sets forth the components of our administrative expenses for the years indicated:

	Year ended December 31,			
	2020		2019	
	RMB'000	***%***	*RMB'000*	*%*
Staff salary and welfare	**21,408**	**51.2**	24,419	49.9
Utilities, rent and general office expenses	**15,217**	**36.4**	19,159	39.1
Agency and consulting fee	**4,315**	**10.3**	4,411	9.0
Others	**905**	**2.1**	973	2.0
Total	**41,845**	**100**	48,962	100

Research and Development Expenses

Our Group's research and development expenses primarily consisted of clinical trial expenses, staff costs and third-party contracting costs.

The research and development expenses of the Group for developing our drug candidates decreased by 13.4% from approximately RMB126.0 million for the year ended December 31, 2019 to approximately RMB109.1 million for the year ended December 31, 2020. This was primarily because of the delay of initiation and patient enrollment of some of our clinical trials in the first half 2020 under the impact of COVID-19 pandemic.

The following table sets forth the components of our research and development costs for the years indicated:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Clinical trial expenses	**49,960**	62,711
Staff costs	**33,829**	30,559
Depreciation and amortization	**18,067**	15,893
Third-party contracting costs	**536**	4,012
Others	**6,707**	12,787
Total	**109,099**	125,962

The following table sets forth the components of our research and development costs by product pipeline for the years indicated:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
NASH	**42,642**	21,040
HBV	**24,963**	13,571
HCV	**24,936**	73,637
HIV/AIDS	**8,698**	17,156
Others*(Note)*	**7,860**	558
Total	**109,099**	125,962

Note: "Others" includes research and development costs of pre-clinical programs.

Finance Costs

The Group recorded finance costs amounted to approximately RMB0.1 million for the year ended December 31, 2020, as a result of the amount of the remaining lease liabilities decreased as the term of the lease contract decreased.

The following table sets forth the components of our finance costs for the years indicated:

	Year ended December 31,			
	2020		2019	
	RMB'000	***%***	*RMB'000*	*%*
Interest on the lease liabilities	**135**	**100**	182	100
Total	**135**	**100**	182	100

Other Expenses

Our other expenses primarily included donations and foreign exchange loss. Our other expenses increased by 39.7% from approximately RMB59.7 million in 2019 to approximately RMB83.4 million in 2020, mainly due to (i) we recognized foreign exchange loss of RMB30.4 million in 2020 in line with the fluctuation in foreign currency exchange rates, primarily with respect to the exchange rate between USD and RMB; (ii) the write-down of inventories to net realisable value caused a total expense of RMB15.3 million in 2020; (iii) we recognized impairment of intangible asset on ASC21 IP upfront payment amounted to RMB5.8 million as business strategic plan change; and (iv) the decrease of RMB26.1 million in our donation in 2020 compared with that in 2019.

The following table sets forth the components of other expenses for the years indicated:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Donation	**31,789**	57,871
Foreign exchange loss, net	**30,425**	–
Write-down of inventories to net realisable value	**15,315**	–
Impairment of an intangible asset	**5,771**	–
Loss on disposal of items of property, plant and equipment	**92**	1,388
Impairment of trade receivables	**–**	88
Others	**20**	369
Total	**83,412**	59,716

Income Tax

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

The Group calculates the income tax expense by using the tax rate that would be applicable to the expected total annual earnings. For the years ended December 31, 2019 and 2020, the Group did not incur any income tax expense as we did not generate any taxable income. We recorded loss before tax of RMB96.0 million for the year ended December 31, 2019 and loss before tax of RMB209.2 million for the year ended December 31, 2020, respectively.

We had tax losses arising in the PRC of RMB563.6 million and RMB762.9 million for the year ended December 31, 2019 and 2020, respectively, which are expected to expire in one to five years for offsetting our future taxable profits.

Inventories

The inventories of the Group consisted of raw materials used in the commercial manufacturing, work in progress, finished goods and research materials. The inventories decreased by 31.5% from approximately RMB86.0 million as at December 31, 2019 to approximately RMB58.9 million as at December 31, 2020, primarily due to the recognition of RMB30.2 million impairment provision of inventories mainly for GANOVO® (Danoprevir) and its APIs.

The following table sets forth the inventory balances as of the dates indicated:

	December 31, 2020	December 31, 2019
	RMB'000	*RMB'000*
Raw materials	**32,601**	60,468
Work in progress	**7,871**	20,408
Finished goods	**18,422**	5,163
Total	**58,894**	86,039

Trade Receivables

The Group had RMB68.4 million trade receivables as at December 31, 2019 and RMB26.6 million as at December 31, 2020.

	December 31, 2020	December 31, 2019
	RMB'000	*RMB'000*
Trade receivables	**26,629**	68,485
Less: Impairment of trade receivables	**9**	88
Total	**26,620**	68,397

The trading terms of our Group with its customers are mainly on credit. The credit period is generally from 30 days to 180 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are regularly reviewed by relevant senior management. In view of the before mentioned and the fact that our Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Our trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the dates indicated, based on the invoice date and net of loss allowance, is as follows:

	December 31, 2020	December 31, 2019
	RMB'000	*RMB'000*
Less than 3 months	**26,620**	68,397

Prepayments, Other Receivables and Other Assets

The following table sets forth the components of prepayment, other receivables and other assets as at the dates indicated:

	December 31, 2020	December 31, 2019
	RMB'000	*RMB'000*
Value-added tax recoverable	**19,703**	13,225
Prepayments	**3,437**	7,686
Deposits and other receivables	**2,209**	4,788
Interest receivable	**1,904**	18,899
Prepaid expenses	**1,846**	1,885
Prepaid income tax	**1,363**	1,363
Total	**30,462**	47,846

Our value-added tax recoverable represented the value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables. Our value-added tax recoverable increased from RMB13.2 million as of December 31, 2019 to RMB19.7 million as of December 31, 2020, which was in line with our increased purchases of service.

Our prepayments mainly included our purchase of services. Our prepayments decreased by 55.3% from RMB7.7 million as of December 31, 2019 to RMB3.4 million as of December 31, 2020. Prepayments to supplier as at the end of December 31, 2020 are due within one year. None of the above assets is past due or impaired.

We had RMB18.9 million and RMB1.9 million interest receivable as of December 31, 2019 and December 31, 2020, respectively, which represented the expected interest to be received on time deposits.

Other receivables and prepaid expenses are miscellaneous expenses including other administrative related expenses.

Fair Value and Fair Value Hierarchy of Financial Instruments

We did not have financial instruments other than those with carrying amounts that reasonably approximate to fair values, as at December 31, 2019 and 2020, respectively.

Cash and Cash Equivalents

The following table sets forth the components of our Group's cash and cash equivalents and time deposits as of the dates indicated:

	December 31, 2020	December 31, 2019
	RMB'000	*RMB'000*
Cash and bank balances	**1,256,267**	167,982
Time deposits	**1,457,744**	2,821,182
Total	**2,714,011**	2,989,164

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods between one day and 12 months depending on our immediate cash requirements, and earn interest at the respective time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

Trade and Other Payables

Trade and bills payables of the Group primarily consisted of payments to raw materials suppliers. The following table sets forth the components of trade payables as at the dates indicated:

	December 31, 2020	December 31, 2019
	RMB'000	*RMB'000*
Trade payables	**334**	3,961
Bills payable	**596**	2,682
Total	**930**	6,643

An aging analysis of the trade and bills payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	December 31, 2020	December 31, 2019
	RMB'000	*RMB'000*
– Within 1 month	**334**	3,933
– 1 to 3 months	**596**	28
– 3 to 6 months	**–**	2,682
	930	6,643

The following table sets forth the components of other payables and accruals outstanding as at the dates indicated:

	December 31, 2020	December 31, 2019
	RMB'000	*RMB'000*
Other payables	**36,760**	33,276
Payroll payable	**19,122**	23,387
Accrued expenses	**11,960**	14,347
Refund liabilities	**1,473**	4,432
Taxes other than income tax	**659**	1,617
Total	**69,974**	77,059

Our other payables increased by 10.5% from RMB33.3 million as of December 31, 2019 to RMB36.8 million as of December 31, 2020 as a result of the extended payment term in the contract.

The payroll payable are the bonus of 2020 accrued and salary accrued of December 2020, which are due within one year.

The accrued expenses as at December 31, 2020 mainly represented the accrued R&D expenses actually incurred but not yet invoiced, which are non-interest-bearing and due within one year.

Deferred Income

The deferred income of the Group represented government grants which have been awarded, but we have yet to meet the conditions of the grants as of the relevant dates. The following table sets forth the deferred income as of the dates indicated:

	December 31, 2020	December 31, 2019
	RMB'000	*RMB'000*
Government grants		
– Current	**1,724**	1,724
– Non-current	**11,207**	12,931
Total	**12,931**	14,655

Other Intangible Assets

The intangible assets of the Group primarily represented (i) a patent that was transferred from Presidio to the Group in relation to the development and license agreement entered between the Group and Presidio in September, 2014, under which we made upfront and milestone payments to Presidio; and (ii) a patent that was transferred from Alphamab to the Group in relation to the exclusive license and development agreement entered between the Group and Alphamab in January,2019, under which we made upfront payments to Alphamab.

The useful economic lives of these intangible assets are 10 to 17 years, which we consider to be reasonable considering that the duration of the patent right is shorter than the anticipated duration of sales of product. The amortization of intangible assets begins on the transfer date of patent because it is the date from which the intangible assets are available for use by us.

We recognized an impairment loss for ASC21 with RMB5.8 million due to the change of our business strategic plan throughout the Reporting Period. ASC21 is an IND-approved NS5B polymerase nocleot(s)ide inhibitor licensed from Medivir AB under the exclusive licensing agreement executed in June 2017. The Group currently has another IND-approved HCV dual-targeted fixed-dose combination (FDC) candidate in its pipeline, ASC18, which is in-house developed, one-pill once-a-day FDC as the complete treatment of Hepatitis C. Since ASC21 is also an NS5B polymerase nocleot(s)ide inhibitor, which intended to be combined with Ravidavir as FDC, ceasing cooperation with Medivir AB does not have material impact on the Company's HCV pipeline.

Because our other intangible assets primarily represented a patent transferred to us from Presidio, which related to the development, manufacture and commercialization of Ravidasvir in the Greater China. The NDA for Ravidasvir has been approved by the NMPA on July 29, 2020. The IND of ASC22 was approved by the NMPA on January 22, 2020 to conduct clinical trials in Hepatitis B patients. Therefore, we do not foresee any indicators of impairment for these two intangible assets.

Liquidity and Capital Resources

The primary uses of cash of the Group are to fund research and development, clinical trials, purchase of equipment and raw materials and other recurring expenses. During the Reporting Period, the Group funded our working capital and other capital expenditure requirements through capital injections from Shareholders at the Listing.

The following table sets forth a condensed summary of our Group's consolidated statement of cash flows for the periods indicated and analysis of balances of cash and cash equivalents for the years indicated:

	December 31, 2020	December 31, 2019
	RMB'000	*RMB'000*
Net cash used in operating activities	**(84,911)**	(74,341)
Net cash from investing activities	**132,297**	602,269
Net cash used in financing activities	**(21,670)**	(48,217)
Net increase in cash and cash equivalents	**25,716**	479,711
Cash and cash equivalents at the beginning of year	**2,295,044**	1,781,892
Effect of foreign exchange rate changes, net	**(110,256)**	33,441
Cash and cash equivalents at the end of year	**2,210,504**	2,295,044

As at December 31, 2020, our cash and cash equivalents were mainly denominated in Renminbi, USD and HKD.

Operating Activities

Our cash inflows from operating activities mainly consisted of trade and bills receivables from customers, government grants and bank interests. Our cash outflow from operating activities mainly consisted of selling and distribution expenses, research and development costs, and administrative expenses.

For the year ended December 31, 2020, we had net cash flows used in operating activities of RMB84.9 million, primarily as a result of operating loss before changes in working capital of RMB153.0 million. The negative changes in working capital are mainly due to (i) an increase in bank interest received of RMB57.6 million; (ii) a decrease of RMB42.9 million in trade and bills receivables in relation to our product sales; and (iii) a decrease in trade and bills payables and other payables and accruals of RMB12.8 million.

Investing Activities

Our cash used in investing activities mainly consisted of investment in an associate, purchase of property, equipment and construction in progress and purchase of intangible assets.

For the year ended December 31, 2020, our net cash from investing activities was RMB132.3 million, primarily attributable to a decrease in time deposits with original maturity of over three months of RMB190.6 million, which were offset by purchases of intangible assets RMB34.0 million, and investment in an associate of RMB19.7 million.

Financing Activities

Our cash inflow from financing activities primarily related to our corporate financings during the Reporting Period.

For the year ended December 31, 2020, our net cash flows used in financing activities was RMB21.7 million, primarily attributable to repurchase of Shares in an aggregate consideration of RMB19.6 million.

Capital Expenditures

The principal capital expenditures of the Group primarily consisted of plant and machinery, expenditures for construction in progress, leasehold improvements and the purchase of office equipment. The following table sets forth our net capital expenditures as at the dates indicated:

	December 31, 2020	December 31, 2019
	RMB'000	*RMB'000*
Plant and machinery	**852**	4,348
Motor vehicles	**–**	121
Office equipment	**720**	2,383
Leasehold improvements	**–**	1,284
Construction in progress	**3,350**	11,006
Total	**4,922**	19,142

Significant Investments, Material Acquisitions and Disposals

In 2019, AP11 Limited, a wholly-owned subsidiary of the Company, entered into a capital increase agreement with 3-V Biosciences (currently known as Sagimet), pursuant to which AP11 Limited agreed to invest US$8,100,000.00 in cash at the initial closing and US$1,899,999.95 in cash at the second closing into Sagimet. On December 21, 2020, AP11 Limited increased investment US$2,999,999.92 in cash into Sagimet. As at the year ended December 31, 2020, AP11 Limited holds approximately 10.56% of the equity interest in Sagimet. The Group recognizes such investment as an investment in an associate to which the equity method is applied.

Indebtedness

Borrowings

As of December 31, 2020, the Group did not have any indebtedness, and the undrawn bank facilities was RMB50 million as of the same date.

As of December 31, 2020, the Group did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

Contingent Liabilities, Charges of Assets and Guarantees

As of December 31, 2020, the Group was not involved in any material legal, arbitration or administrative proceedings, or any contingent liabilities or charges of assets and guarantees, that, if adversely determined, would materially adversely affect our business, financial position or results of operations.

Contractual Commitments

We lease certain of our properties and warehouse under operating lease arrangements. Leases for properties and warehouse are negotiated for terms ranging mainly from one to five years.

The Group had nil operating lease commitments as at December 31, 2020 and nil as at December 31, 2019, respectively.

The Group had nil the capital commitments as at December 31, 2020 and RMB3.5 million as at December 31, 2019, respectively.

Gearing Ratio

Gearing ratio is calculated by dividing total liabilities by total assets and multiplying it by 100%. As at December 31, 2020, the gearing ratio of the Group was 2.8% (as at December 31, 2019: 3.0%).

The following table sets forth our key financial ratios as of the dates indicated:

	December 31, 2020	December 31, 2019
Current ratio [(1)]	**38.4**	36.4
Quick ratio [(2)]	**37.6**	35.4

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.

Our current ratio increased from 36.4 as of December 31, 2019 to 38.4 as of December 31, 2020, and our quick ratio increased from 35.4 as of December 31, 2019 to 37.6 as of December 31, 2020, primarily due to a decrease in current liabilities.

Foreign Exchange

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between Renminbi and other currencies in which the Group conducts business may affect our financial condition and results of operation.

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from recognized assets and liabilities in foreign operations. The conversion of Renminbi from foreign currencies, including the USD, has been based on rates set by the People's Bank of China. The Group seeks to limit our exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. During the Reporting Period, the Group did not enter into any currency hedging transactions. The revenue denominated in USD represented 0.8% and 0.0% of the total revenue of the Company for the year ended December 31, 2019 and 2020, respectively.

Employees and Remuneration Policies

As at December 31, 2020, the Group had a total of 256 employees, 253 of which were located in the PRC while one employee and two consultants were located abroad. Over 62% of our employees obtained a bachelor's degree or higher. The table below sets forth our Group's employees by function as disclosed:

	Numbers of employees	**% of total**
Management	6	2
Research and development	76	30
Commercialization	106	42
Manufacturing*(Note)*	26	10
Operations	42	16
Total	256	100

Note: reclassified 20 employees who in charge of Chemistry, Manufacturing and Control function from Manufacturing to Research and development.

Our Group's total staff costs for the year ended December 31, 2020 was RMB94.1 million, compared to RMB115.1 million for the year ended December 31, 2019.

We recruits employees through recruitment websites, recruiters, internal referral and job fairs. The Group conducts new employee training, as well as professional and compliance training programs for employees of the commercialization team.

The Group enters into employment contracts with employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees includes salary and bonus, which are generally determined by the qualifications, industry experience, position and performance. The Group makes contributions to social insurance and housing provident funds for our employees as required by the PRC laws and regulations.

The Group also has adopted a Restricted Stock Unit Scheme, a Restricted Stock Unit Option Incentive Scheme and a Share Option Scheme.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
REVENUE	*4*	**35,001**	173,443
Cost of sales		**(58,498)**	(49,160)
including royalties		***1,322***	*(4,966)*
Gross (loss)/profit		**(23,497)**	124,283
Other income and gains	*4*	**89,856**	126,593
Selling and distribution expenses		**(27,356)**	(100,500)
Research and development costs		**(109,099)**	(125,962)
Administrative expenses		**(41,845)**	(48,962)
Other expenses		**(83,412)**	(59,716)
Finance costs		**(135)**	(182)
Share of loss of an associate		**(13,753)**	(11,523)
LOSS BEFORE TAX	*4*	**(209,241)**	(95,969)
Income tax credit	*6*	**–**	–
LOSS FOR THE YEAR		**(209,241)**	(95,969)
Attributable to:			
Owners of the parent		**(209,241)**	(95,969)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
		RMB	RMB
Basic and diluted	*8*	**(20.12) cents**	(9.10) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(209,241)**	(95,969)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**45,677**	2,305
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements into presentation currency	**(164,014)**	33,614
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(118,337)**	35,919
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(327,578)**	(60,050)
Attributable to:		
Owners of the parent	**(327,578)**	(60,050)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**82,556**	94,494
Right-of-use assets		**2,023**	4,233
Other intangible assets		**90,702**	75,614
Investment in an associate		**60,915**	58,109
Long-term deferred expenditure		**889**	1,363
Total non-current assets		**237,085**	233,813
CURRENT ASSETS			
Inventories	*9*	**58,894**	86,039
Trade and bills receivables	*10*	**26,620**	69,525
Prepayments, other receivables and other assets	*11*	**30,462**	47,846
Cash and cash equivalents		**2,714,011**	2,989,164
Total current assets		**2,829,987**	3,192,574
CURRENT LIABILITIES			
Trade and bills payables	*12*	**930**	6,643
Other payables and accruals		**69,974**	77,059
Lease liabilities		**1,144**	2,226
Deferred income	*13*	**1,724**	1,724
Total current liabilities		**73,772**	87,652

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	Note	2020 ***RMB'000***	2019 *RMB'000*
NET CURRENT ASSETS		**2,756,215**	3,104,922
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,993,300**	3,338,735
NON-CURRENT LIABILITIES			
Lease liabilities		**443**	1,587
Deferred income	*13*	**11,207**	12,931
Total non-current liabilities		**11,650**	14,518
Net assets		**2,981,650**	3,324,217
EQUITY			
Equity attributable to owners of the parent			
Share capital		**750**	754
Reserves		**2,980,900**	3,323,463
Total equity		**2,981,650**	3,324,217

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent						
	Share capital *RMB'000*	Treasury shares* *RMB'000*	Share premium account* *RMB'000*	Capital reserve* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Accumulated losses* *RMB'000*	Total equity *RMB'000*
At 1 January 2019	764	–	2,959,390	649,804	28,072	(210,618)	3,427,412
Loss for the year	–	–	–	–	–	(95,969)	(95,969)
Other comprehensive income for the year:							
Exchange differences	–	–	–	–	35,919	–	35,919
Total comprehensive income/(loss) for the year	–	–	–	–	35,919	(95,969)	(60,050)
Shares repurchased	–	(46,269)	–	–	–	–	(46,269)
Shares cancelled	(10)	46,269	(46,259)	–	–	–	–
Equity-settled share award and option arrangements	–	–	–	3,124	–	–	3,124
At 31 December 2019	754	–	2,913,131	652,928	63,991	(306,587)	3,324,217

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	Attributable to owners of the parent						
	Share capital *RMB'000*	Treasury shares* *RMB'000*	Share premium account* *RMB'000*	Capital reserve* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Accumulated losses* *RMB'000*	Total equity *RMB'000*
At 1 January 2020	**754**	**–**	**2,913,131**	**652,928**	**63,991**	**(306,587)**	**3,324,217**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(209,241)**	**(209,241)**
Other comprehensive loss for the year:							
Exchange differences	**–**	**–**	**–**	**–**	**(118,337)**	**–**	**(118,337)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(118,337)**	**(209,241)**	**327,578**
Shares repurchased	**–**	**(19,601)**	**–**	**–**	**–**	**–**	**(19,601)**
Shares cancelled	**(4)**	**15,079**	**(15,075)**	**–**	**–**	**–**	**–**
Equity-settled share award and option arrangements	**–**	**–**	**–**	**4,612**	**–**	**–**	**4,612**
At 31 December 2020	**750**	**(4,522)**	**2,898,056**	**657,540**	**(54,346)**	**(515,828)**	**2,981,650**

* These reserve accounts comprise the consolidated reserves of RMB2,980,900,000 (2019: RMB3,323,463,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(209,241)**	(95,969)
Adjustments for:			
Finance costs		**135**	182
Share of loss of an associate		**13,753**	11,523
Bank interest income	*4*	**(40,626)**	(72,239)
Investment income from financial assets at fair value through profit or loss	*4*	**(290)**	–
Loss on disposal of items of property, plant and equipment	*5*	**92**	1,388
Depreciation of items of property, plant and equipment	*5*	**12,611**	10,928
Depreciation of right-of-use assets	*5*	**2,210**	1,838
Covid-19-related rent concessions from lessors	*5*	**(292)**	–
Amortisation of intangible assets	*5*	**12,342**	9,382
Amortisation of long-term deferred expenditure		**447**	162
Write-down of inventories to net realisable value	*5*	**45,518**	–
Impairment of an intangible asset	*5*	**5,771**	–
Equity-settled share award and option expense	*5*	**4,612**	3,124
		(152,958)	(129,681)
Increase in inventories		**(18,373)**	(2,162)
Increase in long-term deferred expenditure		**–**	(1,250)
Decrease/(increase) in trade and bills receivables		**42,905**	(11,902)
Decrease in prepayments, other receivables and other assets		**416**	8,730
Decrease in trade and bills payables		**(5,713)**	(7,548)
(Decrease)/increase in other payables and accruals		**(7,085)**	4,003
(Decrease)/increase in deferred income		**(1,724)**	1,711
Interest received		**57,621**	63,758
Net cash flows used in operating activities		**(84,911)**	(74,341)

continued/···

	2020 *RMB'000*	2019 *RMB'000*
Net cash flows used in operating activities	**(84,911)**	(74,341)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment and construction in progress	**(4,922)**	(18,885)
Proceeds from disposal of items of property, plant and equipment	**6**	665
Purchases of intangible assets	**(34,038)**	(9,348)
Purchase of a shareholding in an associate	**(19,652)**	(67,400)
Purchases of financial assets at fair value through profit or loss	**(75,418)**	–
Proceeds from sales of financial assets at fair value through profit or loss	**75,418**	–
Receipt of investment income from financial assets at fair value through profit or loss	**290**	–
Decrease in time deposits with original maturity of over three months	**190,613**	697,237
Net cash flows from investing activities	**132,297**	602,269
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal portion of lease payments	**(2,069)**	(1,948)
Shares repurchased	**(19,601)**	(46,269)
Net cash flows used in financing activities	**(21,670)**	(48,217)

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	2020 *RMB'000*	2019 *RMB'000*
NET INCREASE IN CASH AND CASH EQUIVALENTS	**25,716**	479,711
Cash and cash equivalents at beginning of year	**2,295,044**	1,781,892
Effect of foreign exchange rate changes, net	**(110,256)**	33,441
CASH AND CASH EQUIVALENTS AT END OF YEAR	**2,210,504**	2,295,044
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the consolidated statement of financial position	**2,714,011**	2,989,164
Non-pledged time deposits with original maturity of over three months when acquired	**(503,507)**	(694,120)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**2,210,504**	2,295,044

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 25 February 2014. The registered office address of the Company is located at 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The principal place of business in Hong Kong of the Company is located at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the research and development, production, marketing and sale of pharmaceutical products.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 1 August 2018.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3,6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3,5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

3. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**35,001**	172,057
Other country	**–**	1,386
Total	**35,001**	173,443

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**164,360**	161,123
British Virgin Islands	**60,915**	58,109
Cayman Islands	**11,810**	14,581
Total	**237,085**	233,813

The non-current asset information above is based on the locations of assets.

Information about a major customer

Revenue of RMB64,603,000 (2019: RMB47,638,000) was derived from the rendering of promotion services to a single customer during the year.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**35,001**	173,443

Revenue from contracts with customers

(i) Disaggregation of revenue information

	2020	2019
	RMB'000	*RMB'000*
Types of goods or services		
– Sale of products	**(29,602)**	124,419
– Rendering of promotion services	**64,603**	47,638
– Collaboration revenue	**–**	1,386
Total revenue from contracts with customers	**35,001**	173,443

	2020	2019
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point in time		
– Sale of products	**(29,602)**	124,419
– Rendering of promotion services	**64,603**	47,638
– Collaboration revenue	**–**	1,386
Total revenue from contracts with customers	**35,001**	173,443

	2020	2019
	RMB'000	*RMB'000*
Geographical markets		
Mainland China		
– Sale of products	**(29,602)**	124,419
– Rendering of promotion services	**64,603**	47,638
Other country		
– Collaboration revenue	**–**	1,386
Total revenue from contracts with customers	**35,001**	173,443

The following table shows the amount of revenue recognised during the reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020	2019
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**–**	230

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products
The performance obligation is satisfied upon acceptance of the products and payment is generally due within 30 to 180 days from acceptance.

Promotion services
The performance obligation is satisfied at a point in time when the customer's sales occur and payment is generally due within 60 days from the date of billing.

Collaboration revenue

The performance obligation is satisfied over time or at a point in time as output generated from the development activities is supplied to the collaboration partner or upon completion of services, and payment is generally due within 30 to 60 days from the date of billing.

	2020	2019
	RMB'000	*RMB'000*
Other income and gains		
Government grants*	**48,861**	49,869
Bank interest income	**40,626**	72,239
Investment income from financial assets at fair value through profit or loss	**290**	–
Foreign exchange gain, net	**–**	4,485
Others	**79**	–
	89,856	126,593

* The government grants mainly represent subsidies received from the local governments for the purpose of compensation for expenses arising from research activities and clinical trials, award for new drug development and capital expenditure incurred on certain projects.

5. LOSS BEFORE TAX

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

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold	**27,734**	18,802
Cost of services provided	**30,764**	30,358
Depreciation of items of property, plant and equipment	**12,611**	10,928
Depreciation of right-of-use assets	**2,210**	1,838
Amortisation of intangible assets*	**12,342**	9,382
Write-down of inventories to net realisable value**	**45,518**	5,153
Lease payments not included in the measurement of lease liabilities	**19**	235
Auditor's remuneration	**2,190**	2,180
Research and development costs	**109,099**	125,962
Government grants	**(48,861)**	(49,869)
Covid-19-related rent concessions from lessors	**(292)**	–
Donation	**31,789**	57,871
Foreign exchange differences, net	**30,425**	(4,485)
Impairment of an intangible asset	**5,771**	–
Impairment of trade receivables, net	**(79)**	88
Loss on disposal of items of property, plant and equipment	**92**	1,388
Employee benefit expenses (excluding directors' and chief executive's remuneration)		
Wages and salaries	**62,835**	78,352
Pension scheme contributions	**9,077**	16,018
Staff welfare expenses	**3,876**	4,361
Equity-settled share award and option expense	**4,612**	3,124
	80,400	101,855

* The amortisation of intangible assets is included in "Administrative expenses" and "Research and development costs" in the consolidated statement of profit or loss.

** The write-down of inventories to net realisable value of RMB45,518,000 for the year ended 31 December 2020 (2019: RMB5,153,000) is included in "Cost of sales" and "Other expenses" in the consolidated statement of profit or loss.

6. INCOME TAX

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

Cayman Islands

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

British Virgin Islands

Under the current laws of the British Virgin Islands ("**BVI**"), PowerTree Investment (BVI) Ltd. is not subject to tax on income or capital gains. In addition, upon payments of dividends by PowerTree to its shareholder, no BVI withholding tax is imposed.

Hong Kong

Under the current laws of the Hong Kong, the subsidiary in Hong Kong is subject to profit tax at a rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong. During the year, no provision for profit tax has been made as the subsidiary did not generate any assessable profits in Hong Kong.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "**CIT Law**"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% (2019: 25%) on the taxable income. Preferential tax treatment is available to Ascletis Pharmaceuticals Co., Ltd. since it was recognised as a High and New Technology Enterprises, and it was entitled to a preferential tax rate of 15% (2019: 15%) during the year. Gannex Pharma Co., Ltd., Ascletis Biopharmaceutical (Hangzhou) Co., Ltd. and Ascletis XinNuo Medicine (Hangzhou) Co., Ltd. are qualified as Small and Micro Enterprises and were subject to a preferential tax rate of 5% (2019: 5%) during the year.

The income tax credit of the Group for the year is analysed as follows:

	2020	2019
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	**–**	–
Deferred tax	**–**	–
Total tax credit for the year	**–**	–

A reconciliation of the tax credit applicable to loss before tax at the statutory rate in Mainland China to the tax credit at the effective tax rate is as follows:

	2020	2019
	RMB'000	*RMB'000*
Loss before tax	**(209,241)**	(95,969)
At the PRC's statutory income tax rate of 25%	**(52,310)**	(23,992)
Effect of tax rate differences in other countries	**371**	(1,877)
Preferential income tax rates enacted by local authority	**21,257**	7,529
Effect of tax concessions and allowances	**(10,625)**	(17,054)
Tax losses not recognised	**39,161**	34,297
Expenses not deductible for tax	**2,146**	1,097
Tax credit at the Group's effective rate	**–**	–

7. DIVIDENDS

The board does not recommend the payment of any dividend in respect for the year ended 31 December 2020 (2019: Nil).

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

The calculation of the basic earnings per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of RMB209,241,000 (2019: RMB95,969,000), and the weighted average number of ordinary shares of 1,040,055,731 (2019: 1,054,545,974) in issue during the year. The number of shares for the current period has been arrived at 1,100,662,000 after eliminating the shares repurchased.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2019 and 2020 in respect of a dilution as the impact of the share award had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of basic loss per share is based on:

	2020	2019
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent	**(209,241)**	(95,969)

	Number of shares	
	2020	2019
Shares		
Weighted average number of shares in issue during the year	**1,040,055,731**	1,054,545,974

9. INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Raw materials	**32,601**	60,468
Work in progress	**7,871**	20,408
Finished goods	**18,422**	5,163
	58,894	86,039

10. TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**26,629**	68,485
Bills receivable	**–**	1,128
	26,629	69,613
Impairment	**(9)**	(88)
	26,620	69,525

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days to 180 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the before mentioned and the fact that the Group's trade receivables relate to large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Less than 3 months	**26,620**	68,397

The Group's bills receivable were aged within six months and were neither past due nor impaired.

The movement in the loss allowance for impairment of trade receivables is as follows:

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**88**	–
Impairment losses, net	**(79)**	88
At end of year	**9**	88

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

		Past due			
	Current	**Less than 3 months**	**3 to 6 months**	**over 6 months**	**Total**
Expected credit loss rate	**0.03%**	**–**	**–**	**–**	**0.03%**
Gross carrying amount *(RMB'000)*	**26,629**	**–**	**–**	**–**	**26,629**
Expected credit losses *(RMB'000)*	**9**	**–**	**–**	**–**	**9**

As at 31 December 2019

		Past due			
	Current	Less than 3 months	3 to 6 months	over 6 months	Total
Expected credit loss rate	0.13%	–	–	–	0.13%
Gross carrying amount *(RMB'000)*	68,485	–	–	–	68,485
Expected credit losses *(RMB'000)*	88	–	–	–	88

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020	2019
	RMB'000	*RMB'000*
Value-added tax recoverable	**19,703**	13,225
Prepayments	**3,437**	7,686
Deposits and other receivables	**2,209**	4,788
Interest receivable	**1,904**	18,899
Prepaid expenses	**1,846**	1,885
Prepaid income tax	**1,363**	1,363
	30,462	47,846

Other receivables mainly represent rental and other deposits. An impairment analysis is performed at each reporting date by applying an expected credit loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions. As at 31 December 2020 and 2019, the expected credit loss rate was close to zero.

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

12. TRADE AND BILLS PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**334**	3,961
Bills payable	**596**	2,682
	930	6,643

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**334**	3,933
1 to 3 months	**596**	28
3 to 6 months	**–**	2,682
	930	6,643

The trade payables are non-interest-bearing and are normally settled within three months.

The maturity of the bills payable is within six months.

13. DEFERRED INCOME

	2020	2019
	RMB'000	*RMB'000*
Government grants		
Current	**1,724**	1,724
Non-current	**11,207**	12,931
	12,931	14,655

The movements in government grants during the year are as follows:

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**14,655**	12,944
Grants received during the year	**–**	12,020
Amount released	**(1,724)**	(10,309)
At end of year	**12,931**	14,655
Current	**1,724**	1,724
Non-current	**11,207**	12,931
	12,931	14,655

The grants are related to the subsidies received from the government for the purpose of compensation for expenses arising from research activities and clinical trials, award for its new drug development and capital expenditure incurred on certain projects.

14. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

2020

Deferred tax liabilities

	Right-of-use assets *RMB'000*	**Total** *RMB'000*
At 1 January 2020	**785**	**785**
Deferred tax credited to profit or loss during the year	**(389)**	**(389)**
Gross deferred tax liabilities at 31 December 2020	**396**	**396**

Deferred tax assets

	Lease liabilities *RMB'000*	**Total** *RMB'000*
At 1 January 2020	**785**	**785**
Deferred tax charged to profit or loss during the year	**(389)**	**(389)**
Gross deferred tax assets at 31 December 2020	**396**	**396**

2019

Deferred tax liabilities

	Right-of-use assets *RMB'000*	Total *RMB'000*
At 31 December 2018	–	–
Effect of adoption of HKFRS 16	231	231
At 1 January 2019 (restated)	231	231
Deferred tax charged to profit or loss during the year	554	554
Gross deferred tax liabilities at 31 December 2019	785	785

Deferred tax assets

	Lease liabilities *RMB'000*	Total *RMB'000*
At 31 December 2018	–	–
Effect of adoption of HKFRS 16	231	231
At 1 January 2019 (restated)	231	231
Deferred tax credited to profit or loss during the year	554	554
Gross deferred tax assets at 31 December 2019	785	785

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2020 ***RMB'000***	2019 *RMB'000*
Net deferred tax recognised in consolidated statement of financial position	**–**	–

The Group has tax losses arising in Mainland China of RMB762,867,000 (2019: RMB563,635,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions of the CG Code as its own code of corporate governance.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code during the Reporting Period, except for a deviation from the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company are not separate and are both performed by Dr. Jinzi Jason WU. The Company is an investment holding company with a professional management team to monitor the operations of the subsidiaries. The Board considers that vesting the roles of chairman and chief executive officer in the same person is more efficient in the direction and management of the Company and does not impair the balance of power and authority of the Board and the management of the business of the Company. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Written Guidelines on no less exacting terms than the Model Code as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines throughout the Reporting Period and to the date of this announcement. No incident of non-compliance of the Written Guidelines by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

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

The Company repurchased a total of 7,554,000 Shares on the Stock Exchange during the year ended December 31, 2020 pursuant to the repurchase mandate approved by the Shareholders at the annual general meeting held on June 15, 2020. Such repurchased shares have already been cancelled and the total number of Shares in issue has been reduced accordingly as at the date of this announcement.

Save for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed Shares for the year ended December 31, 2020.

REVIEW OF ANNUAL RESULTS

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Jiong GU, Dr. Yizhen WEI, and Ms. Lin HUA. The chairman of the Audit Committee is Mr. Jiong GU. The Audit Committee has reviewed the annual results of the Group for the year ended December 31, 2020 and has recommended for the Board's approval thereof.

The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2020. The Audit Committee considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

ANNUAL DIVIDEND

The Board does not recommend any payment of an annual dividend for the year ended December 31, 2020.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Company will announce the date of the AGM and the period of closure of register of members in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.ascletis.com). The annual report for the year ended December 31, 2020 containing all the information in accordance with the requirements under the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

"ANDA"	abbreviated new drug application
"Ascletis", "Company", "the Company" or "We"	Ascletis Pharma Inc.(歌禮製藥有限公司), (an exempted company incorporated in the Cayman Islands with limited liability on February 25, 2014
"AGM"	annual general meeting of the Company
"Audit Committee"	the audit committee of the Board of the Company
"Board"	the board of Directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the Chairman of the Board
"China", "Mainland China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"CMO(s)"	contract manufacturing organization, a company that manufactures drug products for pharmaceutical companies on a contract basis
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Wu, Mrs. Wu, JJW12 Limited, Lakemont Holding LLC and Lakemont Remainder Trust, as a group, or any member of them
"COVID-19"	an infectious disease caused by a newly discovered coronavirus (severe acute respiratory syndrome coronavirus)
"Director(s)"	the director(s) of the Company
"Dr. Wu"	Dr. Jinzi Jason WU(吳勁梓), chairman of the Board, chief executive officer, an executive Director of the Company, one of our Controlling Shareholders
"FDA" or "U.S. FDA"	U.S. Food and Drug Administration
"Gannex"	Gannex Pharma Co., Ltd (甘萊製藥有限公司), a limited liability company incorporated under the laws of the PRC on September 3, 2019, a wholly-owned subsidiary of the Company

"Group", "our Group" or "the Group"	the Company and its subsidiaries
"Greater China"	Mainland China, Hong Kong, Macau and Taiwan
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"IND"	investigational new drug, an experimental drug for which a pharmaceutical company obtains permission to ship across jurisdictions (usually to clinical investigators) before a marketing application for the drug has been approved
"KOL(s)"	Key opinion leader(s)
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on August 1, 2018
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"NASH"	non-alcoholic steatohepatitis
"NDA"	new drug application
"NMPA"	China National Medical Products Administration (中國國家藥品監督管理局)
"R&D"	research and development
"Reporting Period"	the one-year period from January 1, 2020 to December 31, 2020
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary shares in the share capital of our Company of US$0.0001 each

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S. dollar(s)", "USD" or "US$"	United States dollars, the lawful currency of the United States of America
"Written Guidelines"	the Guidelines for Securities Transactions by Directors adopted by the Company

In this announcement, the terms "associate", "connected person", "controlling shareholder" and "subsidiary" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

By order of the Board
Ascletis Pharma Inc.
歌禮製藥有限公司
Jinzi Jason WU
Chairman

Hangzhou, the People's Republic of China, March 30, 2021

As at the date of this announcement, the Board of Directors of the Company comprises Dr. Jinzi Jason WU and Mrs. Judy Hejingdao WU, as executive Directors; and Dr. Yizhen WEI, Mr. Jiong GU and Ms. Lin HUA, as independent non-executive Directors.