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, 2018

The Board of Directors is pleased to announce the audited condensed consolidated annual results of the Group for the year ended December 31, 2018, together with the comparative figures for the corresponding period in 2017 as follows.

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2018	2017	Changes
	RMB'000	*RMB'000*	*%*
Revenue			
Sale of products	**72,273**	—	—
Collaboration revenue	**90,578**	53,202	70.3%
Promotion service revenue	**3,474**	—	—
Total	**166,325**	53,202	212.6%
Gross Profit	**153,946**	53,202	189.4%
Profit/(Loss) before tax	**(19,870)**	(80,441)	75.3%
Profit/(Loss) for the year	**(19,745)**	(86,931)	77.3%
Profit/(Loss) attributable to the owner of the Group	**(7,258)**	(53,935)	
Net Profit Margin	**(11.9%)**	(163.4%)	—
Earnings per share RMB			
– Basic	**(0.84) cents**	(9.03) cents	—

CORPORATE PROFILE

Our mission

Ascletis' mission is to become a world-class innovative R&D driven biotechnology company addressing unmet medical needs in three therapeutic areas: viral, cancer and fatty liver diseases.

Overview

Ascletis is an innovative R&D driven biotechnology company with two commercial products. 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. Ascletis is now commercializing two drugs, Ganovo® (Danoprevir), the first direct-acting anti-viral agent for Hepatitis C developed domestically for China, and Pegasys® (Peginterferon alfa-2a), a well-established pegylated interferon for Hepatitis B and C partnered with Shanghai Roche Pharmaceuticals Ltd. ("**Shanghai Roche**"). Ravidasvir is a near-commercial stage Hepatitis C virus (HCV) drug, which NDA was accepted in August 2018 and was granted priority review in October 2018.

Ascletis' R&D pipeline consists of first/best-in-class drug candidates from antibody-based immunotherapy, small molecules and siRNA at various clinical development stages, addressing unmet medical needs in three therapeutic areas: viral, cancer and fatty liver diseases. For anti-viral therapeutic areas, ASC22, licensed from Suzhou Alphamab Co., Ltd. ("**Alphamab**") for viral indications, is a first-in-class, Phase II-ready programmed cell death ligand-1 (PD-L1) monoclonal antibody to treat Hepatitis B and other viral diseases. ASC22 is differentiated from other PD-1 or PD-L1 antibodies since it is the only late-stage monoclonal antibody, against PD-1 or PD-L1, which is subcutaneously administered and room temperature stable with clinical safety data from more than 500 patients of oncology indications. ASC09 is a Phase IIa-completed, potential best-in-class protease inhibitor to treat HIV Type-1 infections. ASC21 is an investigational new drug (IND) approved HCV 5B nucleoside inhibitor. For cancer therapeutic area, ASC06 is the first systemically delivered siRNA-based liver cancer drug candidate that has completed phase I and phase I extension clinical trials. For fatty liver diseases therapeutic area, besides an in-house developed preclinical drug candidate with global rights for non-alcoholic steatohepatitis (NASH), ASC40, licensed from 3-V Biosciences Inc. ("**3-V Biosciences**"), is a first-in-class, Phase II-ready small molecule fatty acid synthase (FASN) inhibitor for NASH.

Ganovo® (Danoprevir) has generated sales of RMB72.3 million in 2018. We obtained from Shanghai Roche, an exclusive promotion right in Mainland China for Pegasys®, a leading pegylated interferon as a first-line treatment for Hepatitis B in November 2018 and began to promote Pegasys® in December 2018.

Other than Ganovo® (Danoprevir) and Pegasys®, to date, we have not commercialized any products, and we cannot guarantee that we will be able to successfully develop and commercialize our drug candidates.

Our product pipeline is set out below as at the date of this announcement:

Field	Target	Indication	Products / Drug Candidate	Pre-clinical	Phase I	Phase II	Phase III	NDA Filed	Marketed	Licensed From	Commercial Rights
Anti-viral	NS3/4A	HCV	Ganovo® (Danoprevir)							Roche	Greater China
	Interferon receptor	HBV	Pegasys® (Peginterferon alfa-2a)							Roche	Mainland China
	Interferon receptor	HCV	Pegasys® (Peginterferon alfa-2a)							Roche	Mainland China
	NS5A	HCV	Ravidasvir							PRESIDIO	Greater China
	NS5B	HCV	ASC21							Medivir	Greater China
	Protease	HIV	ASC09							janssen	Mainland China and Macau
	PD-L1	HBV	ASC22							康宁杰瑞	Greater China
	Undisclosed	HBV	lead Identification							N/A	Global
Cancer	VEGF&KSP	Liver Cancer	ASC06							Alnylam	Greater China
Fatty Liver Disease	FASN	NASH	ASC40							3-V BIOSCIENCES	Greater China
	Undisclosed	NASH	lead Identification							N/A	Global

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the year of 2018, the Group made significant progress with respect to its business.

- **Ganovo® (Danoprevir) NDA approval and sales of RMB72.3 million**

  On June 8, 2018, the NDA approval for Danoprevir was granted by the China Food and Drug Administration (CFDA). We have received the GMP certification to manufacture tablet formulations of Danoprevir shortly after receiving NDA approval for Danoprevir and commenced manufacturing shortly thereafter. 19 days later, on June 27, 2018, we registered our first sales in China. Since then, we have gradually commenced nationwide sales of Ganovo® (Danoprevir) in eastern, southern, northeastern, northern and central China. During the Reporting Period, the Group recorded RMB72.3 million sales of products through the commercialization of Ganovo® (Danoprevir) in China. At the same time, we have made significant progress on the reimbursement coverage of Ganovo®. To date, Ganovo® has been enrolled in the Basic Medical Insurance of Tianjin, Chengdu and is eligible for Shaoxing government funding subsidy.

- **Pegasys® promotion income of RMB3.5 million**

  On November 20, 2018, we obtained exclusive promotion right in Mainland China for Pegasys®, a leading pegylated interferon as a first-line treatment for Hepatitis B, from Shanghai Roche and we have been promoting Pegasys® since December 1, 2018. During the Reporting Period, the Group recorded RMB3.5 million promotion income through the commercialization of Pegasys® in Mainland China.

- **NDA acceptance of Ravidasvir, our all-oral interferon-free regimen for Hepatitis C**

  Ravidasvir is our next generation and pan-genotypic NS5A inhibitor with a high genetic barrier to resistance. Ravidasvir when administered, in combination with Ganovo® (Danoprevir), or the RDV/DNV Regimen, forms an all-oral and interferon-free cure for Hepatitis C. Our phase II/III clinical trial has shown that 12-week RDV/DNV Regimen demonstrated a superior cure rate of 99% (SVR12) and a good safety profile. For patients with baseline NS5A resistance mutations, our phase II/III clinical trial showed that RDV/DNV Regimen demonstrated a cure rate of 100% (SVR12). The NDA acceptance and priority review for Ravidasvir was granted by the CFDA on August 1, 2018 and October 17, 2018, respectively.

- **Commercial capability**

  With the successful launch of Ganovo®, the Group has demonstrated strong development capability and established a solid commercial presence in China in the area of hepatitis. By the end of 2018, the Group has built a commercialization team of approximately 150 members, covering more than 1,000 hospitals strategically located in regions where Hepatitis C and B are most prevalent in China. Our commercial team has identified and educated approximately 6,000 specialists and KOLs in the hepatitis field. We have entered into 21 distribution agreements with different distributors that cover 207 direct-to-patient (DTP) pharmacies, hospital-linked pharmacies and other pharmacies through our distributors, either directly or through their sub-distributors. Ganovo® (Danoprevir) has been distributed to all of the 207 DTP pharmacies by the end of 2018.

- **Advancing our innovative first/best-in-class R&D pipeline**

  The Group has focused on building and advancing our first/best-in-class R&D pipeline after successfully launching Ganovo® (Danoprevir), including but not limited to: (1) Cure for Chronic Hepatitis B – ASC22, a first-in-class immunotherapy to potentially offer clinical cure for chronic Hepatitis B; (2) HIV protease inhibitor – ASC09, of which the Group has focused on chemistry, manufacturing and control which are required to initiate a phase IIb clinical trial in China which is planned for 2020; (3) IND-approved HCV NS5B nucleotide inhibitor – ASC21, of which the Group has focused on development and optimization of active pharmaceutical ingredient (API), formulation and IND-enabling studies; (4) FASN inhibitor for NASH – ASC40, an orally bioavailable, first-in-class inhibitor of FASN. FASN is a key enzyme in the de novo lipogenesis (DNL) pathway and catalyzes the biosynthesis of palmitate, which can then undergo further modifications into other fatty acids and complex lipids.

Commercialized products

- **Ganovo®**

  As disclosed in our Prospectus and the interim report dated August 31,2018, Hepatitis C is one of the leading causes of chronic liver diseases, including cirrhosis and liver cancer, in China. Hepatitis C had a prevalence rate of 1.82% in China in 2017, with 25.2 million estimated HCV-infected patients. The diagnosis rate of Hepatitis C has historically been low due to the lack of awareness and effective treatment, and the relatively minimal symptoms experienced by most patients. In 2017, there were approximately 350,000 new infections and 2,000 re-infections of HCV.

  Ganovo® (Danoprevir) is our first commercialized product. We obtained the NDA approval from CFDA on June 8, 2018, and have begun to commercialize Ganovo® in China. We made our first sales in China on June 27, 2018. Since then, we have gradually commenced nationwide sales of Ganovo® in eastern, southern, northeastern, northern and central China. The Group recorded RMB72.3 million sales of products through the commercialization of Ganovo® (Danoprevir) in China during the Reporting Period.

We believe that Ganovo® Regimen has the following advantages:

– Higher cure rate. Ganovo® Regimen demonstrated a 97% cure rate (SVR12) in a phase III clinical trial completed on 140 HCV patients, which is substantially higher than the current primary regimen in China.

– Shorter treatment duration. The 12-week duration of our Ganovo® Regimen is significantly shorter than the treatment duration of 48 to 72 weeks for HCV treatment using interferon regimen. We believe that our shorter duration regimen will increase compliance to the treatment and improve patient tolerability.

– Superior safety and tolerability profile. No grade 3 or higher laboratory liver function abnormalities were observed in our phase III clinical trial of the Ganovo® Regimen. Moreover, there was no discontinuation of use due to adverse events. The rate of serious adverse events potentially related to the use of Ganovo® Regimen was approximately 0.7%.

– Potent anti-viral activity. In pre-clinical studies, Ganovo® demonstrated potent activity against HCV NS3/4A protease derived from HCV genotypes 1 through 6 with sub-nanomolar to nanomolar potencies. In clinical trials, our Ganovo® Regimen has shown an overall cure rate of over 97% (SVR12) against HCV genotypes 1 and 4 infections.

• **Pegasys®**

The Group entered into a partnership with Shanghai Roche in November 2018 and obtained exclusive rights to promote Pegasys® in China.

Pegasys® is a long-acting modified form of interferon (IFN), a naturally occurring protein produced by the body to fight viruses, approved to treat Hepatitis B and C. Shanghai Roche had sold and promoted Pegasys®, a leading pegylated interferon treatment for more than 15 years in China. We began our exclusive sales and promotion of Pegasys® in China from December 1, 2018 and recorded RMB3.5-million income from the marketing promotion of Pegasys® during the Reporting Period.

We believe that Pegasys® will contribute remarkably to our marketing promotion income in the coming years based on the following:

– Pegasys® is the leading pegylated interferon treatment for Hepatitis B and C in China. It has been sold in China for more than 15 years and is well recognized and accepted by the clinical community.

– The Group has a well-established track record in clinical development and has demonstrated solid commercial execution in China in the area of viral hepatitis. Leveraging on our entrenched presence in viral hepatitis, the success of Ganovo® and strong branding of Pegasys®, we will continue to build on these strengths to promote Pegasys®.

Near Commercial-stage product

- **Ravidasvir**

  We filed the NDA for Ravidasvir on July 31, 2018 and received the acceptance letter from the CFDA on August 1, 2018, which is sooner than what we expected as disclosed in the Prospectus. In October 2018, Ravidasvir was granted priority review by the CFDA. We plan to leverage on our regulatory and commercial experience of Ganovo® to accelerate the approval and commercialization of Ravidasvir.

  We have developed Ravidasvir to be a best-in-class, pan-genotypic inhibitor targeting the HCV NS5A protein. Ravidasvir offers superior anti-viral activity, a higher genetic barrier to resistance and a better safety profile compared to our competitors' NS5A inhibitors approved in China. By the end of 2018, there were 3 phase III clinical trials of Ravidasvir completed globally: (1) Ravidasvir/Danoprevir (RDV/DNV) Regimen phase II/III clinical trial in China for genotype 1 patients; (2) Ravidasvir/Sofosbuvir (RDV/SOF) Regimen phase III clinical trial outside of China for genotypes 1, 2, 3 and 6 patients; (3) RDV/SOF Regimen phase III clinical trial outside of China for genotype 4 patients.

  We believe that, based on the clinical trials, Ravidasvir has the potential to address the limitations of the current primary regimen for HCV in the following aspects:

  – Best-in-class NS5A inhibitor. Our RDV/DNV Regimen demonstrated a 99% cure rate (SVR12) in the phase II/III clinical trial in China with 410 HCV genotype 1 patients who completed the 12-week treatment and 12-week follow-up.

  – Pan-genotypic anti-viral activity against genotypes 1 to 6. In vitro studies have shown that Ravidasvir has potent anti-viral activity against HCV genotypes 1 to 6. Two phase III clinical trials of RDV/SOF Regimen demonstrated an overall cure rate of 97% (SVR12) in genotypes 1, 2, 3 and 6 and a 95% cure rate (SVR12) in genotype 4. In genotype 3 patients with and without cirrhosis, RDV/SOF Regimen demonstrated superior cure rates of 96% and 97%, respectively, (SVR12) in Asian patients with HCV.

  – Highly efficacious for patients infected by HCV with baseline NS5A resistance mutations. The RDV/DNV Regimen demonstrated a 100% cure rate (SVR12) for patients with baseline NS5A resistance mutations in our phase II/III clinical trial. 6 patients in our phase II clinical trial (EVEREST) had baseline NS5A resistance mutations and 100% of these patients achieved SVR12. 19% of HCV patients in China carry baseline NS5A resistance mutations. Competitors' products demonstrated a cure rate of 20% (SVR12) in treating patients infected by HCV genotype 1b with baseline NS5A resistance mutations.

  – Efficacious for hard-to-cure genotypes. Phase III clinical trial of RDV/SOF Regimen demonstrated a 99% cure rate (SVR12) in genotype 1a patients and a 97% cure rate (SVR12) in genotype 3 patients.

– Efficacious in cirrhotic patients. Phase III clinical trial of RDV/SOF Regimen demonstrated a 96% cure rate (SVR12) in cirrhotic patients.

– Efficacious for HCV/HIV co-infected patients. Phase III clinical trial of RDV/SOF Regimen demonstrated a 97% cure rate (SVR12) in HCV/HIV co-infected patients.

Drug candidates in the pipeline

- **ASC22**

  Phase II-ready PD-L1 antibody for Hepatitis B cure. ASC22, as a PD-L1 single domain antibody fragment crystallizable (Fc) fusion, has the advantages of subcutaneous injection and good stability at room temperature. These characteristics would be of great value to improve patients' compliance to treatment and quality of life. ASC22 is a potential global first-in-class immunotherapy to offer clinical cure for chronic Hepatitis B infections.

  In January 2019, we announced that we have obtained exclusive rights in Greater China for ASC22 for viral indications from Alphamab. To date, Alphamab and 3D Medicines (Beijing) Co., Ltd. have studied ASC22, also known as KN035, in multiple oncology clinical trials, including two pivotal trials, with more than 500 patients in China, U.S, and Japan. ASC22 has demonstrated good human safety profile.

- **ASC40**

  Phase II-ready NASH drug candidate. In February 2019, we announced that we have obtained exclusive rights in Greater China for ASC40, a Phase II-ready FASN inhibitor for the treatment of NASH, from 3-V Biosciences. ASC40 is an orally bioavailable, first-in-class inhibitor of FASN. FASN is a key enzyme in the DNL pathway and catalyzes the biosynthesis of palmitate, which can then undergo further modifications into other fatty acids and complex lipids. Dysregulation of FASN activity is found in a number of different diseases, including liver diseases and cancer. Non-alcoholic fatty liver disease (NAFLD) and the more advanced disease of NASH can progress to significant liver diseases, including cirrhosis and hepatocellular carcinoma.

- **ASC09**

  Phase IIa-completed HIV drug candidate. ASC09 is a potential best-in-class protease inhibitor to treat HIV type-1 infections. 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. 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. Lopinavir, a HIV protease inhibitor, is approved and marketed in China. Lopinavir has a relatively low genetic barrier to resistance, and therefore has lower efficacy for protease-inhibitor resistant HIV patients. In addition, compared to Darunavir, a best-in-class protease inhibitor among approved protease inhibitors globally, virological studies suggest that ASC09 is a promising candidate for 72% clinical isolates resistant to Darunavir. The clinical trials have also shown that ASC09 is safe and well-tolerated. These characteristics make ASC09 a promising HIV drug therapy candidate for both treatment-naïve and treatment-experienced patients. We are working towards initiating a phase IIb clinical trial in China in 2020.

- **ASC06**

  Phase I-completed liver cancer drug candidate. We aim to develop ASC06 as the first systemically delivered therapeutic drug to treat liver cancer in China by using RNA interference ("**RNAi**"), a breakthrough approach to drug discovery and development. ASC06 has been designed to silence two genes critical for growth of liver cancer cells — vascular endothelial growth factor ("**VEGF**") and kinesin spindle protein ("**KSP**"). ASC06 has completed phase I and phase I extension clinical trials, which have shown that 50% of patients who received 0.7 mg/kg dose achieved stable disease and one patient achieved a complete response. We are working towards initiating a phase II clinical trial in China in 2020.

- **ASC21**

  IND-approved HCV NS5B nucleotide polymerase inhibitor. ASC21 is an NS5B nucleotide polymerase inhibitor that has shown in in vitro studies to have potent, pan-genotypic anti-viral activity and a high genetic barrier to resistance. The Group has focused on development and optimization of API, and formulation of ASC21, which has received IND approval on March 13, 2019.

- **Pre-clinical programs**

  We have two wholly-owned, in-house pre-clinical programs at discovery stage. One is to develop novel therapies to achieve high functional cures for Hepatitis B. The other is to develop breakthrough therapies for NASH.

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. Most of our equipment was purchased since 2015 from leading international manufacturers, such as Leistritz and Fette.

During the Reporting Period, we set up 4 new subsidiaries, including the following two onshore operating subsidiaries:

Ascletis Biopharmaceutical (Hangzhou) Co., Ltd., a wholly-owned subsidiary of Ascletis BioScience, registered in Hangzhou Economic & Technology Development Area ("**HEDA**"), to build a high-end preparation-manufacturing center and R&D center; and

Ascletis XinNuo Medicine (Hangzhou) Co., Ltd., a wholly-owned subsidiary of Ascletis BioScience, registered in Hangzhou Xiaoshan Economic & Technology Development Zone ("**XETZ**") to support future distribution efforts. The Group's headquarters is expected to move to XETZ to enjoy more competitive incentives and benefits.

Future and Outlook

We are closely monitoring the continuing healthcare reform in China, especially the 2019 rollout of the centralized procurement "4+7" generics drug bidding pilot scheme launched by the State Council in late 2018. We are of the view that the savings from the generic price cuts will enable China to have future economics shift towards favorable innovative drug pricing policies. Innovation will continue to be a significant driver for the future growth of China healthcare industry and innovation-driven biotechnology companies will continue to benefit from new favorable policies. An example of such policies includes the formation of the National Healthcare Security Administration ("**NHSA**") which will accelerate the national-level negotiation between the government and pharmaceutical companies. We view that new innovative drugs such as Ganovo® (Danoprevir), may benefit from faster enrollment into the national medical reimbursement insurance catalogue.

We will continue to invest and focus our efforts on innovative first/best-in-class drug candidates and commercialization. Through our unrelenting efforts over the past six years, the Group has transformed from an anti-viral small molecule focused company to an integrated innovative biopharmaceutical leader with biologics, small molecule and siRNA technology expertise. Over the next few years, the Group will be focusing on the following key goals:

1. Invest in innovative R&D to pivot from first-in-China to first-in-class globally

    - Commerce enrollment of clinical trials of ASC40 for treatment of NASH
    - Commence enrollment of clinical trials of ASC22 for clinical cure of chronic Hepatitis B
    - Progress our in-house preclinical drug candidates towards INDs and clinical trials

2. Ramp up our sales and commercialization efforts

    - Further expansion of Ganovo® reimbursement coverage
    - Leverage on our market leadership in viral hepatitis, Ganovo® success and strong Pegasys® branding, to scale up and expand Ganovo® and Pegasys® promotion and marketing efforts
    - Complement our product portfolio and strengthen market position through potential upcoming approval of Ravidasvir, an all-oral, interferon-free HCV drug treatment regimen

3. Significant efforts on business development to expand product offering and pipeline

    - Execute on our strategy of China focus and going global
    - Consistent with the ASC22 and ASC40 partnerships we had announced in early 2019, we will continue our efforts to seek for global first-in-class and/or best-in-class partnerships with exclusive China rights and the potential to share global economics with our partner(s) and/or invest in our partner(s)

Financial Review

Revenue

The Group has begun to commercialize Ganovo® (Danoprevir) in China following the new drug application (NDA) approval granted by the CFDA on June 8, 2018. Before that, the Group had not commercialized any products and therefore did not generate any revenue from product sales. The revenue consists of (i) the milestone and upfront payments in relation to the Group's in-licensing arrangement on Ganovo® (Danoprevir) being recognized over the performance of the Group's obligations; (ii) sales of products from Ganovo® (Danoprevir); and (iii) Pegasys®'s promotion services. As a result, the revenue of the Group increased by 212.6% from approximately RMB53.2 million for the year ended December 31, 2017 to approximately RMB166.3 million for the year ended December 31, 2018. The increase was mainly attributed to (i) the RMB90.6 million revenue we recognized in the first half of 2018 primarily due to the recognition of upfront and milestone payments we received from Roche in relation to our in-licensing arrangement on Ganovo® (Danoprevir); (ii) the RMB72.3 million from the sales of products during the commercialization of Ganovo® (Danoprevir) in China; and (iii) the RMB3.5 million received from Shanghai Roche for the promotion of Pegasys® in December 2018.

We expect that our revenue for the next few years will be generated mainly from our sales of Ganovo® (Danoprevir) and Ravidasvir upon its approval. We filed the NDA for Ravidasvir on July 31, 2018 and received the acceptance letter from the CFDA on August 1, 2018.

Cost of Goods Sold

The cost of goods sold of the Group was approximately RMB12.4 million for the year ended December 31, 2018 as we commenced manufacturing of Ganovo® (Danoprevir) shortly after receiving NDA approval on June 8, 2018. The Group did not incur any cost of goods sold for the year ended December 31, 2017.

The cost of goods sold of the Group consists of direct labor costs, cost of raw materials, overhead and the royalties fee to Roche. Direct labor costs primarily consist of salaries, bonus and social security costs for the employees.

Cost of raw material primarily consists of costs incurred for the purchase of raw materials, such as APIs for Danoprevir. We have engaged the contracting manufacturing organizations to manufacture APIs for Danoprevir on our behalf, and currently do not contemplate to manufacture APIs in-house in order to maintain continuity in our source of APIs in the production of Ganovo® (Danoprevir). We own the technologies and intellectual properties to manufacture APIs for Danoprevir, and any new intellectual properties developed by the contracting manufacturing organizations.

Unlike the case for Danoprevir, in which certain API manufacturing capabilities were not available at our manufacturing facility at the time of Danoprevir's NDA filing, subsequently when we built our manufacturing facility, manufacturing the APIs and tablet formulation for Ravidasvir in-house has been contemplated.

Overhead primarily consists of depreciation charges of the facility and equipment and other manufacturing expenses.

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

Gross Profit

The gross profit of the Group increased by 189.4% from approximately RMB53.2 million for the year ended December 31, 2017 to approximately RMB153.9 million for the year ended December 31, 2018. The increase in the gross profit was mainly attributed to (i) sales of Ganovo® (Danoprevir) and (ii) milestone and upfront payments from Roche.

Other Income and Gains

The other income and gains of the Group increased by 151.7% from approximately RMB49.6 million for the year ended December 31, 2017 to approximately RMB124.8 million for the year ended December 31, 2018, primarily because (i) the Group recorded RMB73.0 million in government grants for the year ended December 31, 2018 and RMB31.4 million for the year ended December 31, 2017, respectively; and (ii) net foreign exchange gain was RMB23.6 million for the year ended December 31, 2018, mainly arising from the translation of the U.S. dollar dominated-cash portion into Renminbi due to the appreciation of U.S. dollar against Renminbi; (iii) bank interest income was RMB25.0 million for the year ended December 31, 2018 and RMB10.2 million for the year ended December 31, 2017,

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 approval and capital expenditure incurred on certain projects.

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

	Year ended December 31,			
	2018		2017	
	RMB'000	***%***	*RMB'000*	*%*
Bank interest income	**25,006**	**20.0**	10,207	20.6
Interest income from loans to a related party	**—**	**—**	69	0.1
Dividend income from financial assets at fair value through profit or loss	**3,191**	**2.6**	7,065	14.2
Changes in fair value of financial assets at fair value through profit or loss	**—**	**—**	831	1.7
Government grants	**73,018**	**58.5**	31,413	63.3
Foreign exchange gain, net	**23,598**	**18.9**	—	—
Others	**—**	**—**	8	0.1
Total	**124,813**	**100**	49,593	100

Selling and Distribution Expenses

The selling and distribution expenses of the Group represented 35.3% of the overall revenue of the Group for the year ended December 31, 2018, primarily because we increased our sales and marketing activities as we began the commercialization of Ganovo® (Danoprevir) from June 8, 2018. The selling and distribution expenses primarily consist of staff cost for our sales personnel, the expenses for marketing promotion activities and travel expenses. The Group did not incur any selling and distribution expenses for the year ended December 31, 2017.

Administrative Expenses

The administrative expenses of the Group increased significantly by 128.9% from RMB37.5 million for the year ended December 31, 2017 to RMB85.8 million for the year ended December 31, 2018, primarily due to (i) the recognition of Listing expenses of RMB37.0 million; and (ii) an increase in staff salary and welfare of RMB7.9 million and general office expenses of RMB3.5 million as a result of the continuing expansion of the Group's business.

Our administrative expenses primarily comprise of staff salary and welfare costs for non-research and development personnel, utilities, rent and general office expenses and agency and consulting fees.

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

	Year ended December 31,			
	2018		2017	
	RMB'000	***%***	*RMB'000*	*%*
Staff salary and welfare	**22,745**	**26.5**	14,862	39.7
Utilities, rent and general office expenses	**18,600**	**21.7**	15,095	40.3
Agency and consulting fee	**5,524**	**6.4**	6,349	16.9
Others	**1,893**	**2.2**	1,171	3.1
Listing expenses	**37,027**	**43.2**	—	—
Total	**85,789**	**100**	37,477	100

Research and Development Expenses

Our research and development costs primarily consist of third-party contracting costs, clinical trial expenses and staff costs.

The research and development expenses of the Group increased by 25.5% from approximately RMB114.3 million for the year ended December 31, 2017 to approximately RMB143.5 million for the year ended December 31, 2018, for developing our drug candidates. The following table sets forth the components of our research and development costs for the period indicated:

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Clinical trial expenses	**60,338**	48,650
Staff costs	**49,474**	36,403
Third-party contracting costs	**17,433**	16,595
Depreciation and amortization	**9,196**	4,870
Others	**7,011**	7,807
Total	**143,452**	114,325

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

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Ravidasvir	**114,569**	83,049
Danoprevir	**8,467**	23,745
Others[(Note)]	**20,416**	7,531
Total	**143,452**	114,325

Note: "Others" includes research and development costs of ASC09, ASC21, and pre-clinical programs.

Other Expenses

Other expenses primarily include foreign exchange loss and donations. The other expenses of the Group decreased by 65.8% from approximately RMB31.4 million for the year ended December 31, 2017 to approximately RMB10.8 million for the year ended December 31, 2018, mainly due to (i) the decrease of foreign exchange loss from RMB31.0 million for the year ended December 31, 2017, to nil for the year ended December 31, 2018, resulting from the appreciation of the U.S. dollar against the Renminbi; and (ii) donations of RMB9.2 million for the year ended December 31, 2018. The following table sets forth the components of other expenses for the period indicated:

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Foreign exchange loss, net	**—**	31,048
Donation	**9,227**	296
Changes in fair value of financial assets at fair value through profit or loss	**831**	—
Loss on disposal of items of property, plant and equipment	**—**	11
Write-off of items of properety, plant and equipment	**551**	—
Others	**146**	79
Total	**10,755**	31,434

Income Tax Credit/(Expense)

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

The Group calculates the income tax expense by using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the annual condensed consolidated statement of profit or loss are:

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	**—**	6,375
Overprovision in prior years	**—**	(10)
Deferred tax	**(125)**	125
Total tax (credit)/charge for the year	**(125)**	6,490

We recorded loss before tax of RMB80.4 million for the year ended December 31, 2017, and loss before tax of RMB19.9 million for the year ended December 31, 2018, respectively. We have tax losses arising in the PRC of RMB238.0 million and RMB388.7 million for the year ended December 31, 2017 and 2018, respectively, which are expected to expire in one to five years for offsetting our future taxable profits.

Inventories

The inventories of the Group consist of raw materials used in the manufacturing of Danoprevir, which increased by 34.8% from approximately RMB62.2 million as at December 31, 2017 to approximately RMB83.9 million as at December 31, 2018, primarily as a result of the increased production volume for Ganovo® (Danoprevir), and the Ravidasvir upcoming commercialization. The following table sets forth the inventory balances as of the dates indicated:

	December 31,	December 31,
	2018	2017
	RMB'000	*RMB'000*
Raw material	**47,889**	62,211
Work in progress	**32,138**	—
Finished goods	**3,850**	—
Total	**83,877**	62,211

We continued to increase our inventory of raw materials for the manufacturing of Danoprevir and Ravidasvir as we make progress with Danoprevir's commercialization efforts, and in preparation of Ravidasvir's launch.

Contract Liabilities

Under HKFRS 15, we recognize performance obligations that we have not yet satisfied but for which we have received consideration as contract liabilities. Our contract liabilities mainly represent unrecognized milestone and upfront payments in relation to our in-licensing arrangement.

The contract liabilities of the Group decreased from RMB41.0 million as at December 31, 2017 to RMB0.2 million as at December 31, 2018, because all of Roche's upfront payment were recognized as revenue.

Trade Receivables

The Group had no trade receivables as at December 31, 2017 and RMB56.1 million as at December 31, 2018.

	December 31, 2018	December 31, 2017
	RMB'000	*RMB'000*
Trade receivables	**56,123**	—
Less: Impairment of trade receivables	**—**	—
Total	**56,123**	—

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days to 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are regularly reviewed by senior management. In view of the before mentioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	December 31, 2018	December 31, 2017
	RMB'000	*RMB'000*
Less than 3 months	**56,123**	—

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

	December 31, 2018	December 31, 2017
	RMB'000	*RMB'000*
Value-added tax recoverable	**18,160**	24,999
Prepayments	**13,721**	21,056
Interest receivable	**10,418**	4,635
Deposits and other receivables	**1,664**	4,078
Prepaid expenses	**3,261**	1,970
Prepaid income tax	**1,363**	1,363
Total	**48,587**	58,101

Our value-added tax recoverable represented value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables. Our value-added tax recoverable decreased from RMB25.0 million as of December 31, 2017 to RMB18.2 million as of December 31, 2018, as we received RMB11.8 million value-added taxes refund in August 2018, which was in line with our increased purchases of raw materials.

Our prepayments primarily represented the amounts relating to our purchase of raw materials and others. Our prepayments decreased by 34.8% from RMB21.1 million as of December 31, 2017 to RMB13.7 million as of December 31, 2018. Prepayments to supplier as at the end of December 31, 2018 are due within one year. None of the above assets is past due or impaired.

We had RMB4.6 million and RMB10.4 million interests receivable as of December 31, 2017 and December 31, 2018, respectively, which represent the expected interest to be received on time denominated deposits.

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

Financial Assets at Fair Value through Profit or Loss

We had no financial assets at fair value through profit or loss of the Group as the end of December 31, 2018, as all of our wealth management products reached maturity (as at December 31, 2017: RMB143.8 million).

Cash and Cash Equivalents and Pledged Time Deposits

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

	December 31, 2018	December 31, 2017
	RMB'000	*RMB'000*
Cash and bank balances	**1,301,468**	106,521
Time deposits	**1,871,781**	504,954
Total	**3,173,249**	611,475
Less:		
Pledged time deposits for bills payable	**—**	(4,108)
Cash and cash equivalents	**3,173,249**	607,367

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 twelve months depending on our immediate cash requirements, and earn interest at the respective short term time deposit rates. The bank balances and pledged 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 consist of payments to raw materials suppliers. The following table sets forth the components of trade payables as at the dates indicated:

	December 31, 2018	December 31, 2017
	RMB'000	*RMB'000*
Trade payables	**7,635**	8,859
Bills payable	**6,556**	4,108
Total	**14,191**	12,967

The following table sets forth an aging analysis of trade payables due to third parties as at the dates indicated, which is based on invoice date:

	December 31, 2018	December 31, 2017
	RMB'000	*RMB'000*
Trade payables, gross		
– Less than 1 month	**6,913**	8,837
– Between 1 and 3 months	**3,984**	—
– Between 3 and 6 months	**3,294**	4,130
	14,191	12,967

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

	December 31, 2018	December 31, 2017
	RMB'000	*RMB'000*
Other payables	**40,071**	24,848
Accrued expenses	**17,354**	1,028
Payroll payable	**15,030**	9,428
Taxes other than income tax	**371**	1
Contract liabilites	**230**	40,956
Total	**73,056**	76,261

Our other payables and accruals decreased by 4.2% from RMB76.3 million as of December 31, 2017 to RMB73.1 million as of December 31, 2018, mainly as a result of (i) an increase of RMB35.3 million in other payables in relation to the Listing expenses; and (ii) a decrease of RMB41.0 million in contract liabilities was mainly due to the completion of collaboration activities.

Other payables increased by 61.3% from approximately RMB24.8 million as at December 31, 2017 to approximately RMB40.1 million as at December 31, 2018, which including RMB35.3 million unpaid IPO listing expense, and most of 2017 other payables have been paid in 2018. Other payables are non-interest-bearing and are due within one year.

The payroll payable are the annual bonus of 2018 accrued and December 2018 salary accrued, which are due within one year.

The accrued expenses as at 31 December 2018 mainly represented the accrued R&D expenses which are actually incurred but not yet invoiced, these are non-interest-bearing and are due within one year.

Deferred Income

The deferred income of the Group represents 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, 2018	December 31, 2017
	RMB'000	*RMB'000*
Government grants		
– Current	**6,158**	10,000
– Non-current	**6,786**	22,070
Total	**12,944**	32,070

Intangible Assets

The intangible assets of the Group increased by 106.5% from approximately RMB36.5 million as at December 31, 2017 to approximately RMB75.4 million for as at December 31, 2018, due to new milestone payments to Presidio and Medivir.

Our intangible assets primarily represent a patent that was transferred from Presidio to us in relation to the Presidio Licensing Agreement, under which we made upfront and/or milestone payments to Presidio. Our intangible assets also include patent rights licensed to us by Medivir in relation to the Medivir Licensing Agreement under which we made an upfront payment to Medivir. The useful economic lives of these intangible assets are 10 to 15 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 did not recognize any impairment loss despite the losses incurred throughout the Reporting Period, because our intangible assets primarily represent a patent transferred to us from Presidio, which related to the development, manufacture and commercialization of Ravidasvir in Greater China. We have filed the NDA for Ravidasvir in the third quarter of 2018. Therefore, we did not foresee any indicators of impairment for 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 its working capital and other capital expenditure requirements through capital injections from Shareholders. In connection with the Company's initial public offering, 224,137,000 ordinary shares of US$0.0001 each were issued at a price of HK$14.00 per share for a total cash consideration, before expenses, of approximately HK$3,137,918,000 (equivalent to RMB2,730,284,000). Dealings in these shares on the Stock Exchange commenced on August 1, 2018.

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

	December 31, 2018	December 31, 2017
	RMB'000	*RMB'000*
Net cash used in operating activities	**(96,590)**	(198,056)
Net cash from/(used in) in investing activities	**(817,471)**	(644,542)
Net cash (used in)/from financing activities	**2,560,142**	549,362
Net increase/(decrease) in cash and cash equivalents	**1,646,081**	(293,236)
Cash and cash equivalents at the beginning of the period	**123,697**	418,973
Effect of foreign exchange rate changes, net	**12,114**	(2,040)
Cash and cash equivalents at the end of the period	**1,781,892**	123,697

As at December 31, 2018, cash and cash equivalents were mainly denominated in Renminbi, United States dollars and Hong Kong dollars.

Operating Activities

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

For the year ended December 31, 2018, we had net cash flows used in operating activities of RMB96.6 million, primarily as a result of operating loss before changes in working capital of RMB30.4 million. The negative changes in working capital mainly due to (i) an increase of RMB57.6 million in trade receivables in relation to our product sales; (ii) an increase in inventories of RMB21.7 million as a result of increased volume of our production for Ganovo® (Danoprevir); (iii) a decrease in prepayments, other receivables and other assets of RMB15.3 million mainly as received result of the receipt of RMB11.8 million value-added taxes refund in August 2018; and (iv) an increase in bank interest of RMB19.2 million.

For the year ended December 31, 2017, we had net cash used in operating activities of RMB198.1 million, primarily as a result of operating loss before changes in working capital of RMB91.9 million and the negative effect of the changes in working capital. The negative changes in working capital mainly consisted of: (i) a decrease in contract liabilities of RMB53.2 million; (ii) an increase in inventories of RMB43.5 million mainly because we increased our purchase volume of raw materials for Danoprevir in anticipation of its upcoming commercialization; and (iii) an increase in prepayments, other receivables and other assets of RMB33.8 million mainly as a result of our increased value-added tax recoverable. These cash outflows were partially offset by an increase in trade and bills payables of RMB13.0 million and an increase in deferred income of RMB11.1 million.

Investing Activities

Our cash used in investing activities mainly consisted of our cash in time deposits with original maturity of over three months, purchase of property, equipment and construction in progress and purchase of intangible assets, which primarily represent milestone payments made to Presidio and Medivir pursuant to the relevant licensing agreements.

For the year ended December 31, 2018, our net cash used in investing activities was RMB817.5 million, primarily attributable to: (i) an increase in time deposits with original maturity of over three months of RMB903.6 million; and (ii) the purchases of wealth management products of RMB229 million partially offset by proceeds from disposals of wealth management products of RMB372 million.

For the year ended December 31, 2017, our net cash used in investing activities was RMB644.5 million, primarily attributable to: (i) the purchase of wealth management products of RMB843.5 million; and (ii) an increase in time deposits with original maturity of over three months of RMB487.8 million, partially offset by proceeds from disposals of wealth management products of RMB706.1 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, 2018, our net cash flows used in financing activities was RMB2,560.1 million, primarily attributable to issue of Shares of RMB2,970.8 million, purchase of Shares from non-controlling shareholders of RMB250.0 million and dividend paid of US$9.1 million (equivalent to approximately RMB57.8 million) we declared in February 2018.

For the year ended December 31, 2017, our net cash flows from financing activities was RMB549.4 million, primarily attributable to capital contribution from non-controlling shareholders of RMB482.1 million in relation to our Round Two Financing (as defined in the Prospectus).

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, 2018	December 31, 2017
	RMB'000	*RMB'000*
Plant and machinery	**6,854**	217
Motor vehicles	**2,146**	32
Office equipment	**951**	800
Leasehold improvements	**—**	868
Construction in progress	**5,912**	29,202
Total	**15,863**	31,119

Significant Investments, Material Acquisitions and Disposals

As at December 31, 2018, there were no significant investments held by the Group. For the year ended December 31, 2018, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

Indebtedness

Borrowings

As at December 31, 2017 and 2018, the Group did not have any indebtedness. As of the date of this announcement, the Group had available bank facilities of RMB170.0 million, RMB163.4 million of which were unutilized as of the same date.

As at December 31, 2017 and 2018, 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 at December 31, 2018, the Group were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, and did not have any contingent liabilities, that, we expected 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 four years.

The Group had the operating lease commitments in the amount of approximately RMB7.1 million and RMB5.9 million as at December 31, 2018 and December 31, 2017, respectively.

The Group had the capital commitments in the amount of approximately RMB11.5 million and RMB1.8 million as at December 31, 2018 and December 31, 2017, respectively.

Gearing Ratio

Gearing ratio is calculated using total liabilities divided total assets and multiplied by 100%. As at December 31, 2018, the gearing ratio of the Group was 2.8% (as at December 31, 2017: 12.2%).

The following table set forth our key financial ratios as of the dates indicated.

	December 31, 2018	December 31, 2017
Current ratio[(1)]	**36.0**	8.8
Quick ratio[(2)]	**35.1**	8.2

(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 8.8 as of December 31, 2017 to 36.0 as of December 31, 2018, and our quick ratio increased from 8.2 as of December 31, 2017 to 35.1 as of December 31, 2018, primarily due to an increase in cash and cash equivalents.

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 our 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 into foreign currencies, including the USD, has been based on rates set by the People's Bank of China. The Group seek 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 100% and 54.5% of the total revenue of the Company for the year ended December 31, 2017 and 2018, respectively.

Employees and Remuneration Policies

As at December 31, 2018, the Group had a total of 279 employees, 276 of which were located in the PRC and 3 consultants were located abroad, and over 62% of our employees obtained a bachelor's degree or higher. The table below sets forth the Group's employees by function as disclosed:

	Numbers of employees	**% of total**
Management	6	2
Research and development	35	13
Commercialization	140	50
Manufacturing	64	23
Operations	34	12
Total	279	100

The Group's total staff costs for the year ended December 31 2018 was RMB101.6 million, compared to RMB51.3 million for the year ended December 31, 2017.

The Group 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 as required by the PRC laws and regulations.

Consolidated Statement of Profit or Loss

Year ended 31 December 2018

	Notes	**2018** ***RMB'000***	2017 *RMB'000*
REVENUE	4	**166,325**	53,202
Cost of goods sold,		**(12,379)**	—
including royalties		***(3,156)***	—
Gross profit		**153,946**	53,202
Other income and gains	4	**124,813**	49,593
Selling and distribution expenses		**(58,633)**	—
Research and development costs		**(143,452)**	(114,325)
Administrative expenses		**(85,789)**	(37,477)
Other expenses		**(10,755)**	(31,434)
LOSS BEFORE TAX	5	**(19,870)**	(80,441)
Income tax credit/(expense)	6	**125**	(6,490)
LOSS FOR THE YEAR		**(19,745)**	(86,931)
Attributable to:			
Owners of the parent		**(7,258)**	(53,935)
Non-controlling interests		**(12,487)**	(32,996)
		(19,745)	(86,931)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
BASIC AND DILUTED (RMB)			
– For loss for the year	8	**(0.84) cents**	(9.03) cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(19,745)**	(86,931)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**12,918**	(3,164)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**12,918**	(3,164)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**12,918**	(3,164)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(6,827)**	(90,095)
Attributable to:		
Owners of the parent	**5,660**	(57,099)
Non-controlling interests	**(12,487)**	(32,996)
	(6,827)	(90,095)

Consolidated Statement of Financial Position

31 December 2018

	Notes	**2018** ***RMB'000***	2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**88,333**	78,815
Intangible assets		**75,402**	36,517
Advance payments for property, plant and equipment		**257**	304
Long-term deferred expenditure		**275**	—
Total non-current assets		**164,267**	115,636
CURRENT ASSETS			
Inventories	9	**83,877**	62,211
Trade and bills receivables	10	**57,623**	—
Prepayments, other receivables and other assets	11	**48,587**	58,101
Financial assets at fair value through profit or loss		**—**	143,831
Pledged time deposits		**—**	4,108
Cash and cash equivalents		**3,173,249**	607,367
Total current assets		**3,363,336**	875,618
CURRENT LIABILITIES			
Trade and bills payables	12	**14,191**	12,967
Other payables and accruals	13	**73,056**	76,261
Deferred income	14	**6,158**	10,000
Total current liabilities		**93,405**	99,228
NET CURRENT ASSETS		**3,269,931**	776,390
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,434,198**	892,026

	Notes	**2018** ***RMB'000***	2017 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred income	14	**6,786**	22,070
Deferred tax liabilities	15	**—**	125
Total non-current liabilities		**6,786**	22,195
Net assets		**3,427,412**	869,831
EQUITY			
Equity attributable to owners of the parent			
Share capital		**764**	9
Reserves		**3,426,648**	596,952
		3,427,412	596,961
Non-controlling interests		**—**	272,870
Total equity		**3,427,412**	869,831

Jinzi Jason WU
Director

Judy Hejingdao WU
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Attributable to owners of the parent							
	Share capital *RMB'000*	Share premium account* *RMB'000*	Capital reserve* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Accumulated losses* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2018	9	92,234	635,109	15,154	(145,545)	596,961	272,870	869,831
Loss for the year	—	—	—	—	(7,258)	(7,258)	(12,487)	(19,745)
Other comprehensive income for the year:								
Exchange differences on translation of the Company	—	—	—	12,918	—	12,918	—	12,918
Total comprehensive income/(loss) for the year	—	—	—	12,918	(7,258)	5,660	(12,487)	(6,827)
Issue of shares	158	2,970,624	—	—	—	2,970,782	—	2,970,782
Capitalisation issue	597	(597)	—	—	—	—	—	—
Share issue expenses	—	(102,871)	—	—	—	(102,871)	—	(102,871)
Purchase of shares from non-controlling shareholders (note)	—	—	10,559	—	—	10,559	(260,513)	(249,954)
Equity-settled share award and option arrangements	—	—	4,136	—	—	4,136	130	4,266
Dividend declared and paid	—	—	—	—	(57,815)	(57,815)	—	(57,815)
At 31 December 2018	764	2,959,390	649,804	28,072	(210,618)	3,427,412	—	3,427,412

Note:

(a) On 28 February 2018 and 8 April 2018, PowerTree Investment (BVI) Ltd. ("**PowerTree**") purchased 7.24% and 26.15% interests in Ascletis BioScience Co., Ltd. ("**Ascletis BioScience**") from non-controlling shareholders at cash consideration of US$1,492,223 (equivalent to RMB9,383,000) and US$38,218,989 (equivalent to RMB240,571,000), respectively.

	Attributable to owners of the parent							
	Share capital RMB'000	Share premium account* RMB'000	Capital reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	9	92,234	253,408	18,318	(91,610)	272,359	136,725	409,084
Loss for the year	—	—	—	—	(53,935)	(53,935)	(32,996)	(86,931)
Other comprehensive loss for the year:								
Exchange differences on translation of the Company	—	—	—	(3,164)	—	(3,164)	—	(3,164)
Total comprehensive loss for the year	—	—	—	(3,164)	(53,935)	(57,099)	(32,996)	(90,095)
Equity-settled share award arrangements	—	—	775	—	—	775	388	1,163
Capital contribution from non-controlling shareholders	—	—	315,234	—	—	315,234	166,878	482,112
Transfer of shares to non-controlling shareholders	—	—	65,692	—	—	65,692	1,875	67,567
At 31 December 2017	9	92,234	635,109	15,154	(145,545)	596,961	272,870	869,831

* These reserve accounts comprise the consolidated reserves of RMB3,426,648,000 (2017: RMB596,952,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	**2018** ***RMB'000***	2017 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(19,870)**	(80,441)
Adjustments for:			
Bank interest income	4	**(25,006)**	(10,207)
Interest income from loans to a related party	4	**—**	(69)
Dividend income from financial assets at fair value through profit or loss	4	**(3,191)**	(7,065)
Changes in fair value of financial assets at fair value through profit or loss		**831**	(831)
Loss on disposal of items of property, plant and equipment		**—**	11
Write-off of items of property, plant and equipment		**551**	—
Depreciation of items of property, plant and equipment		**5,794**	2,108
Amortisation of intangible assets		**6,186**	3,442
Amortisation of long-term deferred expenditure		**6**	—
Equity-settled share award and option expense		**4,266**	1,163
		(30,433)	(91,889)
Increase in inventories		**(21,666)**	(43,464)
Increase in long-term deferred expenditure		**(281)**	—
Increase in trade and bills receivables		**(57,623)**	—
Decrease/(increase) in prepayments, other receivables and other assets		**15,297**	(33,765)
Increase in trade and bills payables		**1,224**	12,967
Decrease in other payables and accruals		**(3,205)**	(50,904)
Decrease/(increase) in deferred income		**(19,126)**	11,086
Interest received		**19,223**	5,641
Cash used in operations		**(96,590)**	(190,328)
Income tax paid		**—**	(7,728)
Net cash flows used in operating activities		**(96,590)**	(198,056)

	2018	2017
	RMB'000	*RMB'000*
Net cash flows used in operating activities	**(96,590)**	(198,056)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant equipment and construction in progress	**(15,816)**	(15,298)
Proceeds from disposal of items of property, plant and equipment	**—**	10
Purchases of intangible assets	**(44,267)**	(20,651)
Purchases of financial assets at fair value through profit or loss	**(229,000)**	(843,500)
Proceeds from disposals of financial assets at fair value through profit or loss	**372,000**	706,110
Dividend income from financial assets at fair value through profit or loss	**3,191**	7,065
Receipt of government grants for property, plant and equipment	**—**	5,160
Increase in time deposits with original maturity of over three months	**(903,579)**	(487,778)
Receipt of repayment of loans to a related party	**—**	4,340
Net cash flows used in investing activities	**(817,471)**	(644,542)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**2,970,782**	—
Share issue expenses	**(102,871)**	—
Capital contribution from non-controlling shareholders	**—**	482,112
Purchase of shares from non-controlling shareholders	**(249,954)**	—
Transfer of shares to non-controlling shareholders	**—**	67,567
Interest paid	**—**	(317)
Dividend paid	**(57,815)**	—
Net cash flows from financing activities	**2,560,142**	549,362

	2018	2017
	RMB'000	*RMB'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,646,081**	(293,236)
Cash and cash equivalents at beginning of year	**123,697**	418,973
Effect of foreign exchange rate changes, net	**12,114**	(2,040)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,781,892**	123,697
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the consolidated statement of financial position	**3,173,249**	607,367
Time deposits with original maturity of less than three months when acquired, pledged as security for bills payable	**—**	4,108
Non-pledged time deposits with original maturity of over three months when acquired	**(1,391,357)**	(487,778)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**1,781,892**	123,697

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 25 February 2014. The registered office of the Company is at c/o Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The principal place of business of the Company is located at 40th Floor, Sunlight Tower, 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. All HKFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of these financial statements throughout the Reporting Period.

These financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Renminbi ("**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	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[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 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 2 and HKAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 No mandatory effective date yet determined but available for adoption

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 resources allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**75,747**	—
Switzerland	**90,578**	53,202
Total	**166,325**	53,202

(b) Non-current assets

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**147,966**	98,254
Cayman Islands	**16,301**	17,382
Total	**164,267**	115,636

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

Information about a major customer

Revenue of RMB90,578,000 (2017: RMB53,202,000) was derived from collaboration arrangement with a single collaboration partner.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of products	**72,273**	—
Collaboration revenue	**90,578**	53,202
Rendering of promotion services	**3,474**	—
	166,325	53,202

Revenue from contract with customers

(i) Disaggregation of revenue information

	2018	2017
	RMB'000	*RMB'000*
Timing of revenue recognition		
Over time		
– Collaboration revenue	**40,956**	53,202
At a point in time		
– Sale of products	**72,273**	—
– Collaboration revenue	**49,622**	—
– Promotion services	**3,474**	—
Total revenue from contracts with customers	**166,325**	53,202

	2018	2017
	RMB'000	*RMB'000*
Geographical markets		
Mainland China		
– Sale of products	**72,273**	—
– Promotion services	**3,474**	—
Switzerland		
– Collaboration revenue	**90,578**	53,202
Total revenue from contracts with customers	**166,325**	53,202

The following table shows the amounts of revenue recognised during the Reporting Period that were included in the contract liabilities at the beginning of the Reporting Period and recognised from performance obligations satisfied in previous periods:

	2018	2017
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period:		
Collaboration revenue	**40,956**	53,202

The Group received non-refundable upfront fees and milestone payments for development and regulatory application as agreed in the collaboration agreements from the collaboration partner.

(ii) Performance obligations

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

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 60 days from delivery.

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 60 days from the date of billing.

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.

	2018	2017
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**25,006**	10,207
Interest income from loans to a related party	**—**	69
Dividend income from financial assets at fair value through profit or loss	**3,191**	7,065
Changes in fair value of financial assets at fair value through profit or loss	**—**	831
Government grants*	**73,018**	31,413
Foreign exchange gain, net	**23,598**	—
Others	**—**	8
	124,813	49,593

* 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):

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold**	**12,379**	—
Depreciation of items of property, plant and equipment	**5,794**	2,108
Amortization of intangible assets*	**6,186**	3,442
Write-down of inventories to net realisable value**	**3,739**	—
Minimum lease payments under operating leases	**2,509**	1,798
Auditor's remuneration	**1,830**	300
Research and development costs	**143,452**	114,325
Foreign exchange gain, net	**(23,598)**	—
Government grants	**(73,018)**	(31,413)
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	**55,363**	35,826
Pension scheme contributions	**13,074**	8,167
Staff welfare expenses	**2,070**	1,672
Equity-settled share award and option expense	**4,266**	1,163
	74,773	46,828
Other expenses:		
Foreign exchange loss, net	**—**	31,048
Donation	**9,227**	296
Changes in fair value of financial assets at fair value through profit or loss	**831**	—
Loss on disposal of items of property, plant and equipment	**—**	11
Write-off of items of property, plant and equipment	**551**	—
Others	**146**	79
	10,755	31,434

* 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 RMB3,739,000 for the year ended 31 December 2018 (2017: Nil) is included in "Cost of goods sold" 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 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% 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% on the taxable income. Preferential tax treatment is available to Ascletis BioScience and Ascletis Pharmaceuticals, since they were recognised as High and New Technology Enterprises, and are entitled to a preferential tax rate of 15% during the year (2017: 15%).

The income tax expense/(credit) of the Group for the year is analysed as follows:

	2018	2017
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	**—**	6,375
Overprovision in prior years	**—**	(10)
Deferred tax (note 15)	**(125)**	125
Total tax (credit)/charge for the year	**(125)**	6,490

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

	2018	2017
	RMB'000	*RMB'000*
Loss before tax	**(19,870)**	(80,441)
At the PRC's statutory income tax rate of 25%	**(4,968)**	(20,110)
Effect of tax rate differences in other countries	**(15,031)**	(4,557)
Preferential income tax rates enacted by local authority	**8,484**	9,867
Effect of tax concessions and allowances	**(15,463)**	(9,040)
Tax losses not recognised	**22,385**	23,179
Adjustments in respect of current tax of previous periods	**—**	(10)
Expenses not deductible for tax	**4,468**	796
Effect of capital gain	**—**	6,365
Tax (credit)/charge at the Group's effective rate	**(125)**	6,490

7. DIVIDENDS

On 1 February 2018, the Company declared a dividend of US$9,120,051 (equivalent to RMB57,815,000) to its shareholders (2017: 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, and the weighted average number of ordinary shares in issue during the year, and assuming the capitalization issue had been completed on 1 January 2017. The number of shares for the year has been arrived at after eliminating the shares of the share award scheme.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2018 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 Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2017.

The calculation of basic loss per share is based on:

	2018	2017
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent	**(7,258)**	(53,935)

	Number of shares	
	2018	2017
Shares		
Weighted average number of shares in issue during the year	**869,047,787**	597,221,079

9. INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Raw materials	**47,889**	62,211
Work in progress	**32,138**	—
Finished goods	**3,850**	—
	83,877	62,211

10. TRADE RECEIVABLES AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**56,123**	—
Bills receivable	**1,500**	—
	57,623	—

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days to 60 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, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Less than 3 months	**56,123**	—

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

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.

As of 31 December 2018, the Group estimated the expected credit loss rate was close to zero on the trade receivables aged less than 3 months.

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018	2017
	RMB'000	*RMB'000*
Value-added tax recoverable	**18,160**	24,999
Prepaid income tax	**1,363**	1,363
Prepayments	**13,721**	21,056
Interest receivable	**10,418**	4,635
Deposits and other receivables	**1,664**	4,078
Prepaid expenses	**3,261**	1,970
	48,587	58,101

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 2018 and 2017, the expected credit loss rate was close to zero.

None of the above assets is either past due or impaired. 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.

12. TRADE AND BILLS PAYBLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**7,635**	8,859
Bills payable	**6,556**	4,108
	14,191	12,967

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:

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**6,913**	8,837
1 to 3 months	**3,984**	—
3 to 6 months	**3,294**	4,130
	14,191	12,967

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

The maturity of the bills payable is within six months.

13. OTHER PAYABLES AND ACCRUALS

		2018	2017
	Notes	***RMB'000***	*RMB'000*
Contract liabilities	(a)	**230**	40,956
Other payables	(b)	**40,071**	24,848
Accrued expenses		**17,354**	1,028
Payroll payable		**15,030**	9,428
Taxes other than income tax		**371**	1
		73,056	76,261

Notes:

(a) Details of contract liabilities are as follows:

	2018	2017
	RMB'000	*RMB'000*
Sales of products	**230**	—
Collaboration revenue	**—**	40,956
Total contract liabilities	**230**	40,956

Contract liabilities include short-term advances received to deliver products and considerations received while performance obligations have not yet been satisfied. The decrease in contract liabilities in 2018 was mainly due to the completion of collaboration activities.

(b) Other payables are non-interest-bearing.

14. DEFERRED INCOME

	2018	2017
	RMB'000	*RMB'000*
Government grants		
Current	**6,158**	10,000
Non-current	**6,786**	22,070
	12,944	32,070

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

	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**32,070**	15,824
Grants received during the year	**10,314**	24,246
Amount released	**(29,440)**	(8,000)
At end of year	**12,944**	32,070
Current	**6,158**	10,000
Non-current	**6,786**	22,070
	12,944	32,070

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 new drug development and capital expenditure incurred on certain projects.

15. DEFERRED TAX

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

	Fair value adjustments arising from financial assets at fair value through profit or loss ***RMB'000***	Total *RMB'000*
At 1 January 2017	**—**	—
Deferred tax charged to the statement of profit or loss during the year	**125**	125
At 31 December 2017 and 1 January 2018	**125**	125
Deferred tax credited to the statement of profit or loss during the year	**(125)**	(125)
At 31 December 2018	**—**	—

The Group has tax losses arising in Mainland China of RMB388,706,000 (2017: RMB238,031,000) 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.

16. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years.

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 ***RMB'000***	2017 *RMB'000*
Within one year	**2,979**	1,961
In the second to third years, inclusive	**4,111**	2,843
After three years	**—**	1,050
	7,090	5,854

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16, the Group had the following capital commitments at the end of the Reporting Period:

	2018	2017
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Plant and machinery	**11,517**	1,769

18. EVENTS AFTER THE REPORTING PERIOD

(a) On 12 January 2019, a wholly-owned subsidiary of the Company, Ascletis BioScience, and Suzhou Alphamab Co., Ltd. ("**Alphamab**") entered into a strategic partnership agreement pursuant to which, Alphamab had licensed Ascletis BioScience and its affiliates the exclusive rights in Greater China to develop and commercialize ASC22 (KN035), an investigational programmed cell death ligand-1 (PD-L1) monoclonal antibody, for the treatment of Hepatitis B and other viral diseases (the "**Collaboration**"). Under the agreement, Ascletis BioScience will pay Alphamab an upfront payment and Alphamab will be eligible to receive potential milestone payments in relation to the Collaboration. In addition, Alphamab will also be eligible to receive tiered royalties from the mid-teens to around twenty percent on future sales of ASC22 resulting from the Collaboration. Alphamab will manufacture ASC22 for clinical trials and commercialization of viral indications in Greater China for Ascletis BioScience. For ASC22 in viral indications worldwide outside Greater China, Ascletis BioScience will be eligible to share certain economic interests such as upfront, milestone payments and royalties, depending on the development and regulatory status of ASC22 inside Greater China. For details, please refer to "Voluntary Announcement - Strategic PD-LI Antibody Partnership in Viral Diseases with Alphamab" of the Company's announcement dated January 14, 2019.

(b) On 12 February 2019, Ascletis BioScience and 3-V Biosciences Inc. ("**3-V Biosciences**"), a clinical-stage pharmaceutical company developing novel therapeutics in metabolic diseases, focusing on NASH and oncology entered into an exclusive licensing agreement (the "**Licensing Agreement**"), pursuant to which, 3-V Biosciences granted Ascletis BioScience and its affiliates exclusive rights in Greater China to develop, manufacture and commercialize 3-V Biosciences' FASN inhibitor, ASC40 (TVB-2640), a first-in-class, Phase II-ready drug candidate for NASH. Under the Licensing Agreement, 3-V Biosciences will be entitled to receive development and commercial milestone payments as well as tiered royalties on future net sales of ASC40 (TVB-2640). In addition, in conjunction with the Licensing Agreement, 3-V Biosciences raised US$18 million in a series E financing (the "**Financing**"), through a financing agreement (the "**Financing Agreement**") entered into with the investors, which was closed on 12 February 2019. The Financing was led by a new investor AP11 Limited ("**AP11**"), a wholly-owned subsidiary of the Company, and joined by 3-V Biosciences' existing investors including New Enterprise Associates, Inc. and Kleiner Perkins. Qianhai Ark (Cayman) Investment Co. Limited also joined AP11 as a new investor in the Financing. All the investors to the Financing have committed to fund an additional US$7 million in aggregate in a subsequent financing. Under the Financing Agreement, AP11 acquired a minority stake in 3-V Biosciences through an investment in an amount up to US$10 million (the "**Investment**"). The Investment will be used by 3-V Biosciences to support the continued development of TVB-2640, including Phase II trials for NASH in the United States and Mainland China. For details, please refer to "Voluntary Announcement – NASH Strategic Licensing and Series E Financing Agreements with 3-V Biosciences" of the Company's announcement dated February 13, 2019.

OTHER INFORMATION

AGM and Closure of Register of Members

The AGM of the Company will be held on Thursday, June 6, 2019. A notice convening the AGM is expected to be published and dispatched to the Shareholders in due course in accordance with the requirements of the Listing Rules.

For determining the qualification as members of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Monday, June 3, 2019 to Thursday, June 6, 2019, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, non-registered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, May 31, 2019.

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 set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The CG Code has been applicable to the Company with effect from the Listing Date and was not applicable to the Company during the period from January 1, 2018 to July 31, 2018.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code since the Listing Date up till December 31, 2018, 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.

As the Shares were listed on the Stock Exchange on August 1, 2018, the Model Code and Written Guidelines were not applicable to the Company during the period from January 1, 2018 to July 31, 2018.

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 period from the Listing Date 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.

USE OF PROCEEDS FROM LISTING

In connection with the Company's initial public offering, 224,137,000 ordinary shares of US$0.0001 each were issued at a price of HK$14.00 per share for a total cash consideration, before expenses, of approximately HK$3,137,918,000 (equivalent to RMB2,730,284,000). Dealings in these shares on the Stock Exchange commenced on August 1, 2018.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in that same manner, proportion and the expected timeframe as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds". The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2018:

Use of proceeds	**Planned applications** *(HK$ million)*	**Percentage of total net proceeds** *(%)*	**Actual usage up to December 31, 2018** *(HK$ million)*	**Unutilized net proceeds as at December 31, 2018** *(HK$ million)*
For the Core Products				
For the continued research and development of the Core Product pipeline, consisting of approximately (i) 4% for initiating and conducting a number of phase IV clinical trials for Ganovo® and Ravidasvir; (ii) 6.0% for initiating and conducting bridging studies, a phase IIb clinical trial and a phase III clinical trial (if needed), for ASC09; (iii) 6.0% for initiating and conducting bridging studies, a phase II clinical trial and a phase III clinical trial for ASC06; (iv) 10.0% for other research and development costs and to supplement funding for the research and development of the Core Product as necessary; and (v) 4.0% for staff compensation	892.6	30.0	93.1	799.5
For commercialization of Ganovo® and Ravidasvir, consisting of approximately (i) 12.0% for hiring additional commercialization personnel and providing in-house and external training and (ii) 13.0% for marketing activities	743.9	25.0	52.9	691.0
For the other assets and other purposes				
For pursuing in-licensing of new drug candidates	446.3	15.0	—	446.3
For research and development of ASC21	297.5	10.0	8.8	288.7
For supporting the research and development infrastructure and the early development of the two in-house drug programs at discovery stage for Hepatitis B and NASH	297.5	10.0	1.8	295.7
For the working capital and other general corporate purposes	297.5	10.0	15.5	282.0
Total	2,975.3[(1)]	100.0	172.1	2,803.2

Notes:

(1) The net proceeds planned for applications is approximately HK$2,975.3 million, which equals to the amount of actual proceeds from the Listing excluding Listing expenses payable.

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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, 2018 and has recommended for the Board's approval thereof.

The Audit Committee has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2018. 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, 2018.

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, 2018 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.

RESULTS

The Board is pleased to announce the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended December 31, 2018 and the Group's consolidated statement of financial position as at December 31, 2018, together with the comparative figures for the previous year.

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.

DEFINITIONS

"AGM"	annual general meeting of the Company
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"CAGR"	compound annual growth rate
"CFDA"	China Food and Drug Administration (國家食品藥品監督管理總局), predecessor of CDA
"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 Taiwa
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Wu, Mrs. Wu, Lakemont Holding LLC and the Lakemont 2018 GRAT, as a group, or any member of them
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this announcement, our Core Products include Ganovo® (Danoprevir), Ravidasvir, ASC09 and ASC06
"Director(s)"	the director(s) of the Company
"Dr. Wu"	Dr. Jinzi Jason WU (吳勁梓), our Founder and the spouse of Mrs. Wu, chairman of the Board, chief executive officer, an executive Director of the Company, one of our Controlling Shareholders
"Founder"	the founder of our Group, being Dr. Wu

"Group" or "the Group"	the Company and its subsidiaries
"Greater China"	Mainland China, Hong Kong, Macau and Taiwan
"HK$"	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" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on August 1, 2018
"Listing Date"	August 1, 2018, being the date on which the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"MAH"	Pilot Plan for the Drug Marketing Authorization Holder Mechanism (《藥品上市許可持有人制度試點方案》) issued by State Counsel on May 26, 2016
"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
"Mrs. Wu"	Mrs. Judy Hejingdao WU, an executive Director, one of our Controlling Shareholders and the spouse of Dr. Wu
"Prospectus"	the prospectus issued by the Company dated July 20, 2018
"R&D"	research and development
"Reporting Period"	the one-year period from January 1, 2018 to December 31, 2018
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"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 24, 2019

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. Ru Rong JI, Dr. Yizhen WEI, Mr. Jiong GU and Ms. Lin HUA, as independent non-executive Directors.